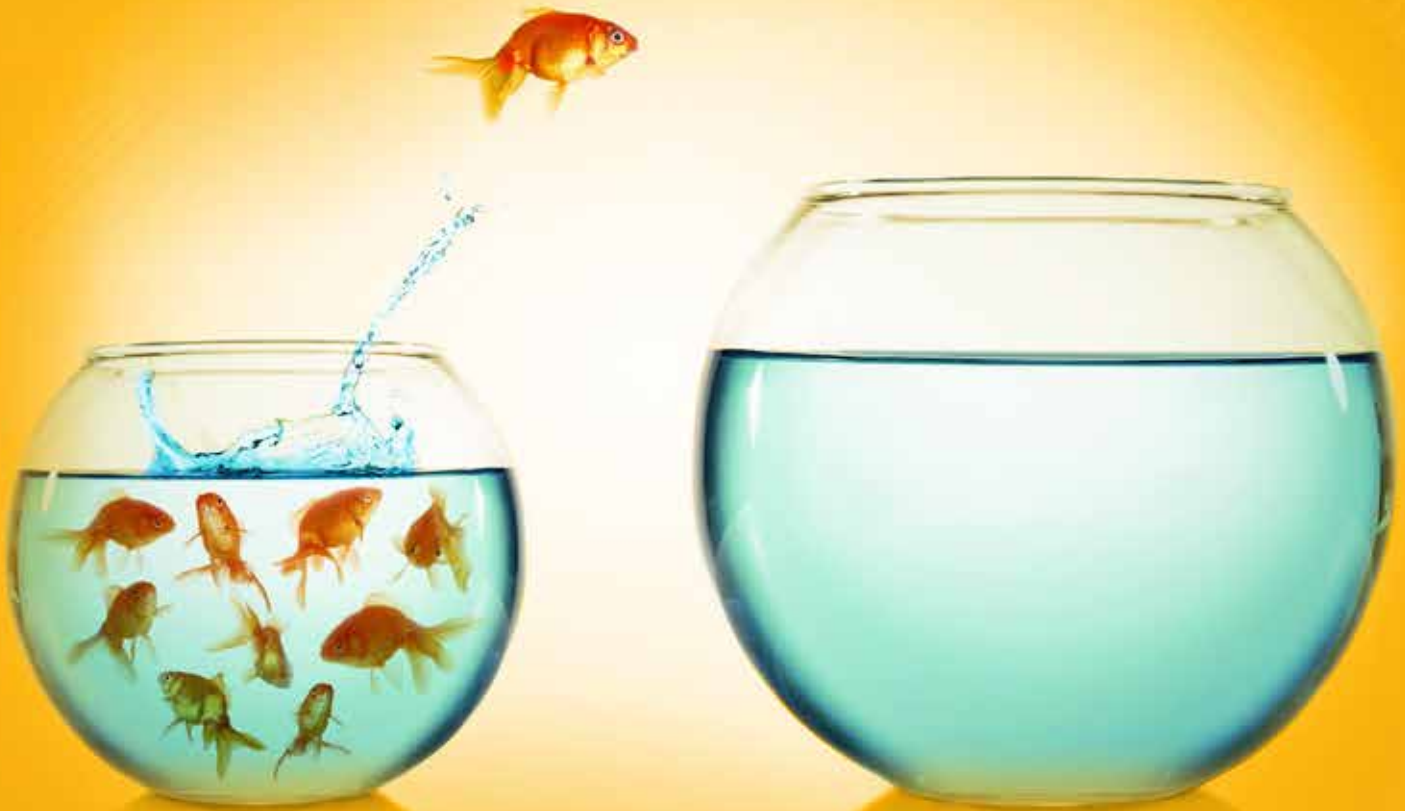


FRESH[•] THINKING

overcoming
challenges



SEFALANA
INTEGRATED
ANNUAL
REPORT

20
20

 **Sefalana**
GROUP

Your basket of opportunities

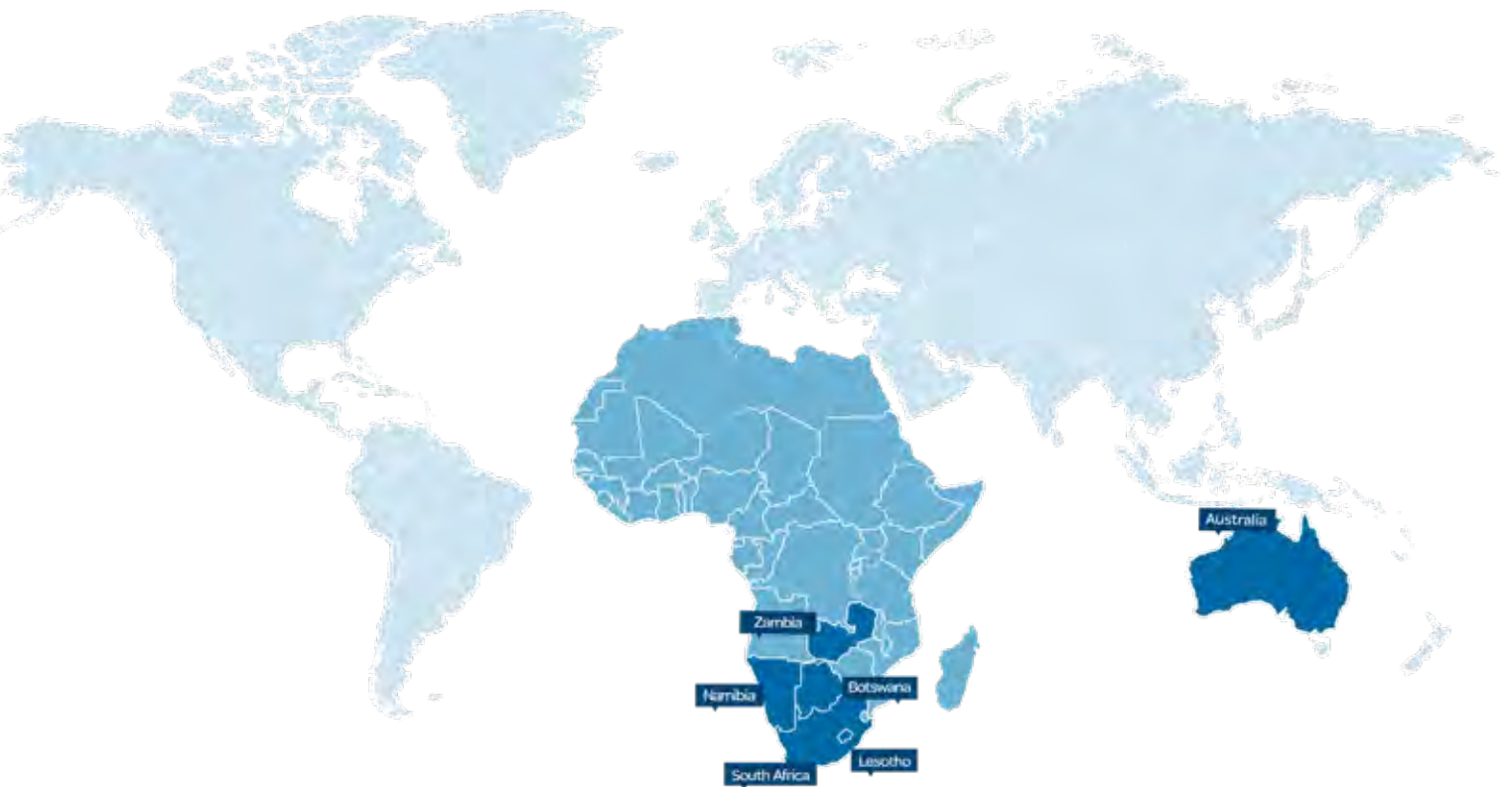


WELCOME TO OUR INTEGRATED ANNUAL REPORT

Our Integrated Report

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.

Our Values



Our People

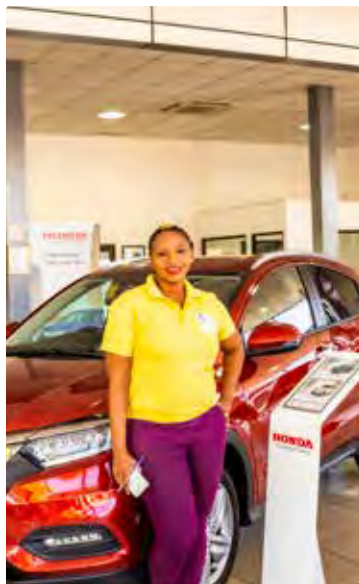
Over 99% of our staff in each country in which we operate, are local citizens. Equal opportunities are central to the Group and an open - door policy, fair employment practice and legal compliance gives us confidence in our management of relationships with our employees.

Our Thinking

**FRESH
THINKING**
overcoming
challenges

There is no growth without change, and there is no profound change without risk. Sefalana is an embodiment of working intelligently, methodically measuring the risks and rewards of all its investments and endeavours.

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Sefalana in partnership with PST and FNB donated P2 million of hygiene products and food towards the Government's Covid-19 relief programme

Sefalana also ran a digital Covid-19 awareness campaign during lockdown

Wash your hands frequently with an alcohol-based hand rub or soap and water for at least 20 seconds



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Sefalana football team are the 2019 Standard Chartered Cup champions.



Sefalana's Integrated Report

Enhanced reporting

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.



The International Integrated Reporting Council (IIRC)'s Breakthrough Phase established in 2014 to 2017 progressed to its Momentum Phase which now focuses on integrated thinking and reporting to be the global norm, building on the early adoption that was embraced by a number of large global corporates including Sefalana in previous years.



Companies around the world are being encouraged to further enhance this way of thinking and reporting. We have noted a select number of companies which are listed on the Johannesburg Stock Exchange (JSE), have moved towards this style of reporting as a result of their requirements under the JSE rules. At Sefalana we are proud to be leaders in Botswana for embracing this way of thinking despite this not being a requirement under the Botswana Stock Exchange (BSE) 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



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 IIRC's focus currently is to call for greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements

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

OBJECTIVES	SEFALANA'S RESPONSE
<p>» To improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital</p>	<p>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. We have included the Combined Code (UK Corporate Governance Code) as one of our benchmarks together with King III and IV against which we measure ourselves as detailed in the Corporate Governance Report.</p>
<p>» 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</p>	<p>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.</p>
<p>» 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</p>	<p>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.</p>
<p>» To support integrated thinking, decision – making and actions that focus on the creation of value over the short, medium and long term</p>	<p>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.</p>
<p>» To explain to Shareholders how an organisation creates value over time</p>	<p>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.</p> <p>On two occasions in the last six years we have carried out a Rights Issue program whereby a Circular was issued to Shareholders explaining our vision and plans for the Group. In both instances the Rights Issue shares were over subscribed demonstrating the effectiveness of our communication to Shareholders regarding value creation and the confidence placed in the Group to consistently deliver growth and return on invested capital.</p>

How our Integrated Report comes together

Objectives

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Risk management disclosure



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Governance Report



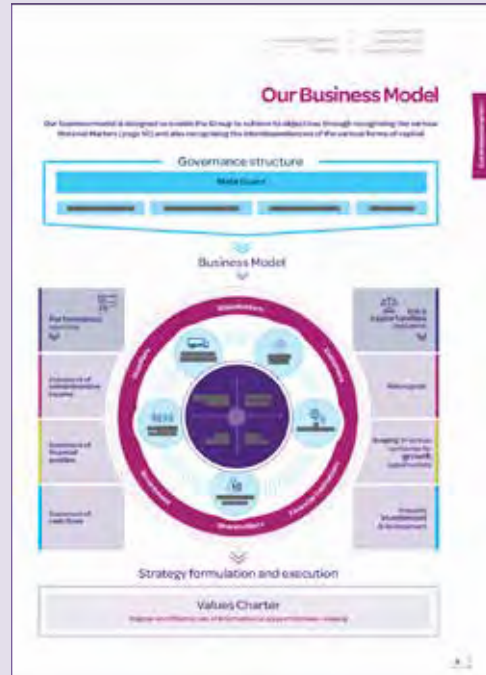
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Forms of Capital



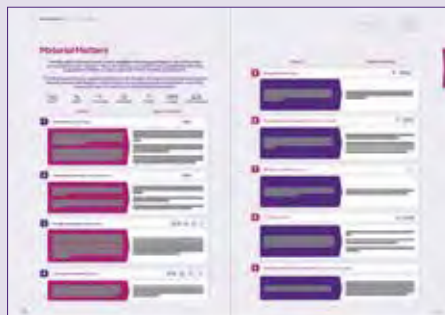
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Our Business Model



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Material Matters



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Values Charter



Reporting performance transparently

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Chairman's report



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Statement of Comprehensive Income

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Group Managing Director's Report



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Statement of Financial Position

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Group Finance Director's Report



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Statement of Cash Flows

Integrated Annual Reports

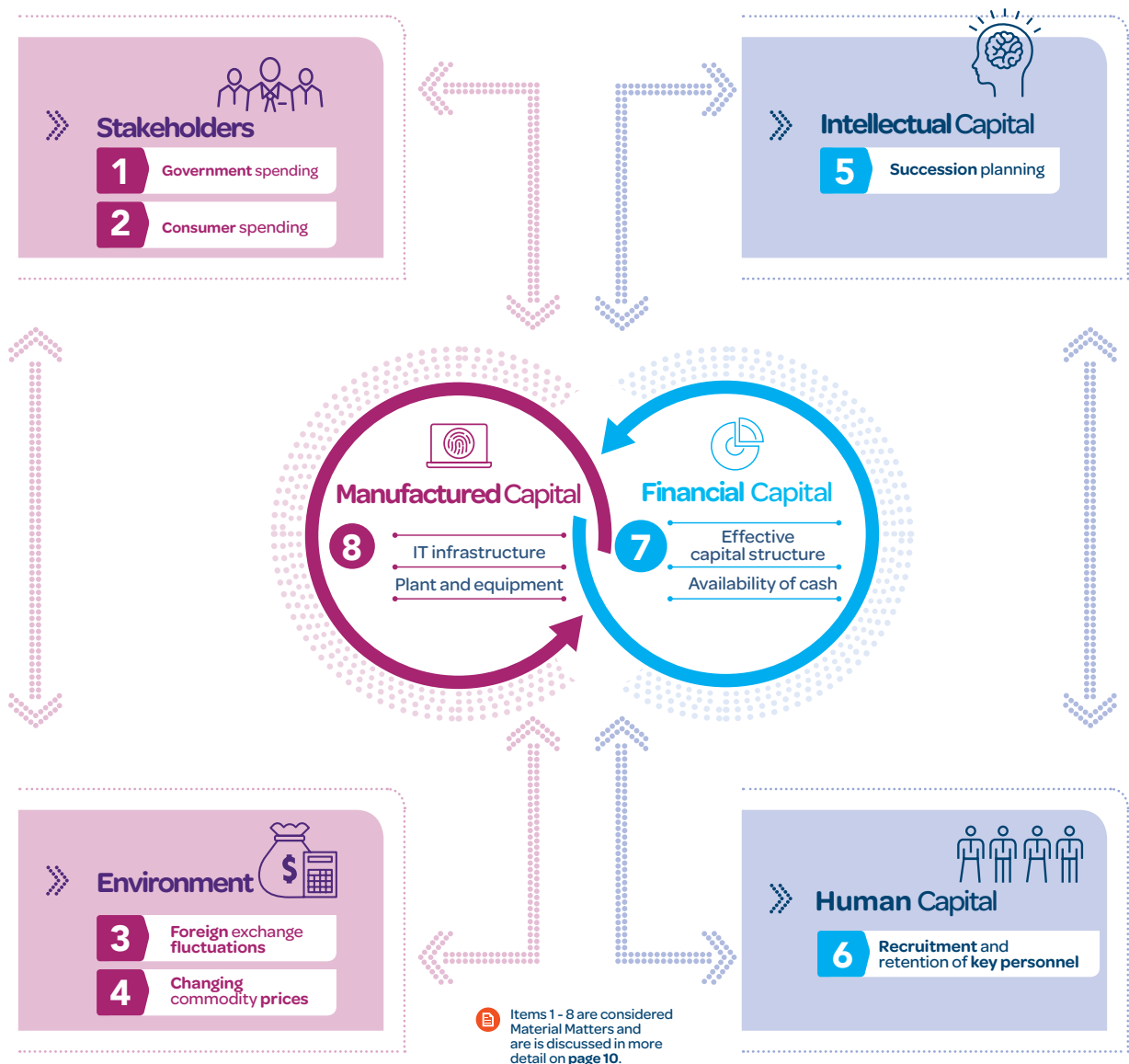


Enhanced disclosure every year

Forms of Capital

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

The inter-relationship between various forms of capital



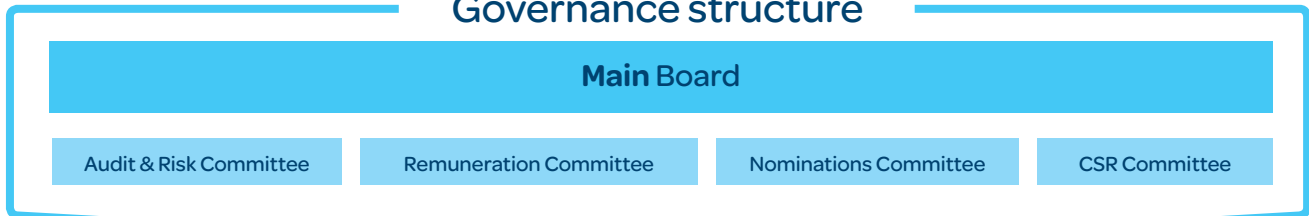
The inter - dependencies and relationship between each form of capital are complex and constantly evolving.

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

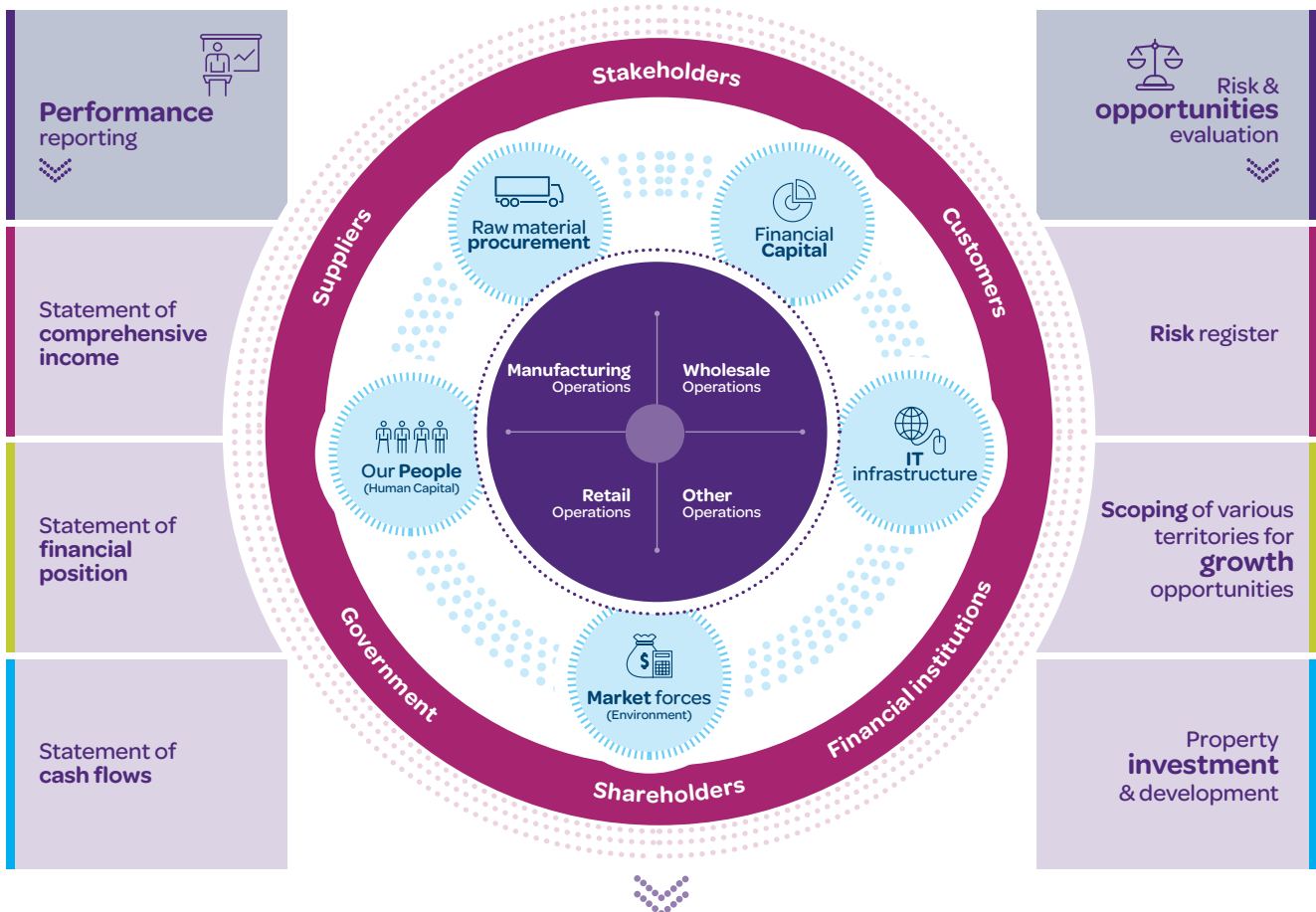
Our Business Model

Our business model is designed to enable the Group to achieve its objectives through recognising the various Material Matters (page 10) and also recognising the interdependencies of the various forms of capital

Governance structure



Business Model



Strategy formulation and execution

Values Charter

Regular and effective use of information to support decision - making

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 then reports on a quarterly basis to the Audit and Risk Committee:



IMPACT

RISK MITIGATION

1 Government spending



Our manufacturing businesses rely significantly on Government tenders and levels of spend in relation to the Tsabana and Malutu feeding schemes along with the Children’s UHT milk program.

These contracts usually run for no more than a 24-month period and therefore the sustainability of these manufacturing entities in our Group are largely dependent on successfully winning these orders at each tender date.

We continually obtain tender invitations and ensure we respond to all tenders we believe we are capable of servicing. Being aware of tenders issued is critical for these entities in our Group.

We have a strong track record for ensuring that where we have been awarded tenders, all quantities are delivered on time and that quality is not compromised.

Raw materials are procured from reliable suppliers at the best possible prices thereby ensuring we are best placed to secure and deliver to any orders placed with us with little notice.

2 Consumer spending and confidence



Customer spending and confidence is directly impacted upon by the level of employment and general economic sentiment.

During difficult times, this then results in increased pressure on margins as customers look for the best prices in the market.

The market is increasingly becoming price sensitive and therefore we need to ensure we are competitive wherever possible.

Efficient and effective procurement from suppliers helps us pass on discounts to customers.

Increasing basket size and offering a one - stop - shop helps retain market share in difficult economic conditions.

3 Foreign exchange fluctuations



The purchase of products from South Africa is a significant proportion of the Group’s procurement spend. The volatility of the Rand over the last 12 months has increased our exposure to pricing. Our grain procurement is linked to movements in the USD. Our rental stream in Zambia is also based on an underlying USD value. Our overall investment in foreign denominated businesses are retranslated at each reporting date.

Forward contracts are entered into where deemed to be appropriate and spot purchases of currency are carried out where a known cash outflow in a foreign currency is anticipated. A Group treasury function monitors foreign exchange movements on a daily basis and ensures appropriate transactions are entered into accordingly.

4 Changing commodity prices



The manufacturing businesses procure significant volumes of sorghum, soya and maize. These commodity prices can double or halve in any given financial year and this is largely driven by worldwide supply and demand.

Forward contracts are entered into where deemed to be appropriate and spot purchases of grain is carried out when prices appear to be at a low point. This helps us maintain manufacturing margins.

IMPACT

RISK MITIGATION

5 Succession planning



The Management team ensures that the objectives of the Group are achieved and that the success of the organisation is not reliant on one or a few key members of the organisation.

Recruitment of understudies is carried out for all significant positions and adequate training and mentoring is ensured on an on-going basis.

6 Recruitment and retention of key personnel



Our people make our Group what it is. The culture that it fosters drives performance and to ensure this is in place the workforce needs to be motivated and aligned to the Group strategy.

The Group strategy is communicated throughout the organisation by means of workshops and seminars.

High calibre staff are actively recruited from universities and other institutions. These are deemed to be the leaders of the future and therefore attractive remuneration and retention policies are in place to reward exceptional performance.

7 Effective capital structure



In order to support the Group's plans for expansion, sufficient capital is required to ensure the net return to Shareholders is in line with their expectations.

Careful consideration is given to the issue of equity vs debt and a target capital ratio range is maintained at all times.

8 IT infrastructure



In a constantly evolving world, the use of technology is essential to provide an organisation with the speed and efficiency for success. IT can enable an organisation to offer innovative new products and services to its customer base.

Computer software and hardware is updated on an ongoing basis.

The latest internet connections are installed in our stores to ensure data is captured quickly and accurately.

Cash withdrawal offering was introduced this year to all FNB card holders.

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

We have built up our brand over 46 years and it is critical that we leverage off this brand value to maximise returns.

Our rebranding program commenced in 2015 and has been rolled out throughout the Group. We have received very positive feedback on this area and this has helped consolidate and strengthen our Botswana brand. We periodically carry out surveys to assess brand health and respond accordingly.





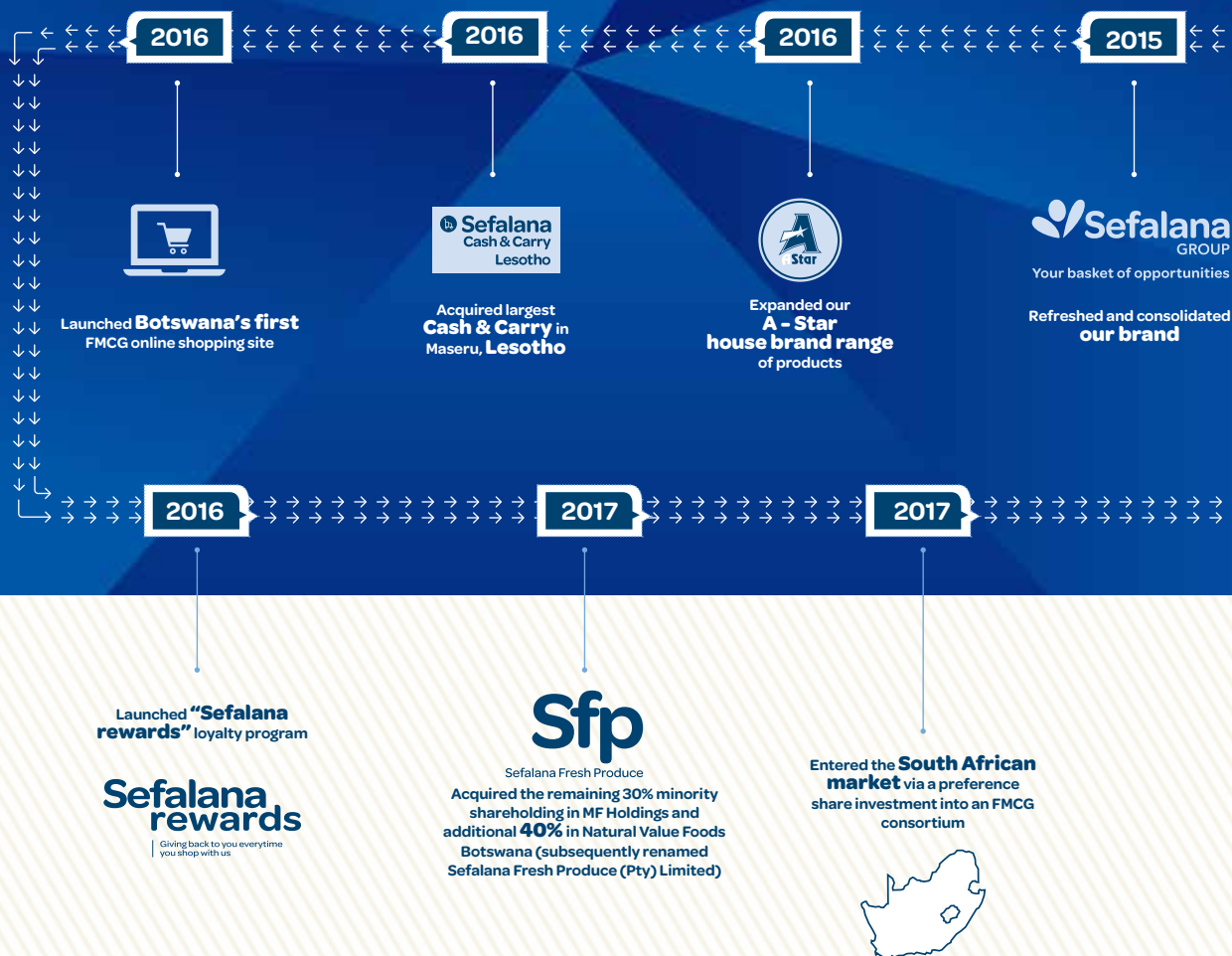
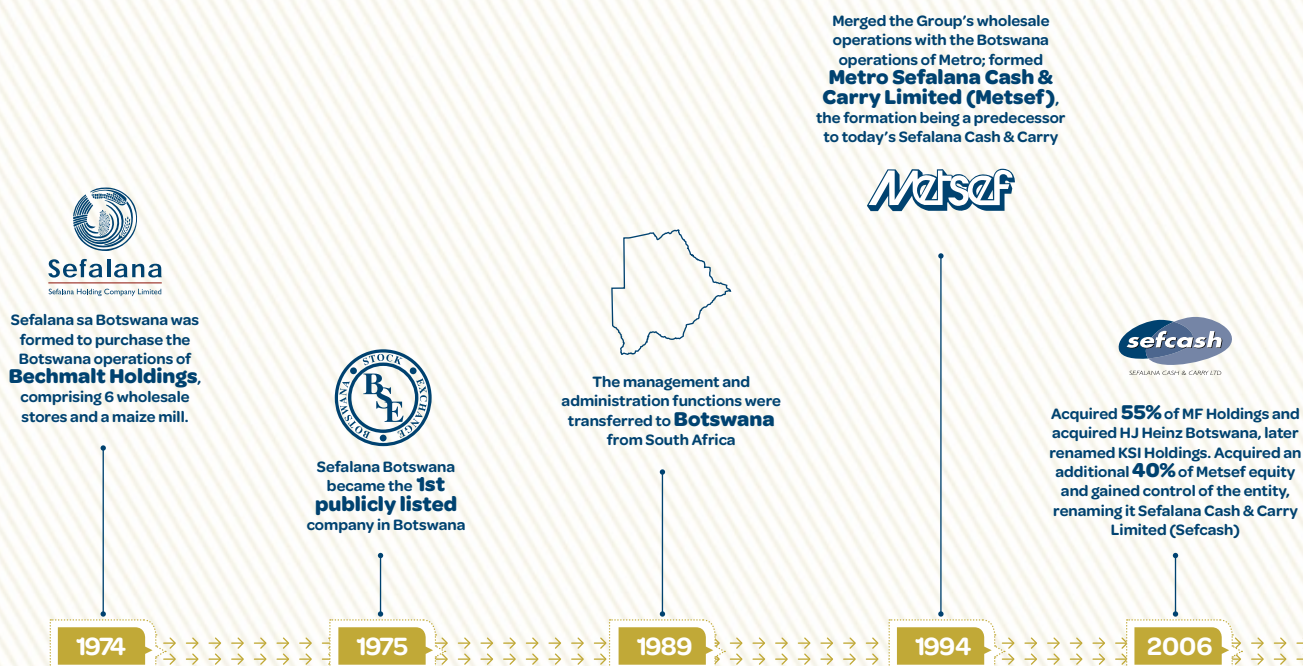
OVERVIEW[•]

FRESH[•]
THINKING
overcoming
challenges



Indeed, there is no growth without change, and there is no profound change without risk. Sefalana is an embodiment of working intelligently, **methodically measuring the risks and rewards of all its investments and endeavours.**

Sefalana Timeline



Approaching 50 years in business

Investment in property in Zambia

2009

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



2010

Mechanised Farming
COMMERCIAL MOTORS (PTY) LTD
YOUR MAN, HONDA & TATA DEALER

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

2013



Opened our **first store** outside Botswana in **Namibia**

2013



Aquisition of **12 Metro stores** across Namibia

2014

46 years of serving the Nation, your trust in the Sefalana sa rona brand puts us in **good standing** everywhere we do business

2018



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

2020

Sefalana Shopper
Shopper division celebrates **10 years** of business

2020



Setlhoa – **First of its kind** – hybrid store

46
Years of creating value

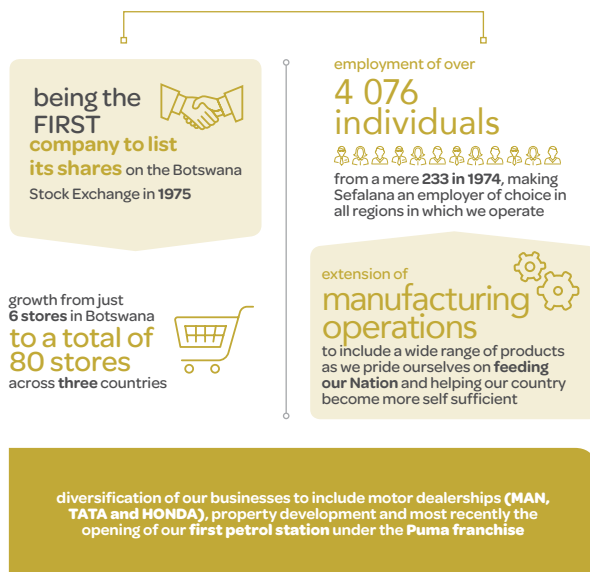
Our Sefalana

The Sefalana Group emerged as a result of the takeover of Bechmalt Holdings in 1974. At the time, this consisted of 6 wholesale stores and a maize mill. Over the last 46 years the Group has refined its processes, diversified its operations, explored new territories and rooted its brand deep into African soil becoming one of the most successful companies on the Botswana Stock Exchange.

Led by a purpose to create better customer experiences while developing a better tomorrow for the people of Botswana, Sefalana strives to be a Wholesaler and Retailer of choice, delivering a basket of opportunities to its Shareholders. Steered by our Group strategy and core values, we aim to nurture processes that have a positive impact on our business and our Communities.

We appreciate that customer demands are changing rapidly with advances being made in the retail environment every day. With a curious approach and confidence in our business model, we continue to transform our Group to better cater for ever changing customer needs.

In the last 46 years, we have achieved a number of substantial milestones which include:



Our timeline section presented on pages 14 and 15 provides a synopsis of key achievements over our 46 years.

A promise we make to our stakeholders is to continue unlocking value to expand our capabilities and deliver:



Sefalana Group – Your basket of opportunities

Our Integrated Annual Report

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

CORPORATE INFORMATION



SEFALANA HOLDING COMPANY LIMITED
Sefalana Holding Company Limited is incorporated in Botswana - Company registration number BW00001731678



GROUP SECRETARY
Gofaone Senna
Email: companysecretary@sefalana.com



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



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



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

Sefalana sa rona

Kompone ya Sefalana e nnile teng ka ngwaga wa 1974 morago ga gore e reka madirelo a Bechmalt Holdings. Ka nako eo, gone gona le madirelo ale marataro (6) le tshilo ya bopi. Esale gotswa mo dingwageng dile masome a mane le boratar (46), kompone ya rona e dirile bontle fela thata ka go simolola madirelo a a farologanyeng le go bula dikgwebo mo Afrika ka bophara. Kompone ya Sefalana ena le diabe mo komponeng ya diabe ya Botswana Stock exchange tse di atlegileng.

Ka tebelopele ee tsepameng ya tsamaiso ya kgwebo, ke ka moo baji bareki ba rona ba akola theko le tsamaiso ya maemo a ntlha a a netefatsang gore bokamoso jwa Batswana bo mo diatleng tse diphepa le go dira gore Sefalana enne madirelo a a ratwang ke botlhe. Ke maitlamo a boeteledi pele jwa Sefalana go tlhomamisa le go netefatsa gore ba beeletsu ba diabe mo Sefalana ba bona dipolelo tse di kgotsofatsang le go nna le seabe sese utlwalang mo sechabeng sa rona.

Re lebogela gore ka nako tsotlhe re bo rekgona go dirafatsa dikeletso tsa moji moreki, tse difetogang gangwe le gape. Ka kelotlhoko e e kogodimo le maikutlo a a tsepameng a tsamaiso ya kgwebo, re tswelsetse ka go godisa kompone ya Sefalana go e kgontsha go ntsha ditlamelo tsa boleng jo bo kogodimo gore re kgotsofatse baji bareki ba rona go tsamaelana le dikeletso tsa bone nako tsotlhe.

Mo dingwageng tse di masome mane le borataro, re kgonne tse di latelang:



Karolwana ya 14 le 15 di nankola ka boripana di ntlha tsa botlhokwa tsa katlego ya rona mo dingwageng tse di masome mane le borataro.

Re netefatsa re bo re itlamo mo ba beeletsing ba rona gore retla tswelela ka go dira ka manontlhotlho go godisa bokgoni jwa rona le go ntsha maduo aa latelang:



Kompone ya Sefalana ke mmamoratwa wa gago yo o ikanyegang gogo tsisetsa bokamoso jo bontle

Our Integrated Annual Report

Ka pego ya ngwaga le ngwaga, re supa ka bophara ditiro tsa rona le go bontsha kafa re okeditseng kateng dipolelo tsa ba beeletsu ba rona le go tshegetsu maitlamo a bodiredi jwa rona le go tswelela re batla ditshono ka dinako tsotlhe.

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

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

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

Our response to COVID 19



In December 2019, Coronavirus (COVID 19) was reported in Wuhan, China. The World Health Organisation (WHO) has since declared COVID 19 a “Public Health Emergency of International Concern” and on 11 March 2020 WHO declared the disease a Pandemic. This has had a significant impact on everyday life, the communities in which we live in and the organisations in which we work.

As a response to the Pandemic and in efforts to take preventative measures, Botswana enforced an initial 35 day lockdown period from 3 April 2020, restricting social interaction and non-essential business services. A similar approach was taken by the governments in other regions in which we operate being Namibia, South Africa and Lesotho.

As a large diversified Group, an Essential Services provider, and in response to the environment around us relating to COVID-19, we developed a number of measures to ensure limited impact of the Pandemic on our staff, our business and the communities we serve. We prioritized these measures as follows:

Looking after
our people and the wider
community

Remote working and
team management

Cash and liquidity
management

Business continuity
– Crisis management
and response



We have summarised the steps taken below:

Looking after our people and the wider community	
Contribution to the Botswana COVID-19 Relief Fund	<ul style="list-style-type: none"> » A donation of P1 million was made towards this fund as a means of support and show of solidarity to our Country in its efforts to combat COVID-19. This was in the form of groceries and healthcare items.
Limitation of international travel	<ul style="list-style-type: none"> » In late February 2020, we advised all staff to avoid international travel where possible. This was in response to heightened international travel restrictions and the emergence of Corona cases in neighbouring countries such as South Africa and Namibia. Corporate travel was discontinued unless approved by the CEO. » Skype and alternative tele-conferencing facilities were encouraged to minimize social interactions.
Educating staff on self-care and social distancing	<ul style="list-style-type: none"> » Staff at all business units were provided with individual hand sanitizers and disinfectants. » Notices were put up in our stores and offices on the importance of washing hands and how this can be done effectively. » All meetings of more than ten staff members done via telecons / virtual meetings to avoid social interaction. » All bio-metric scanning at business premises were temporarily suspended as an added safety measure. » Government communications and advice was followed as soon as it was circulated.
Constant communication with stakeholders	<ul style="list-style-type: none"> » We maintained open and regular communication with our staff, shareholders, investors and other stakeholders, ensuring we provided a sense of ease and attended to any queries and concerns raised.



Our response to COVID 19

(continued)

Remote working and team management	
Encouraging remote working	» We encouraged staff to work from home in order to limit social interaction and motivate a 'stay home, stay safe' motto.
Development of a 3 month work plan	<p>» This was done to foster a sense of responsibility by each staff member, ensuring staff remained busy over the lockdown period and managed their time and deadlines well.</p> <p>» A 3-month plan also ensured workplans and deliverables were clear should the lockdown period be extended.</p> <p>» Constant feedback and communication with line managers also enabled an easy transfer of tasks should any staff member fall ill.</p>
Investment in IT infrastructure	<p>» A significant investment was made in terms of purchasing laptops for staff that use desktops, and Wi-Fi devices to enable remote working.</p> <p>» Improvements were made to our cyber security to limit the impact of ransomware attacks as these have risen in recent months due to hackers taking advantage of the Pandemic and remote working conditions.</p> <p>» Microsoft Teams was installed on all laptops to ensure easier and timely communication between employees.</p>



Cash and liquidity management

Deferral of capital expenditure	» All non-essential capital expenditure was put on hold until further notice. This is to limit unwarranted cash outflows and ensure adequate liquidity management
Supply chain management	» Regular communication with suppliers to ensure minimal disruption in the supply chain.
Review of banking covenants in place	» Confirmation of all banking facilities in place to ensure these are accessible should the need arise
Development of revised cashflow forecasts for next 12 months	» Exercise completed to ensure all business units catered for the impact of COVID-19 and how this may alter their cash position in the coming year including remediation plans.
Close monitoring of debtors	» To ensure default rates are managed and that payments are received as and when due to limit cashflow constraints.



Business continuity – Crisis management and response

Insurance cover	» Existing insurance cover was revisited and enhanced to mitigate any additional risk.
Business Disaster Recovery	» A framework was developed with a Big 4 accounting firm to ensure the Group has appropriate measures in place in the unlikely event that the impact of COVID-19 results in severe disruptions to our business.

Throughout these uncertain times and as an Essential Services provider, Sefalana has undertaken to address the needs of our Stakeholders.

We offered online and email ordering facilities to ensure our customers stay safe at home as we bring groceries to their doorstep. We have strived to live up to our name and continually provide the basket of opportunities to our investors that have placed trust in us to deliver on-going value.

Sefalana in partnership with
FNBB Foundation gives
P1 million of groceries
**towards the Government's
Covid-19 relief programme**





Sefalana

Sa Rona - Your family value store

Sefalana in partnership with
PST Sales & Distribution gives
**P1 million of hygiene products and
food towards the Government's
Covid-19 relief programme**



SALES & DISTRIBUTION

Working together
to make a difference

Financial highlights

Headline performance

for the year ended	2020	2019
	P'000	P'000
Revenue	5 835 836	5 305 981
Profit for the year attributable to equity holders of the parent	197 922	198 860
Total comprehensive income attributable to equity holders of the parent	124 712	162 150
Shares in issue at beginning and end of year (number)	250 726 709	250 726 709
Basic and diluted earnings per share (thebe)	78.94	79.31
Total comprehensive income per share (thebe)	49.74	64.67
Dividends per share (thebe) - ordinary - paid	10.00	10.00
Dividends per share (thebe) - ordinary - proposed	27.50	27.50
Dividend cover (times)	2.11	2.11
Net asset value per share (thebe)	720	708
Market price per share at year end (thebe)	902	859

Value added statement

	2020	2019
	P'000	P'000
Wealth created		
Revenue	5 835 836	5 305 981
Payments to suppliers and providers of services	(5 260 396)	(4 803 340)
Value addition	575 440	502 641
Share of results from associate and joint venture	(2 011)	(1 994)
Interest income from bank deposits and other loans	18 372	18 070
Dividends on preference shares	37 528	37 339
Total wealth created	629 329	556 056
Wealth distribution		
To employees	276 266	233 797
To providers of capital	119 677	92 607
Government for taxes	61 142	60 026
Total wealth distributed	457 085	386 430
Wealth retained in the business		
To maintain and develop operations of the Group	172 244	169 626
Number of employees of the Group	4 076	3 488

Shareholder information

Analysis of shareholders

	30 April 2020		30 April 2019	
Shareholders with an individually significant interest in Sefalana Holding Company Limited				
Botswana Public Officers Fund	114 941 599	45.84%	112 501 676	44.87%
Motor Vehicle Accident Fund	25 083 138	10.00%	25 083 138	10.00%
Debswana Pension Fund	15 044 406	6.00%	15 175 206	6.05%
Chandra Chauhan	13 860 448	5.53%	13 525 511	5.39%
	168 929 591	67.37%	166 285 531	66.32%
Summary by class of Shareholders:				
Insurance companies pension funds and nominee companies	228 762 265	91.24%	228 631 799	91.19%
Individuals and others	21 964 444	8.76%	22 094 910	8.81%
Total	250 726 709	100.00%	250 726 709	100.00%
Shares held by citizens (individuals and institutions)	237 732 456	94.82%	233 398 863	93.09%

	30 April 2020		30 April 2019	
	Public	Non Public	Public	Non Public
Number of shareholders	1 640	21	1 684	21
Number of shares held	208 770 326	41 956 383	209 140 093	41 586 616
Proportion (%)	83%	17%	83%	17%

Stock market information

Number of shares traded (000)	7 865	3 387
Value of shares traded (P'000)	69 924	29 603
Share price for the period (thebe):		
Lowest	855	859
Highest	902	896
Closing	902	859
Market Capitalisation at year end (P'000)	2 261 555	2 153 742

» Over the last 5 years, the Group has generated **over P1 billion in profits for its shareholders largely through its expansion** into the Namibian, Lesotho and South African markets. We now look forward to further growth and expansion in the next 5 years.



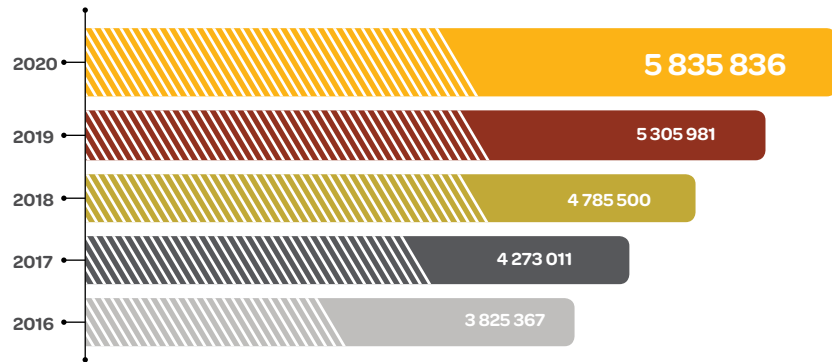
Shareholders' calendar

Financial year end	30 April
Announcement of audited results	30 July 2020
Annual General Meeting	30 October 2020
Announcement of half year results	end of January 2021

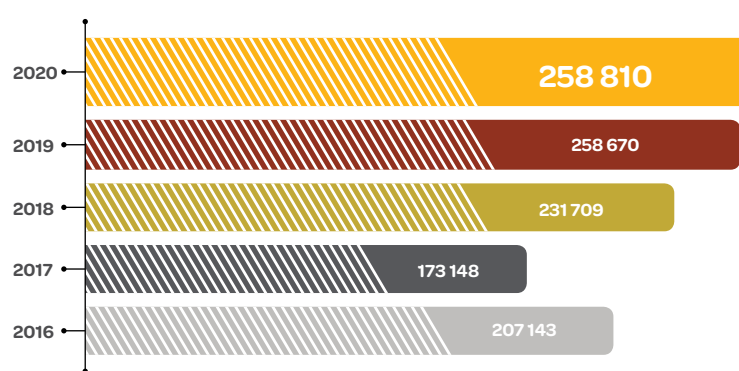
Five year trending

This year we celebrated **10 years in Retail** and this part of the business has now made a strong name for itself following the opening of our flagship store in Setlhoa in November 2019 ("The Big One").

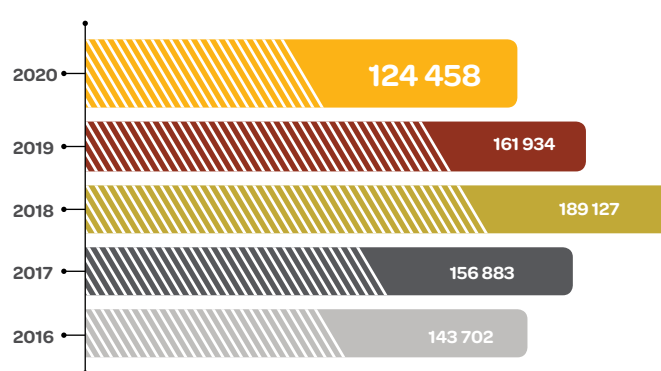
Revenue (P'000) //



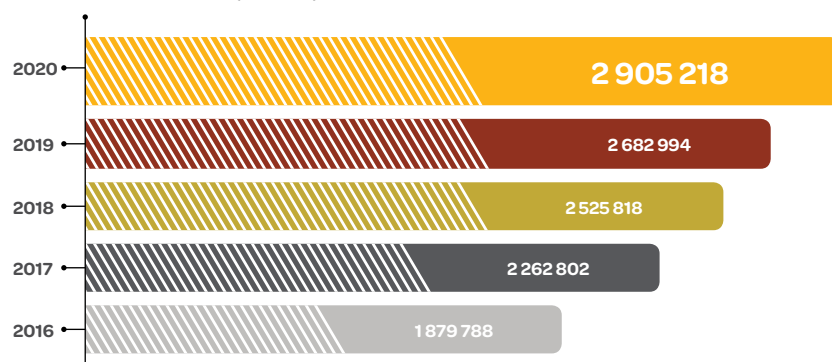
Total Profit Before Tax (P'000) //



Total Comprehensive Income (P'000) //



Total Assets (P'000) //



Record of financial performance

	30 April 2020	30 April 2019	30 April 2018	30 April 2017	30 April 2016
	P'000	P'000	P'000	P'000	P'000
Comprehensive Income					
Revenue	5 835 836	5 305 981	4 785 500	4 273 011	3 825 367
Profit from operations	260 821	260 664	232 452	172 512	206 933
Share of results from associate and joint venture	(2 011)	(1 994)	(743)	636	210
Profit before tax	258 810	258 670	231 709	173 148	207 143
Income tax expense	(61 142)	(60 026)	(54 035)	(44 845)	(49 549)
Profit for the year	197 668	198 644	177 674	128 303	157 594
Other comprehensive (loss) / income	(73 210)	(36 710)	11 453	28 580	(13 892)
Non - controlling interests	(254)	(216)	(1 803)	(3 356)	(4 945)
Total comprehensive income for the year attributable to equity holders of the parent	124 712	162 150	187 324	153 527	138 757
Earnings per share (thebe)	78.94	79.31	70.14	53.35	66.95
Total comprehensive income per share (thebe)	49.74	64.6 7	74.71	65.33	61.67
Dividends per share (thebe)	37.50	37.50	33.00	30.00	30.00
	30 April 2020	30 April 2019	30 April 2018	30 April 2017	30 April 2016
	P'000	P'000	P'000	P'000	P'000
Financial position					
Property plant and equipment	756 867	641 720	617 064	543 765	486 931
Right of use assets	140 984				
Investment property	234 705	287 166	260 685	262 923	260 494
Intangible assets	119 915	134 546	145 823	150 332	133 884
Investment in associate			2 616	5 030	4 579
Investment in joint venture				1 314	1 979
Investment in preference shares	175 858	197 895	198 114		
Deferred lease assets	3 842	2 656	1 090	2 033	2 033
Deferred tax assets	23 717	17 254	16 708	13 546	17 764
Retirement benefit assets	2 473				
Current assets	1 446 857	1 401 757	1 283 718	1 275 859	964 124
Asset classified as held for sale				8 000	8 000
Current liabilities	(774 222)	(689 113)	(609 590)	(434 218)	(530 024)
Non - current liabilities	(326 299)	(218 792)	(220 332)	(215 714)	(174 403)
Non - controlling interests	(14 981)	(16 064)	(16 280)	(47 100)	(59 766)
Equity attributable to equity holders of the parent	1 789 716	1 759 025	1 679 616	1 565 770	1 115 595



EXECUTIVE[•] REPORTS



**FRESH[•]
THINKING**
overcoming
challenges



Led by a purpose to create better customer experiences while developing a better tomorrow for the **people of Botswana**, Sefalana strives to be a **Wholesaler and Retailer of choice**, delivering a basket of opportunities to its **Shareholders**.

Board of Directors



Dr Ponatshego Kedikilwe (82)
Chairman
Non - Executive



Chandra Chauhan (58)
Group Managing Director
Executive



Mohamed Osman (43)
Group Finance Director
Executive



Keneilwe P Mere (47)
Non - Executive



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

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

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

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



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 completed Executive Leadership courses at Harvard Business School Cambridge Massachusetts, and MIT Sloan School of Management in Boston.

Mohamed has a passion for business growth and has played a pivotal role in the Group's expansion into Namibia, Lesotho, South Africa and most recently Australia.

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



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

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

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



Elias Dewah (78)
Non - Executive



Dr Keith Jefferis (63)
Non - Executive



Reginald Motswaiso (56)
Non - Executive



Bryan Davis (62)
Sefalana Cash and Carry Namibia -
Managing Director - 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.



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 and retired from the board on 31 May 2020.



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

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

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

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

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

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

All Non-Executive Directors are independent

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

Board Committees discussed in more detail on pages 94 - 109.

Chairman's Report



These past five years in this role have passed quickly, and it has been a thrilling time to be at Sefalana.

Looking back, I could never have imagined some of the amazing things we are doing with our business today but, at the same time,

it feels as if there are many opportunities yet to be explored.

I commend my fellow Directors, the senior management team and all Sefalana employees for maintaining **RESILIENT OVER COVID-19 LOCKDOWN PERIOD of uncertainty and putting parameters in place to ensure business continuity and minimal impact to our operations and performance during this uncertain time**



Number of Employees



4 076

Sefalana's core FMCG business continues to **EVOLVE** according to changing consumer needs



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.



As always, we maintain our promise of being a truly home-grown company, **OWNED BY THE PEOPLE OF BOTSWANA** through giving back a healthy return to our shareholders in the form of dividends.



95% of Sefalana shares are held by **BOTSWANA INSTITUTIONS** or Botswana citizens

95%



We opened our very first hybrid supermarket this year, **SEFALANA SHOPPER SETLHOA**, - "the Big One" which is a momentous achievement for our Group

Chairman's Report

(continued)



I joined the Sefalana Board just over five years ago with the knowledge that it is a well-diversified, values driven business known for its resilience, customer service and product quality.

These past five years in this role have passed quickly, and it has been a thrilling time to be at Sefalana. Looking back, I could never have imagined some of the things we are doing with our business today but, at the same time, it feels as if there are many opportunities yet to be explored.

Over the years, I have observed the Group take calculated risks and develop from strength to strength as it expands beyond borders and commits itself to cultivating its brand and offerings for its valued customers. Indeed, there is no growth without change, and there is no profound change without risk. Sefalana is an embodiment of working intelligently, methodically measuring the risks and rewards of all its investments and endeavours.

Managing our business on a daily basis is critical to our performance, however focal strategic decisions are made in light of what we want our Group to become for the next generation. As such, our objective is to position our Group for long-term success, through growing our business from its centre.



Sefalana's core FMCG business continues to evolve according to changing consumer needs. Our efforts of adapting to serve the modern-day consumer who seeks seamless and ultra-convenient solutions, has led us to open our very first hybrid supermarket this year, Sefalana Shopper Setlhoa, - "the Big One" which is a momentous achievement for our Group. Together in partnership with Puma, we were also able to open our first filling station coupled with a Sefalana Quick store.

As we strive to better our Group, we strive to grow the bond with our stakeholders through communicating the hard work being done by our staff and how their dedication and enthusiasm is improving our business. From eliminating waste in our supply chain to ensuring our goods and their packaging is healthier and more sustainable. I continue to be amazed by the process improvements and results being achieved by our teams and how this is impacting our bottom line. Well done to division heads and their staff. As we strive to keep pace with everyday changes in technology, it is our people that remain the backbone of our business.

As always, we maintain our promise of being a truly home-grown company, owned by the people of Botswana through giving back a healthy return to our shareholders in the form of dividends. Our strategic financial mindset continues to be strong, values-driven growth focusing on building our core business through strategic capital allocation. This



» From humble beginnings in 1974
**to achieving the
 stature of a leading
 FMCG body in
 Botswana, Namibia
 and Lesotho,**
 Sefalana celebrates 46 years of successful operation in an ever-changing
 business environment.



46
 Years
 of creating
 value



» As such we continue to create better experiences
 for both our staff and valued customers,
**to support local
 businesses and
 to build a strong
 community**
 engagement through our CSR activities.



has allowed us to deliver higher returns to our shareholders year on year. We are proud to have paid a total dividend of 37.5 thebe to our Shareholders for the financial year ended 30 April 2020.

As we celebrate another strong year, we must bear in mind future uncertainties as a result of COVID-19. The extent of the impact of this Pandemic on the Group's operational and financial performance will depend on future developments and the treatment of COVID-19 worldwide. No material impact has been noted for the financial year ended 30 April 2020 apart from a subdued customer demand as the national lockdown commenced in our last month of operations on 3 April 2020. During this time, staff were enabled to work remotely from home and we continued to attend to our customers through online means.

I commend my fellow Directors, the senior management team and all Sefalana employees for maintaining resilience over this period of uncertainty and putting parameters in place to ensure business continuity and minimal impact to our operations and performance during this uncertain time.

The new financial year does come with uncertainty, but this comes with the silver lining of new opportunities, promising a brighter, better tomorrow. The pace and magnitude of our ability to adapt to change are critical in our drive for building a better Group for the next generation. As such we continue to create better experiences for both our staff and valued customers, to support local businesses and to build a strong community engagement through our CSR activities.

In closing, 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, 30 October 2020 and will be hosted on Microsoft Teams.

It is with a heavy heart that I now step down as Chairman of this amazing Group. I wish my successor all the best of luck in this role and I look forward to tracking the next chapter for Sefalana as it expands across the waters into Australia. A truly exciting time lies ahead.

Dr. PHK Kedikilwe, PH, NYB
 Chairman

FRESH THINKING[®]
overcoming challenges



» **SPRUCE UP YOUR HOUSE**
with our collection of
cheerful flowers, plants
and shrubs

Available at new Sefalana Shopper Setlhoa.

» Beautiful store with amazing
world class shopping
environment
and a wide range
of local and imported products.



SHOPPER SETLHOA

Floral & Shrub corner



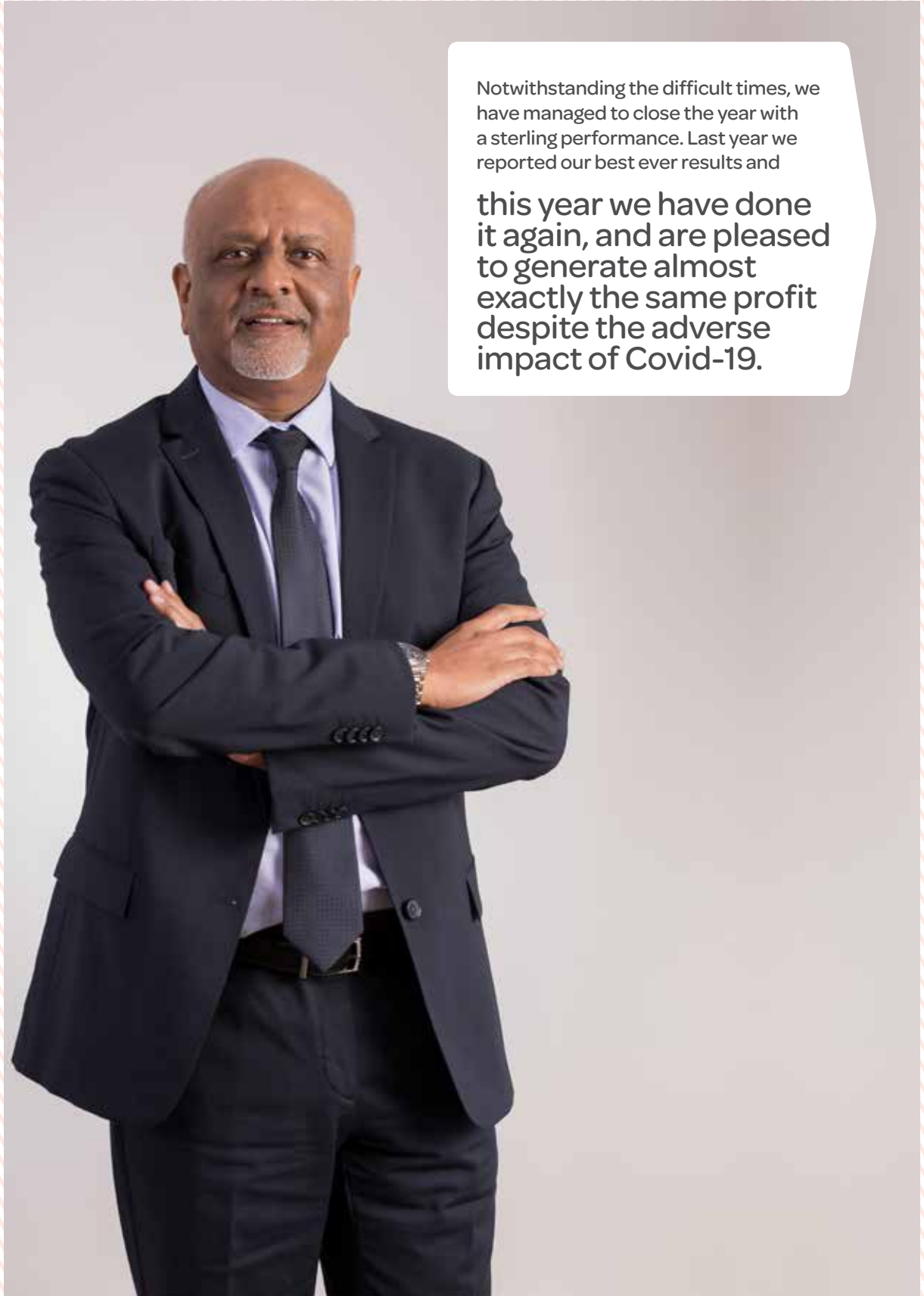
Sefalana
healthy
living[®]

✓ healthy ✓ fresh ✓ affordable



» With better quality and better products,
**Sefalana is all about adding
VALUE BACK INTO
YOUR POCKET**

Group Managing Director's Report



Notwithstanding the difficult times, we have managed to close the year with a sterling performance. Last year we reported our best ever results and

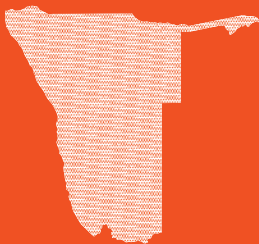
this year we have done it again, and are pleased to generate almost exactly the same profit despite the adverse impact of Covid-19.



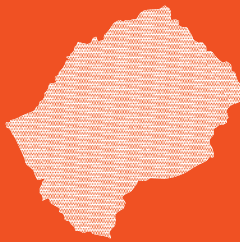
» Our entry into the South African market has resulted in a sizable contribution to the bottom line results for the current and prior year.



» Sefalana entered into Australia market in order to pursue its Group strategy to diversify its income stream and foreign exchange exposure.



» Our Namibian business continues to perform well as we expand our presence in that country.



» Our Lesotho business has performed well and generated a good profit this year.



At all our stores, we have focused on enhancing the shopping experience and offering better deals and a wider product range.

We have developed our service lines, in particular with hot foods and butchery, and improved our fruit and vegetable offering.



During the year, in support of local Batswana farmers, P57 million of grain was secured from BAMB

and a further P17 million of grain was sourced directly from the farmers.



» In November 2019, we opened our 3,200 sqm flagship Sefalana Shopper store ("The Big One") at Setlhoa.



This store offers a wide range of up-market products, a significant hot foods counter,

one of the largest butcheries, an impressive bakery, and even a pharmacy.



At the Setlhoa site we also opened our first Petrol station under the Puma franchise.

We are pleased with this model and will look to replicate this in other parts of the country.

We placed emphasis on our Manufacturing businesses and this year were able to secure large contracts and deliver very respectable profits.



Group Managing Director's Report

(continued)



Financial results of the Group – overview

Financial highlights

For the year ended 30 April 2020, the Group's:

Revenue was
P5.8 billion
up 10% on prior year



10%

Gross Profit was
P387 million
up 14% on prior year;



14%



Note that the impact of adopting IFRS 16 (Leases) has resulted in an additional charge of P4.7 million to the statement of comprehensive income. As a consequence, underlying

Profit before tax excluding the impact of this standard, would have been P264 million and therefore up 2% on the prior year.



Earnings before interest, tax and amortization was
P237 million
up 7% on prior year;

7%

Profit before tax was
P259 million
in line with prior year



A total dividend of
37.5 thebe
was paid to our Shareholders



All through the financial year, the greatest focus has been on the Fast Moving Consumer Goods ("FMCG") business in the various countries in which we operate, where we have placed considerable efforts to revive and improve margins and relative contribution to Group results. We had made considerable progress in this area in the first half of the year but then were negatively impacted by the Covid-19 Pandemic when our stores were restricted in terms of permitted customer numbers, and when liquor sales were prohibited during lockdown.

Our focus on cost saving initiatives across the Group and exploring ways to extract additional value from our existing businesses continued.

We placed emphasis on our Manufacturing businesses and this year were able to secure large contracts and deliver very respectable profits.

We have also benefited from the second tranche of returns from our South African investment which is performing broadly in line with plan. Our third of five payments is due in July 2020. This has proven to be an exceptional investment for the Group.

Our Namibian business continues to perform well as we expand our presence in that country. The economy is however experiencing turbulence, and this in turn, is placing pressure on margins and our growth rate.

Our Lesotho business has performed well and generated a good profit this year. We were able to do this by changing our model to respond to competition in the area.

We were however, conscious of the significant weakening of the South African Rand over the last 12 months and our related ZAR denominated investments. As a consequence, we looked further out to identify investment opportunities outside the SACU area.

Group Managing Director's Report

(continued)

Further information about this exciting development is set out in the Prospects section of this report.

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

Overall the Group achieved a turnover of P5.8 billion and generated a profit before tax of P259 million for the year ended 30 April 2020. We are confident that our Shareholders and potential investors will be pleased with our performance and will share our enthusiasm with the forward-looking prospects of our business and brand.

Foreign exchange exposure

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

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



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

Expansion into the Region naturally exposes the Group to foreign exchange gains and losses, and we have annually reported this to be the case. In the prior year we reported a P46 million re-translation loss mainly relating to the Namibian, South African and Lesotho businesses which are all ZAR denominated. At the year end this re-translation loss amounted to P86 million since the currency movements have been very significant over the 12 month period due to the uncertainties in South Africa. These translation differences, recorded in other comprehensive income and losses are however, temporary and will reverse as the ZAR normalizes.

It is for this reason that we have looked at other stronger currency based investments to mitigate some of this foreign exchange exposure.

Note that the impact of adopting IFRS 16 (Leases) has resulted in an additional charge of P4.7 million to the statement of comprehensive income. As a consequence, underlying Profit before tax excluding the impact of this standard, would have been P264 million and therefore up 2% on the prior year.

Segmental Reporting

The Group's business and geographical segments are reported separately. Intersegment transactions are eliminated, and accounted for in a separate ("Intersegment or Unallocated") segment. Transactions between segments are at fair value.

The Botswana business units

Overall, our Botswana businesses have generated P135.6 million of profit, up 4% on the prior year.

Trading – consumer goods

During the first half of the year we had noted positive signs of recovery in the market, as consumer spending and confidence appeared to be improving. Our customers began visiting our stores more often and basket sizes increased. We also noted a greater level of sophistication with our customer base, as they looked for a greater range and a one-stop-shopping experience. We are pleased to have identified this and been able to provide our valued customers with what they desire.

The second half of the year was then impacted by the onset of the Covid-19 Pandemic and many businesses suffered as a consequence. The uncertainty this caused, resulted in a more cautious customer, initially forward buying in anticipation of the lock-down, and then reduced buying until after the lockdown had ended. The product mix also moved towards essentials and away from luxury high margin products. Net margin mix therefore reduced as a result.

From a top line growth perspective, we benefited from the Government Covid-19 relief program where many donors selected Sefalana as their preferred supplier due to the competitive prices on offer. We deliberately reduced margins on these orders to maximise the food being made available to those in need. As a consequence, our turnover increased but at very slim margins. Our advance planning enabled us to stock up on key lines and this enabled us to be in a position of having adequate stock of these lines when our competitors had run out.



We were also pleased to have donated P1 million in food and hygiene products towards this relief initiative and partnered with two other key suppliers in the market (FNBB and PST Distribution) to increase the donation to a combined P2 million. All our staff remained employed and without a salary reduction as we felt it important to support our most valued asset – our people.



Sefalana Cash & Carry Limited contributed 57% and 26% of the Group's revenue and profit before tax for the year, respectively. Turnover amounted to just over P3.3 billion, which was 13% up on the prior year.

Efforts continue to find ways in which to improve the overall margins as we navigate through the extended impact of the Pandemic.

At the beginning of the financial year, Sefalana operated 4 Hyper Stores ("Sefalana Hyper"), 25 Cash & Carry stores ("Sefalana Cash & Carry") and 26 supermarket retail stores ("Sefalana Shopper") across the country, giving the Group a total of 55 stores in Botswana. During the year, we expanded our national footprint through the opening of an additional Sefalana Shopper retail store in Kazungula and a Sefalana Quick at Setlhoa.

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



At the Setlhoa site we also opened our first Petrol station under the Puma franchise. We are pleased with this model and will look to replicate this in other parts of the country.

We have however, deliberately slowed down expansion as we manage overheads and will look to accelerate store openings once the impact of the Pandemic is better understood in the market.

In the first half of the year we opened our Sefalana Catering division in the Gaborone Old Industrial area. This division focuses on serving an end-to-end solution to the large hospitality industry with ambient and frozen foods in wholesale size units. This business offers over 2,000 additional different product lines not previously sold within the Sefalana Group and was expected to make a sizable contribution to the Botswana FMCG business in the next three years. Unfortunately, the Pandemic has had a catastrophic impact on the Hospitality sector, and this has naturally had a knock on effect on this division of the business. Growth in this area is therefore only expected to improve once the Hotels, Lodges, and Restaurants re-open to full capacity.

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



During the lockdown period we offered WhatsApp and email orders to our customers and this proved to be very popular. We will continue to find ways of making it easier for our market to shop with us and we have a number of initiatives in this space planned for the forthcoming year.

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

Sefalana Group Presence



Operating Divisions





We invested into a South African consortium effective 1 July 2017. Under this transaction, Sefalana invested R250 million and earns a fixed annual return of R50 million for five years.



Since our entry into Namibia in 2013, we have focused on establishing a property portfolio similar to the one developed over the years in Botswana.



Our Lesotho business has performed well and generated a good profit this year. We were able to do this by changing our model to respond to competition in the area.



Total purchase consideration for Sefalana's investment in Australia amounted to AUD 9.9 million (P70 million)

Overall the Group achieved a turnover of P5.8 billion and generated a profit before tax of P259 million for the year ended 30 April 2020. We are confident that our Shareholders and potential investors will be pleased with our performance and will share our enthusiasm with the forward-looking prospects of our business and brand.



4 Hyper Stores ("Sefalana Hyper"), 25 Cash & Carry stores ("Sefalana Cash & Carry") and 29 supermarket retail stores ("Sefalana Shopper") across the country

Our investment in Australia



In April 2020 the Group entered into an agreement to purchase 40% of the share capital of an Australian business that operates in the Fast Moving Consumer Goods division. This Australian business, by the name of Seasons Group, consists of a chain of 7 supermarkets in the Brisbane area.

Sefalana
MOTORS



Cm
Commercial Motors

Mf
Mechanised Farming

Sefalana
INDUSTRIES



Fb
Foods Botswana

Sefalana
PROPERTIES



Mi
Meybeernick Investments



Sz
Sefalana Zambia

Group Managing Director's Report

(continued)

Our Retail birthday promotion focused on giving away P1.8 million in the form of cash. This generated a lot of excitement in the market as we found a number of our retail customers preferred cash rather than prizes in kind.



We continue to strive to work towards offering our customers a one-stop-shop experience and pride ourselves on being first to market with a number of initiatives. Our latest innovation is the introduction of a pharmacy in our Sefalana Shopper Setlhoa store.

Trading – others

This segment which consists of Commercial Motors (Pty) Limited ("CML") and Mechanised Farming (Pty) Limited ("MFL") contributed 2% and 4% to Group turnover and profit before tax, respectively. This therefore remains a relatively small Group segment.

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

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

TATA BOTSWANA

MEET THE FAMILY

That exceeds expectations... Choose one!

TRUCKING. PLAIN AND SIMPLE.

Tata Botswana
 Commercial Motors (Pty) Ltd 17088 Corner Legato Bldg, Midrand
 Broadhurst Industrial, Sandton, Gauteng
 Tel: 011 797 2000/2001 Fax: 011 797 2000/2001 Email: info@tatabotswana.co.za

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

Manufacturing

This segment consists of Foods Botswana (Pty) Limited ("FB") and contributed 4% and 7% to Group turnover and profit before tax for the year respectively. At 69% profit growth, this was significantly higher than in the previous year despite delays in the awarding of Government tenders. Focus has therefore been placed on growing house brands across the business and satisfying tenders as they arise.



Milling Division

During the year FB manufactured and supplied to Government for only 2 of the 12 months. Production and supply for the previous tender ended in July 2019 and delays were experienced in the award of the subsequent tender. We therefore focused largely on the manufacture and supply of branded products to utilise factory capacity. Growth in this area is positive and showing an upward trend.

The Government award for the 24 month tender ultimately took place in April 2020. We were however, awarded only approximately one third of the Tsbana and Malutu tenders but we are on track with the supply of the ordered quantities and will welcome any additional orders should the Government require us to fulfil the needs of other depots.

We have a strong track record for delivery of a quality product in accordance with the required quantities and timetable over the years. We have procured the required grain and other raw materials to be able to deliver on the entire country's requirement should this be requested from us.

During the year, in support of local Botswana farmers, P57 million of grain was secured from BAMB and a further P17 million of grain was sourced directly from the farmers. This was especially appreciated by farmers during the Pandemic period.

Beverages Division

This division is heavily dependent on the manufacture and supply to Government for the children's feeding scheme. In March 2019 we were pleased to be awarded the 24 month supply tender which we are currently fulfilling.

In the early part of the year, there were restrictions in place on the importation of raw milk following the breakout of the Foot and Mouth disease in South Africa. This slowed down our production but now that these restrictions have been removed, we have managed to catch up on the backlog. This division has therefore performed very well during the year.

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

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

Botswana property portfolio

Our property portfolio held in Botswana performed well, contributing 1% and 15% 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 fully let with on-going demand for the site.



Towards the end of 2017, we commenced the development at 4 plots at our Setlhoa site. This site is now complete with just over 20,000 sqm remaining vacant for our Motor Dealership which we will develop in due course.

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

Zambia property

Following the significant increase in supply of warehouse and office space in Lusaka over the last few years, two of our largest tenants found alternative premises in April 2017. Since then we have been in search of replacement tenants and have now managed to secure an occupancy rate of around 70%.



We will continue to look for suitable tenants for the remaining space. Performance by this segment has therefore been below our desired level of return as a result of rental reductions that we have had to accept to avoid other tenants moving out. Segment performance is impacted by the relative movement of the Kwacha to Botswana Pula.

Namibia property portfolio

Since our entry into Namibia in 2013, we have focused on establishing a property portfolio similar to the one developed over the years in Botswana. Most recently we acquired the new Head office site in Windhoek where we originally anticipated further development of a warehouse. We have since decided not to proceed with the works as we are able to operate from the existing premises at a lower occupancy cost.

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

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

Sefalana Lesotho

We have now been operating in Lesotho for almost 5 years and have been focusing on increasing our presence in the country through the opening of 2 new stores in Maputsoe. We are the leader in Cash & Carry in Lesotho and currently do not have any immediate plans to increase this footprint at this stage.



Profitability in this segment improved in the second half of the year but there is still room for further improvements and value extraction from existing assets.

Turnover of P529 million has been achieved for the year, contributing 9% of total Group revenue. A respectable profit was generated for the year and we look to an even better performance next year as the 2 new stores begin to generate additional profit.

Metro Namibia – Trading Consumer Goods business

The economic strain in the Namibian economy is now being felt across all sectors, and indeed we have noted less growth in the FMCG sector than in previous years.

Group Managing Director's Report

(continued)

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.

Metro Namibia contributed 29% and 21% of revenue and profit before tax for the year, respectively. Turnover amounted to P1.7 billion, a growth of 5% on the prior year after the negative impact of currency conversion. Profit before tax amounted to P53 million, which was 13% down from the prior year.

Our operations in Namibia continue to make a large contribution to overall Group results each year, as we enhance our customer engagement and offering.

At the start of the year, we had 17 stores across the country. During the period 4 new stores have been opened (Eenhana, Grootfontein, Keetmanshoop and Rundu) and the store in Swakopmund was re-opened following the fire which occurred in 2018.

On an on-going basis we evaluate additional locations for store openings as we have now met our medium term target of 20 stores and look towards our next 10 stores. We are pleased with our accomplishments in the country over the last five years and look back at this investment as a very successful one.

Our investment in South Africa

We invested into a South African consortium effective 1 July 2017. Under this transaction, Sefalana invested R250 million and

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

The aim of the consortium is to acquire a number of existing chains and grow the store complement such that this is a significant business within a ten year period. We are pleased to report that this consortium is performing well and that almost three years into its operations, is performing broadly in line with plan.

The reported results include P38 million of income (under "investment income") pertaining to this investment representing a full year's performance. The prior year included a P11 million fair value gain on the conversion option built into the preference share arrangement.

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

The South African economy however has been experiencing significant strain and this is expected to adversely impact trading conditions in the coming years. This preference share arrangement has therefore successfully sheltered our risk to the South African economy as we retain the ability to exit the South African investment on the completion of the 5 year preference share period should the country not show signs of recovery.



Our focus on CSR

At Sefalana, we believe in partnering with our Communities in order to improve the lives of those around us. We believe that through conducting our business responsibly and ethically, we can better underpin the needs of our society and develop programs to assist those that are less fortunate.



This year the Group mainly focused its CSR initiatives towards improving the livelihood of a number of Communities across the country, through provision of groceries and healthcare products to vulnerable children and families so as to promote healthier living.

We have also continued to focus on the Education sector, with a view of providing a better learning environment for the children of Botswana who are our future. This included the upgrading of a number of learning institutions and facilities.

As indicated above, we also contributed towards the Government's Covid-19 relief program.

Prospects

In April 2020 the Group entered into an agreement to purchase 40% of the share capital of an Australian business that operates in the Fast Moving Consumer Goods division. This Australian business, by the name of Seasons Group, consists of a chain of 7 supermarkets in the Brisbane area.

Total purchase consideration for Sefalana's investment in Australia amounted to AUD 9.9 million (P70 million), and is considered its fair value. The effective date of investment was 8 May 2020. This investment will be treated as an investment in an associate, in which Sefalana exerts significant influence, and therefore will be equity accounted. Sefalana entered into this agreement in order to pursue its Group strategy to diversify its income stream and foreign exchange exposure.

It is estimated that this investment will generate an additional EBITA of around P15 million for Sefalana for the year ending 30 April 2021. Further expansion in Australia will be considered in due course as we identify other suitable sites to complement this first phase investment.

At our Group Strategy workshop held in November 2018, our Board re-affirmed our intention to continue to focus on our core segment of FMCG and supporting businesses. In particular we intend on expanding our manufacturing business to include wheat milling and to establish our fruit juice and bottled water plant in early 2021.

Going concern assumption

Impact of Covid -19 on Sefalana Group

On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, the disease caused by a novel coronavirus, a Pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the Group, the economy and the general population. The financial impact of these events is still unknown globally, but for the year ended 30 April 2020, given the limited time this Pandemic has been in place, the impact is not considered significant for our Group.

The Directors are of the view that the Group remains a Going Concern and that there are no material uncertainties that would impact the financial statements as at the reporting date.

Directors

There were no changes made to the Board during the year, however Sefalana announced the resignation of Dr Keith R Jefferis from the Board effective 31 May 2020. Dr Jefferis served as an independent non-executive director for six years and as a valued member of the Board, played a key role in the strategic direction of the Group.

The Board of Sefalana would like to wish Dr Jefferis success in his new role as Senior Policy Advisor in the Ministry of Finance and Economic Development.

Dividends

On 27 July 2020, the Board of Directors of Sefalana Holding Company Limited declared a final gross dividend of 27.5 (twenty seven and a half) thebe per ordinary share.

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



CD Chauhan
(Group Managing Director)

FRESH THINKING[®]
overcoming challenges



NOW OPEN

inside **Sefalana Shopper Setlhoa** - the BIG one

Prime Health
PHARMACY
Your Partner In Health



Prime Health pharmacy will conveniently fill your prescriptions while you go on with other things. All you have to do is send your prescription and we will prepare it for you ready for collection.

This saves you time. You can also find out when your prescription is ready with a text message.



IN-STORE

Pharmacy health-care



Sefalana
healthy
living

✓ healthy ✓ fresh ✓ affordable



» With better quality and better products,
Sefalana is all about adding VALUE BACK INTO YOUR POCKET



Group Finance Director's Report



We managed to do it yet again!

**We achieved the
Group's best ever
results in 46 years**

and this was despite the onset
of the Covid Pandemic in the
second half of the year.



Hand Washing

Wash your hands frequently with soap and water for 20 seconds or an alcohol-based hand rub. No hand shaking



As we celebrate another **STRONG YEAR**, **we must bear** in mind future **uncertainties** as a result of **COVID-19**

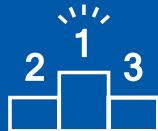
Total purchase consideration for **Sefalana's investment in Australia amounted to AUD 9.9 million (P70 million)**, and is considered its fair value.



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



Our objective is to **POSITION OUR GROUP for long-term success**, through growing our business from its centre



Our Lesotho business grew by **26% compared** to the prior year partly due to the opening of 2 new stores in Maputsoe.



26%



The most significant contributor to profit growth this year compared to the prior year is the Manufacturing business.

The **UHT milk feeding** scheme contract helped **boost the performance**

of the business and offset other troubled segments



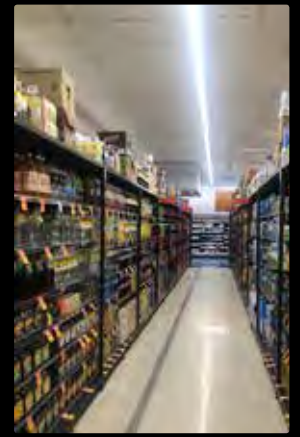
The Botswana FMCG sector (Wholesale and Retail combined) showed a significant top line improvement of 13% compared to the prior year.

This was despite difficult trading conditions during the onset of the Pandemic.

13%

» 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.







Australia Investment

In order to mitigate against potential exposure, the Group looked to territories outside the SACU region for a stronger economy and more stable currencies and identified Australia as a market with a lot of potential for us. This economy is strong, and is supported by a relatively hard currency that tends to offset negative movements in the ZAR. Return from this investment therefore provides a form of hedge on our foreign earnings.



Group Finance Director's Report

(continued)

Constantly finding ways to increase shareholder value...

Overview

Profit before tax of P259 million was flat on last year, but that was on the back of a 12% increase on the previous year, which in itself was a 34% increase on the year before that. We have therefore seen significant growth in the last 3 years. We exceeded the P5.5 billion revenue threshold closing the year at P5.8 billion which was 10% up on the prior year.

Trading performance was very much a year of two halves. We presented our best ever half year results to our shareholders at a time when the Pandemic had just set in and we were unsure of how this would unfold during the second half of the year.

In early 2020, it was clear that the fear of Covid had set in with the average consumer, who was now being more cautious in their buying behavior and more selective in the chosen basket mix. There was definitely a shift towards more essential products and fewer luxury items. Luxury items tend to attract higher margins.

The business responded well by advance procuring key product lines which we felt would be required during the forced lock down and beyond. We studied buying behavior in the run up to these restrictions and increased stock holding across our businesses to prepare for this. We applied this same thinking across our various territories as similar trends were being experienced there.

There was a significant Government Covid Relief Program undertaken. We are pleased to report that we made contributions of P1 million to this in the form of groceries and sanitizers and partnered with two other large suppliers to double this contribution. Given our well stocked stores, we were also able to secure large orders from other smaller businesses that had won tenders relating to the Relief Program as many of our competitors had run out of stock and were unable to meet order requirements.

Our two main star performers this year was our Wholesale and Retail business (Trading Consumer Goods sector) along with our Manufacturing business, in particular Foods Botswana Beverages. Business performance by segment has been articulated in the Group Managing Director's report in detail and therefore I will focus on how our Group Strategy relating to the last 5 years has helped us deliver the consistent results that our Shareholders have come to expect from us.

The approach we have taken during my 8 years at Sefalana has been strategic, expanding our Regional presence with

caution, investing in profitable businesses and assets, refining existing businesses so as to optimize our returns, and structuring investments that enhance earnings. As our results are translated into our functional currency, the Pula, in recent times we have seen significant exposure relating to the ZAR denominated investments. This year we looked beyond the Region for more stable economies where foreign exchange volatility is less of an issue.

Refreshing our Group Strategy...

The 2019 financial year marked the end of our five-year Group Strategy which was developed by the Board of Directors. The Board recognized the saturation levels in the Botswana FMCG sector and had to devise a strategy that would help maintain the Group's position as one of the best performing listed companies in Botswana. From the onset, it was clear that Regional expansion was critical and that we needed to select our target markets carefully. During that 5 year period, we successfully expanded into Namibia, Lesotho and South Africa.

Our new Strategy for 2020-25 has been developed and aims at further growth but largely in the existing areas in the Region where we are present, and also in the one territory outside the Region where we have done extensive evaluation over the last 18 months – Australia. We look to grow our Manufacturing businesses through greater diversification and will continue to take a steady approach on store openings at our various FMCG businesses. At the same time, we continue to evaluate other investment opportunities that present themselves with a view of enhancing shareholder value. We have demonstrated our ability at doing so over the years and are excited about maintaining this appetite for growth.

Below is a summary extracted from our current Strategy Balanced Scorecard which details the focus areas:

Our Vision

The leading brand of choice for customers, employees and capital

Financial Perspective

F1 Optimise PBT as a percentage of revenue

F2 Optimise return on surplus cash

F3 Enhance real growth in EPS

F4 Increase Revenue

Customer Perspective

C1 Drive Corporate Citizenship

C2 Retain and grow customer base

C3 Grow local & regional presence

Internal Processes

P1 Create innovative solutions and products

P2 Improve process efficiencies

Learning & Growth

L1 Develop, motivate and retain multi-skilled and high-performance workforce

L2 Institute Talent Management

Our Mission:

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

Group Finance Director's Report

(continued)

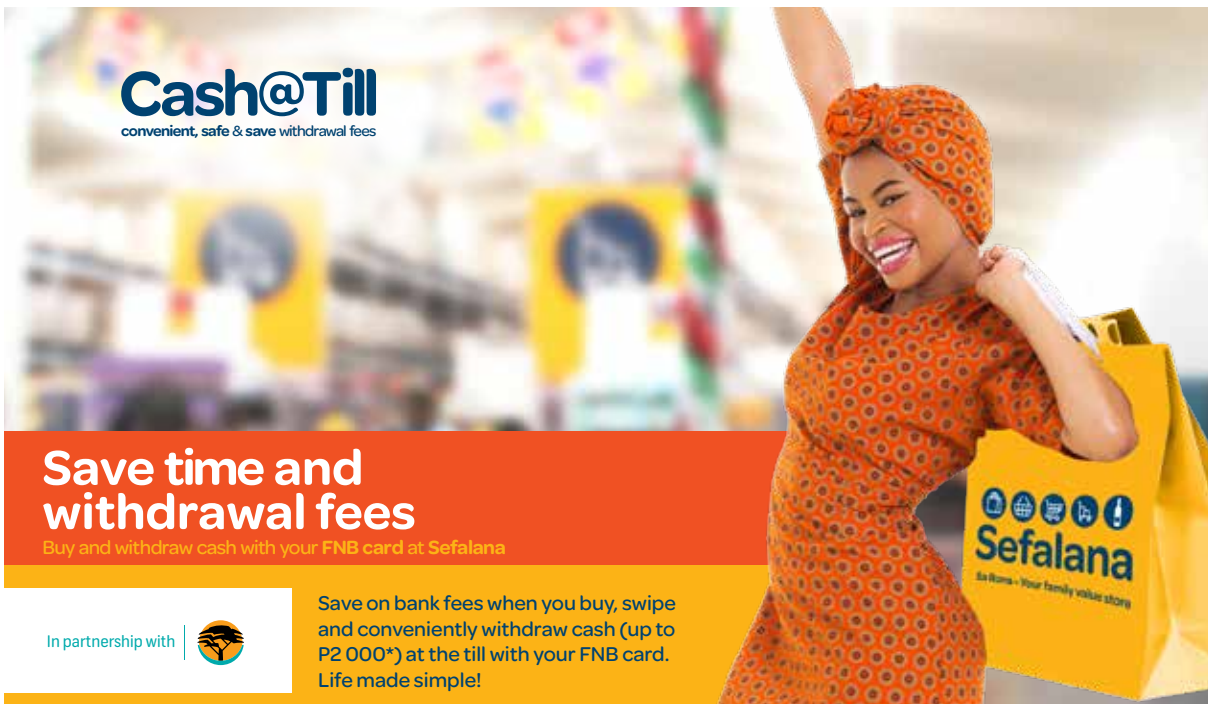
Strategic objective	Strategic initiatives	Achieved through...
Optimise PBT as a % of revenue	<ul style="list-style-type: none"> ➤ Improve supply chain management ➤ Grow customer base ➤ Improve pricing information ➤ Improve operational efficiency through cost-saving initiatives 	<ul style="list-style-type: none"> ➤ Extract additional value from the Regional territories which now contribute significantly to overall Group performance ➤ Focus on improving basket mix and margin and expand product offering ➤ Further develop the fruit and vegetables business which was brought in-house in the previous year ➤ Focus on cost-saving initiatives across the Group ➤ Implementation of a Business Intelligence tool to improve quality of information for decision-making



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


How it works

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



Cash@Till
convenient, safe & save withdrawal fees

Save time and withdrawal fees
Buy and withdraw cash with your FNB card at Sefalana

In partnership with 

Save on bank fees when you buy, swipe and conveniently withdraw cash (up to P2 000*) at the till with your FNB card. Life made simple!

Strategic objective	Strategic initiatives	Achieved through...
Optimise return on surplus cash	<ul style="list-style-type: none"> ➤ Developing and implementing a cash management plan ➤ Monitoring optimum debt levels ➤ Optimising stock holding levels 	<ul style="list-style-type: none"> ➤ Investing in inventory so as to be best placed in the market for customer needs ➤ Delaying non urgent capital expenditure during the Pandemic ➤ Surplus cash is invested in money markets and other short term investments to maximize return ➤ Debt to equity levels are maintained at less than 10% ➤ Repatriate foreign profits to Botswana wherever possible ➤ Strategic procurement of raw materials and goods
Enhance real growth in EPS	<ul style="list-style-type: none"> ➤ Extract value from all areas of the business ➤ Maintain an optimum debt equity ratio 	<ul style="list-style-type: none"> ➤ Funds are invested in profitable businesses and a cautious approach is taken to expansion. ➤ Ensuring all businesses are profitable and yielding returns in line with our thresholds and targets

Group Finance Director's Report

(continued)

Strategic objective	Strategic initiatives	Achieved through...
Increase revenue	<ul style="list-style-type: none"> ➤ Organic growth ➤ Acquisition growth ➤ Improved customer offering 	<ul style="list-style-type: none"> ➤ Further developing online and mobile shopping platforms, enabling a wider customer base with variety being offered ➤ Focus on winning greater market share in all territories through enhanced one-stop-shop offerings ➤ Expand offerings and ranges in - stores and extend manufacturing lines ➤ Expansion into new territories such as Australia



Strategic objective	Strategic initiatives	Achieved through...
Drive Corporate Citizenship	<ul style="list-style-type: none"> ➤ Implement recycling programs ➤ Improve lives of the communities ➤ Implement initiatives to reduce our carbon footprint ➤ Develop health & wellness programs 	<ul style="list-style-type: none"> ➤ Recycling of water, oil, paper and cardboard boxes ➤ Introducing efficiencies in energy through implementation of solar panels and environmentally friendly packaging material ➤ Improving the livelihood of communities through provision of groceries and healthcare products to vulnerable children and families so as to promote healthier living ➤ Providing a better learning environment for the children of Botswana who are our future by upgrading various learning institutions ➤ Conducting Health & Safety workshops throughout the Group ensuring the wellbeing of our workforce

Strategic objective	Strategic initiatives	Achieved through...
Retain and grow customer base	<ul style="list-style-type: none"> ➤ Implementation of brand and marketing strategies ➤ Monitor customer behavior 	<ul style="list-style-type: none"> ➤ Focus on strategic marketing and customer experience to respond to market needs and developments thus building brand awareness and usage ➤ Implementation of market measurement models to ensure we are maintaining healthy satisfaction levels ➤ Loyalty card promotions and use of Business Intelligence to better understand our customers
Grow local and regional presence	<ul style="list-style-type: none"> ➤ New store openings 	<ul style="list-style-type: none"> ➤ Increase store count across the Group in a planned and steady manner ensuring no cannibalization of existing stores

Strategic objective	Strategic initiatives	Achieved through...
Create innovative solutions and products	<ul style="list-style-type: none"> ➤ Loyalty program ➤ Online shopping website ➤ Business Intelligence ➤ Value Added Services 	<ul style="list-style-type: none"> ➤ Progress and development of each of these initiatives. We now have over 150,000 active loyalty customers ➤ Provide new ways for customers to shop with us ➤ Build inhouse BI functionality to further leverage insights generated ➤ Partner with different organisations and businesses to increase the number value added services offered in - stores (such as Cash @tills with FNB and Prime Health Pharmacies)
Improve process efficiency	<ul style="list-style-type: none"> ➤ Constant evaluation of processes and procedures to improve efficiencies and adapt to new business practices 	<ul style="list-style-type: none"> ➤ Covid has forced us to do things smarter and think of new ways of being efficient ➤ Manufacturing processes are evaluated and improved on an on-going basis ➤ Use of technology to enhance efficiency

Group Finance Director's Report

(continued)

Strategic objective	Strategic initiatives	Achieved through...
Develop, motivate and retain a multi-skilled and high performance workforce	<ul style="list-style-type: none"> ➤ Encourage innovative idea generation from staff of all levels ➤ Career development and opportunities ➤ Develop customized training programs ➤ Develop and encourage job rotation 	<ul style="list-style-type: none"> ➤ Enhancing training programs and aligning skill gap analysis to better execute relevant modules ➤ Providing career paths to those who have drive and ambition ➤ Significant time and money put into training our staff. Sefalana has become known for its training programs ➤ Sponsorship of a number of BICA students as Sefalana is an approved Training Organisation ➤ Implement recognise and reward schemes to drive high performance culture
Institute Talent Management	<ul style="list-style-type: none"> ➤ Develop a board approved organizational structure ➤ Develop management and leadership programs 	<ul style="list-style-type: none"> ➤ All key senior staff are evaluated by the Board ➤ Leadership programs are being carried out on an on-going basis ➤ Identify key talent across all staff levels to be groomed, trained and developed for further opportunities within the Group



I would now like to focus on key areas of performance:



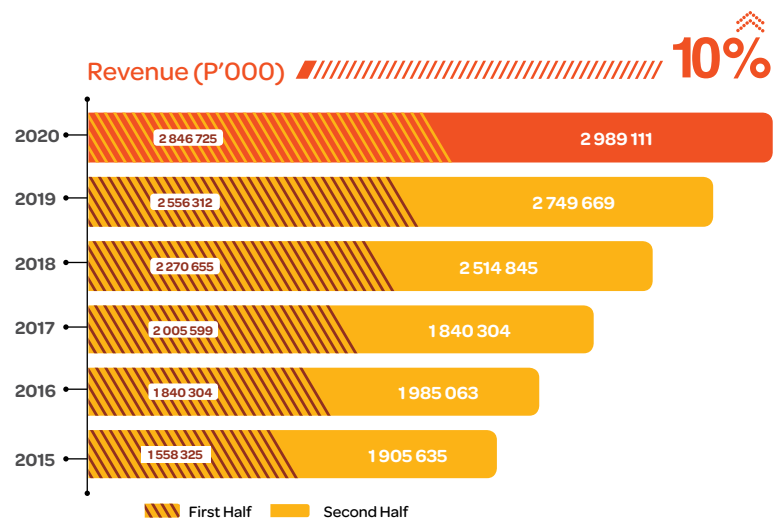
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Revenue

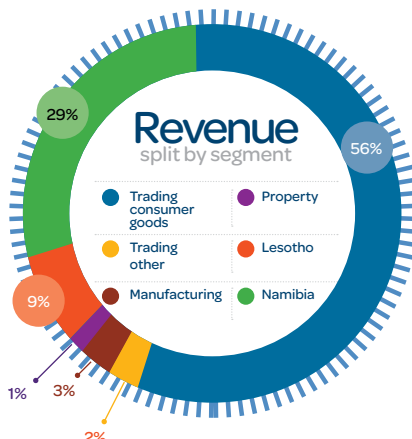
Revenue up 10% on the prior year and exceeded the P5.5 billion benchmark

Revenue is a key measure in our sector and is indicative of relative size. We have seen a steady annual growth in revenue over the last five years since we embarked on our Regional expansion journey. In 2015, we reported revenue of P3.5 billion. 5 years later, we are over 65% larger with revenue of P5.8 billion.

Revenue was
P5.8b
up 10% on prior year



Our revenue sources across the Group are very well diversified as illustrated below:



The Botswana FMCG sector (Wholesale and Retail combined) showed a significant top line improvement of 13% compared to the prior year. This was despite difficult trading conditions during the onset of the Pandemic. We are confident that the turnaround and rapid top line improvements we have seen over the last 2 years will continue into the ensuing years once the adverse impact of the Pandemic is overcome.

Our Namibian business experienced double digit growth over the first few years of trading, however, in the current year, the strain in the economy was felt and this business experienced top line growth of only 9% year on year in local currency terms. We are focusing on customer services and promotions to give customers what they want and hope to return to double digit growth soon.

Our Lesotho business grew by 26% compared to the prior year partly due to the opening of 2 new stores in Maputsoe. The economic environment is still under pressure but we are confident that we will continue to grow given we are the leaders in Cash & Carry in the country.

Our manufacturing business contracted by 2% year on year for reasons largely beyond our control. This business is highly dependent on Government tenders placed in the market and the timing of these tenders directly impacts revenue in any particular year. We did however focus on growing our branded products which helped maintain overall revenue.

Group Finance Director's Report

(continued)

» 2

Profit before tax (PBT)

of P259 million was flat year on year despite the Pandemic.

Although top line growth is very important to us, bottom line profitability is where we place greatest emphasis as this drives our ability to make dividend payments to our Shareholders. We achieved an overall PBT of P259 million in line with the prior year.

Over the last 6 years, we have reported an upward trend in PBT, with the exception of 2017. In that year, the Botswana FMCG business contracted significantly largely due to the economic environment. In 2018 however, we were back on track and have continued to show underlying growth. This year we celebrated 10 years in Retail and this part of the business has now made a strong name for itself following the opening of our flagship store in Setlhoa in November 2019 ("The Big One"). This segment is the largest contributor to Group PBT in the current year.



We achieved
an overall PBT of
P259m
in line with the prior year

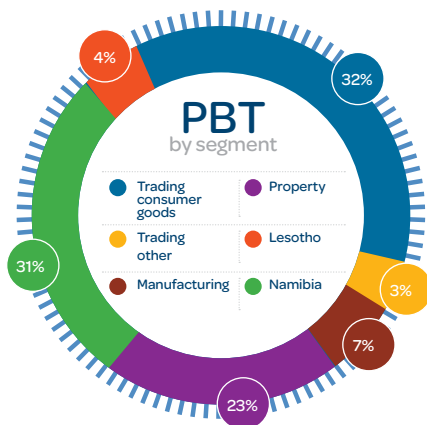


Our Namibian business has consistently generated additional profits for the Group and in 2018 was the largest segment, ahead of the Botswana FMCG business. We celebrated our fifth anniversary in the Namibian market last year. This segment continues to produce exceptional results despite indications of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

Our Lesotho business generated a respectable profit this year following a change in the business model in the country in response to increased competition. This has worked well for us and we look forward to greater returns from that region.

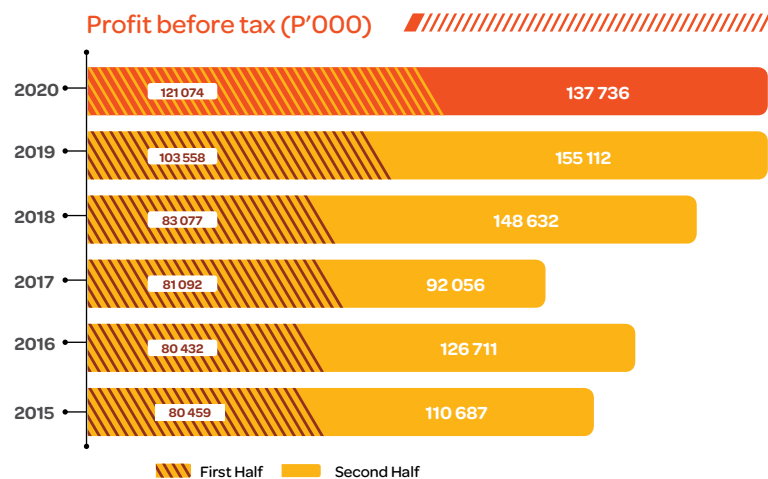
The most significant contributor to profit growth this year compared to the prior year is the Manufacturing business. The UHT milk feeding scheme contract helped boost the performance of the business and offset other troubled segments. Our branded products grew by over 30% and we refreshed the branding of some of our products. This strategy proved successful and we will continue to place further focus on this segment going forward.

Our diversification of our profit streams is presented below:



Our South African preference share investment made a sizable contribution in its first year and boosted the 2018 year-end results by P33 million. In 2019 this had increased to P49 million due to a fair value gain of P11 million recognized on the conversion option. In the current year, we determined there to be no further fair value gain and as a result recorded only the dividend income of P38 million for the year.

Overall PBT would have been considerably higher this year than reported, had it not been for the additional lease charges relating to the adoption of IFRS 16 (approximately P4.7 million), forfeited profits as a result of the ban on liquor sales during the State of Emergency and lockdown (approximately P10 million) and foreign exchange losses on forward contracts (approximately P17 million) due to the weakening of the ZAR over a short period of time straddling the year end.



Group Finance Director's Report

(continued)



3

Shareholder value and return

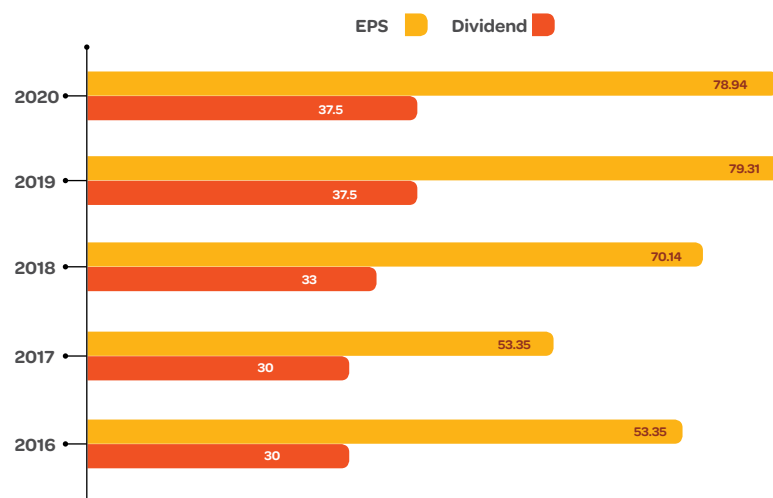
The fundamental objective of our business is to maximize shareholder return. Over the last five years, we are proud to have maintained an average dividend to earnings ratio of 49%.

Despite the Pandemic, we felt it suitable to pay a dividend to our shareholders in line with the previous year, which was our highest payout ever. A final dividend of 27.5 thebe per share was paid in August 2020 in addition to the 10 thebe per share paid during the year. A total payment of 37.5 thebe represents 48% of earnings for the year.

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

This year we presented our year end results via a pre-recorded video presentation in response to Covid-19.

We will also host our AGM via Microsoft Teams to embrace the new normal of social distancing



Segmental results:

P'million	Revenue			PBT		
	2020	2019	Movement	2020	2019	Movement
Trading consumer goods	3 329.9	2 941.7	13%	68.0	77.3	-12%
Trading – other	115.9	120.5	-4%	10.1	14.1	-28%
Manufacturing	205.8	209.7	-2%	17.9	10.6	69%
Property	60.2	53.3	13%	51.3	37.1	38%
Namibia	1 707.3	1 630.0	5%	53.3	61.0	-13%
Lesotho	529.4	438.6	21%	1.2	-2.7	144%
South Africa				37.5	48.5	-23%
Inter - segment	(112.6)	(87.8)		19.5	12.8	52%
	5 835.9	5 306.0	10%	258.8	258.7	Flat



4

Balance sheet strength

We continue to maintain balance sheet strength through low leverage and minimal debt. This is a critical success factor for our business as we mainly operate on a cash basis. We have maintained our debt of P111 million which allows for adequate headroom should we need to raise funding quickly.

Our working capital ratio (defined as the relationship between current assets and current liabilities) was 1.87 demonstrating effective cash management and our ability to easily cover our short term obligations.

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



Investment in Australia

Investment and expansion into the Region over the last 5 years has provided the Group with profitable growth and diversification, and this has propelled us significantly, but this comes with foreign exchange exposure since we report our results in our functional currency, the Pula. Virtually all our foreign owned businesses are ZAR denominated and with the recent economic difficulties experienced in South Africa, and the subsequent depreciation of the ZAR, the Group's Pula returns are exposed to retranslation losses.

In order to mitigate against this potential exposure, the Group looked to territories outside the SACU region for a stronger economy and more stable currencies and identified Australia as a market with a lot of potential for us. This economy is strong, and is supported by a relatively hard currency that tends to offset negative movements in the ZAR. Return from this investment therefore provides a form of hedge on our foreign earnings.

This investment took place shortly after the year end and therefore we will provide a more in-depth report on this segment in the 2021 annual report.

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

Mohamed Osman
Group Finance Director

FRESH THINKING[•]

overcoming challenges



» SEFALANA
HEALTHY LIVING.
Around-the-world counter,
carefully selected range
**sourced from around the
world specially for you.**

» Beautiful imported wide range. Have
your pick from our fantastic selection,
**whether, its almonds, dry fruit
apricots, veggies carefully
picked (naturally dried under
the heat of the sun)**
or a gluten free rice cake snack with no
artificial colourants flavourants and
preservatives - we have it all.



IMPORTED

around the world range



Sefalana
healthy
living.

✓ healthy ✓ fresh ✓ affordable



With better quality and
better products,

**Sefalana is all
about adding
VALUE BACK INTO
YOUR POCKET**



Our Values

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

Our values reinforce our vision to be;

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



Our Mission

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

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

Corporate Social Responsibility Report

At Sefalana, we believe in partnering with our communities in order to improve the lives of those around us. We believe that through conducting our business responsibly and ethically and through interacting with our communities, we can better underpin the needs of our society and develop programs to assist those that are less fortunate.

Having set up a formal Corporate Social Responsibility (“CSR”) Committee, we actively ensure we are doing our best at providing this support.



With our team members we are creating an inclusive culture that values diversity in all its forms. The power of working together enables us to unite as one and build a better tomorrow. We believe that real success goes further than the numbers which guides our sustainability work to positively impact all our stakeholders. We are strongly committed to building greater trust, loyalty and impact through our actions.

Our Sustainability Plan is structured around our values – empowering people to live healthier lives, sourcing with integrity, respecting our environment, making a positive difference to our community and providing our colleagues with a great place to work. The Committee fulfils its responsibilities by reviewing and reporting on the progress against our Sustainability Plan.

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

Our Focus on CSR

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 means necessary to assist **needing and deserving groups** to achieve a sustainable way forward.

Corporate Social Responsibility Report

(continued)

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

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

Cultivating the relationship with our Community

1

Key Consideration

Seizing new business opportunities to maximise Shareholder value



Achieved through....

- » focusing on our core businesses and providing our customers with a large range of offerings both in and out of our stores. Instore offerings include excellent customer service and transforming Sefalana into a one-stop-shop through the provision of postal and delivery services. Sefalana Rewards loyalty scheme allows our customers to purchase more for less and benefit from loyalty promotions. Out of store offerings include an online and email based shopping platform, bringing us closer to our end consumer. The ability to withdraw cash at our till points has been welcomed by our customers who often walk long distances to the nearest ATM or bank.
- » expanding our manufacturing businesses to include the manufacture of fruit juice and dairy blends, together with the bottling of water next year.
- » focusing on obtaining good rental streams through optimal letting of our premises and development of our prime sites.
- » Exceeding expectations through continuously identifying new opportunities for growth in our business, in particular being open to new sectors that are still core to our operations.

2

Key Consideration

Expanding our store footprint for the Community



Achieved through....

- » 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. We are pleased to be present in a number of communities and work towards improving the standard of living through providing additional employment wherever possible. We were pleased to have opened the doors of our flagship Setlhoa store in November 2019 which has now become the city's top favoured supermarket.

3

Key Consideration

Safety at our stores and sites



Achieved through....

- » frequent store visits and adherence to strict health and safety regulations. All our stores have internal security measures in place which are monitored on an on - going basis. Staff undergo continuous training and development enabling them to act should a health and safety hazard arise. General on-the-job training is provided, empowering staff for growth and promotion.
- » We enhanced our health and safety practices this year due to the rise of COVID-19. Staff were educated on good hygiene practices and flexible working arrangements were encouraged to advocate social distancing.

Developing a strong and sustainable team

1

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 fulfil their potential. Growth opportunities are provided to staff through on – the – job training with progressive internal management development programs and accredited external training initiatives.
- » providing attractive remuneration structures to motivate staff and extract best performance.



2

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 operational effectiveness.
- » Through respecting change and diversity and encouraging team work, we achieve a strong support structure between colleagues.

3

Key Consideration



Succession planning

Achieved through....

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



Corporate Social Responsibility Report

(continued)

Developing our skills in our core business

1

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 allows for motivated staff that are well versed with the Sefalana culture and strategy.



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

2

Key Consideration

Feedback and marketing



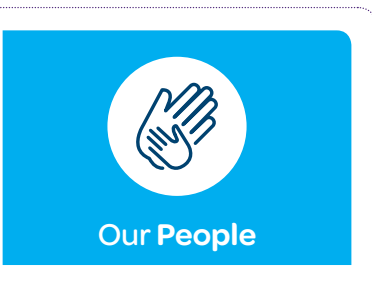
Achieved through....

- » 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 shopping has demonstrated Sefalana's ability to meet the requirements of the modern consumer.
- » our ability to move one step further and allow customer orders to be placed through WhatsApp and email during the COVID-19 lockdown proved our resilience in testing times and our commitment to serving our customers as best we can – keeping our customers safe while we delivered their orders to them.



- » restoration of a single brand across our Group has assisted in building our market presence. We endeavour to involve our customers with what is happening at Sefalana through being available and addressing any queries through our Facebook and Twitter pages. Increased focus has been placed on marketing as we grow this function and identify different ways to advertise the Sefalana brand and reach our customers.
- » our loyalty scheme, Sefalana Rewards has assisted in growing and retaining our customer base through direct communication with our customers and understanding their shopping habits.

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



Our People – the backbone of our business...

We believe that having the right people in our team is the difference between success and failure. With over 4 000 team members across our business, we pride ourselves in having an all-inclusive culture that celebrates respect and diversity. It is with this diversity that we are able to be a leading brand of choice, creating memorable experiences for our customers.

It is 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.

Our workforce

As our business grows, employment opportunities are provided to more and more people across all regions in which we operate. During the year, we created 700 new jobs through additional store openings, bringing our total staff content to over 4 000 employees from just under 3 500 last year. We are proud to be regarded as an employer of choice providing a safe working environment and providing equal opportunities to all our staff.



Corporate Social Responsibility Report

(continued)

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

Training and Development

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

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



Sponsoring BICA students in Botswana

Over the years, we have employed a number of students who are studying the BICA (Botswana Institute of Chartered Accountants) qualification. Sefalana is an approved Training Employer of this program 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) qualification.

Providing internship opportunities to university students in Namibia

Our Metro business in Namibia continues to support university students in the country through offering internships to students from the Namibia University of Science and Technology. Some of these students were given full time placement on completion of their studies. Through our agreement with the university, a three month internship opportunity is provided in phases to groups of five students. This exposure provides 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 prospect 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 Maccauley 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 over the years and continues to support this department through sponsoring laptops and IT equipment for visually impaired students. Employment opportunities have also been offered to these students on completion of their studies.



Internal training and development programs

Management Development programs are offered to our staff with the objective of exposing trainees to a wide range of aspects of the retail and wholesale business. Trainees gain experience in the operation of all areas 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 is maintained.

A performance management system is used as a means of rewarding our top performers who portray the potential for growth. Retention of knowledge and skills in Botswana's highly competitive market remains a vital focus point for our Group. This has resulted in a number of our employees opting to stay committed and grow their careers with us. We are proud to have long term staff that have been with us for more than 30 years.

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



Health and Fitness

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

In March 2020, we augmented our health and safety at each business and supermarket in response to the COVID-19 pandemic. Staff were educated on hygiene practices and sanitisers were placed through-out the office. We also eliminated the use of bio-metric scanning to avoid the spread of germs.



As an essential services provider, we remained open during the lockdown period in April and May 2020. We encouraged non-essential staff to work from home and provided facilities enabling them to do so. Essential staff members came to work on a rotational basis.

We have since implemented the Government approved register for recording movement in and out of our stores and business premises and checking temperatures of staff and customers alike.

We are pleased to confirm that in all countries in which we operate, not one of our 4 000 staff members were infected with the Corona virus. We continue to uphold strict levels of health and safety, providing a secure working environment for our staff.

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

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

Communication

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

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

Corporate Social Responsibility Report

(continued)



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. Our FMCG businesses in Botswana and Namibia are the largest contributor to Group revenue and profit. The scale of this business permits us to leverage our purchasing power as well as maximise process and cost efficiencies.

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 46 years and this is vitally important for our continued success both across Botswana and the wider Region.

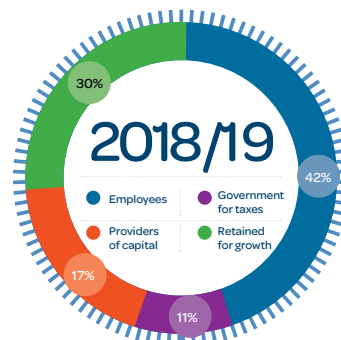
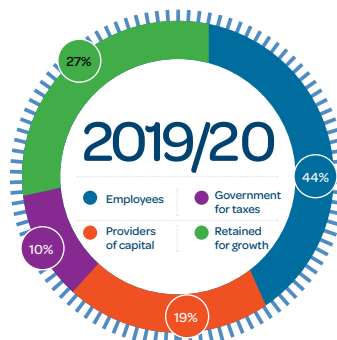
» We are proud of the reputation **we have built over the last 46 years and this is vitally important for our CONTINUED SUCCESS** both across Botswana and the wider Region





Almost 50% of wealth created is disseminated to employees
in the form of salaries, wages and other staff benefits.

Approximately 30% is retained in the business to support growth and expansion.



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

	2020	2019
	P'000	P'000
Wealth created		
Revenue	5 835 836	5 305 981
Payments to suppliers and providers of services	(5 260 396)	(4 803 340)
Value addition	575 440	502 641
Share of results from associate	(2 011)	(1 994)
Interest income from bank deposits and other loans	18 372	18 070
Dividends from preference shares	37 528	37 339
Total wealth created	629 329	556 056
Wealth distribution		
To employees	276 266	233 797
To providers of capital	119 677	92 607
Government for taxes	61 142	60 026
Total wealth distributed	457 085	386 430
Wealth retained in the business		
To maintain and develop operations of the Group	172 244	169 629
Number of employees of the Group	4 076	3 488

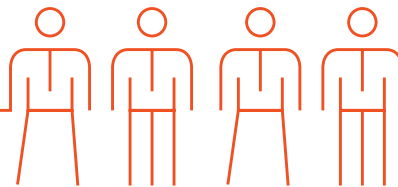
Corporate Social Responsibility Report

(continued)



Our Community – giving back...

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



Giving back to our Customers

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



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



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



Our commitment to providing quality and reliable products is key to our business



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



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

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



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





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



Foods Botswana: Feeding our nation





Overall, through enhanced marketing efforts at both the milling and beverages divisions, we have managed to list our products in a number of fast moving consumer goods stores countrywide, improving our presence and product availability for our customers.



Corporate Social Responsibility Report

(continued)

Giving back to our Community

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

Over the last two years, we have focused our attention on the Education sector, focusing our efforts towards enriching the learning environment of children who are less fortunate and who live in mostly rural areas. We maintained this approach in the current year and provided various support to young learners country wide.

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



Donations to Gungwe Community



Improved Living

Sefalana Cash & Carry Limited donated to several families in Gungwe that were facing challenges ranging from lack of shelter, basic furniture and appliances and one family that had no mode of transport to diligently carry out their subsistence business. The families were identified by the North East District Council in 2019 through the Social and Community Development Department.

Together with our Banner Group members, we donated household furniture and appliances which included but were not limited to beds and bedding, stoves, kitchen cupboards, kitchen utensils and a bicycle. The beneficiaries were families from villages of Matshelagabedi, Tshesebe, Gungwe and Gambule. The donation handover was held in the village of Gungwe and we were fortunate enough to have the Assistant Minister of Health and Wellness, Mr Biggie Butale as our guest speaker. The total amount of the donation was P70 000.



Donation towards Masupe Primary School



Education

We recently made a significant donation of P70 000 in collaboration with Banner Group members to Masupe Primary School in the village of Maunatlala. This donation is for the building of several projects aimed at assisting those with disabilities to sustain their livelihoods. The projects include Poultry & Piggery. It is worthwhile noting that the former students that will be manning these projects will benefit from the profits that will be generated. They are graduates of special needs education classes that are offered in this particular school. The villagers and school administration were concerned about the welfare of these students as there were not many opportunities for them despite having acquired skills to improve their lives. This initiative was borne out of the above and Sefalana together with the Banner Group members found it befitting to collaborate with the school and sponsor it.



Botswana Association of the blind and partially sighted



Improved Living

Sefalana supported the Association through a donation of P50 000 that went towards construction cost of a multipurpose information centre.



Mampori Primary School (Marapong)



Education

We supported the school through a donation of P27 000 towards new lab equipment, enriching the learning environment of its students.

**Thlomo Junior
Secondary School
(Kanye)**

The school celebrated its 30th anniversary this year. In order to provide a better learning environment for students, Sefalana donated learning equipment worth P25 000.

**Kgatleng
Brigade Centre**

We supported the centre through donation of refreshments to the value of P2 000 for the ceremony of handing over a house they had constructed to an underprivileged member of the society in Mochudi.

**Louwe
Memorial School
(Molepolole)**

P18 000 was donated towards the schools prize giving ceremony.

**SOS
Children's Villages**

A donation of food packs worth P2 000 was made to the SOS Children's villages

**Metsimotlhabe
Community**

We donated P8 000 worth of Sefalana Vouchers to the Village Development Committee for 80 families which were in need of assistance. These vouchers were given to the family members to assist in procuring groceries for celebrating Christmas.

**Kgalagadi
District Council**

Refreshments worth P2 000 were made towards the Kgalagadi District Council for celebrations of World Habitat Day which is observed on the first Monday of October as prescribed by The United Nations (UNESCO). In addition, sanitary pads were donated to Junior Secondary Schools within the Hukuntsi Sub District Council.

**Botswana
Council of Women**

We donated food hampers to the value of P2 000 to the Botswana Council of Women to assist in feeding school children.

**Childline
Botswana**

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

Corporate Social Responsibility Report

(continued)



Office of the President



Improved Living

Sefalana donated Christmas hampers to our diligent, uniformed civil servants on duty over the festive holidays in December 2019.

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



Five S BW Championship



Sports

Sponsor of the Five S BW 5-a-side soccer championship.



Sefalana Shopper Birthday Promotion



Retail birthday promotion consisted of giving away cash prizes amounting to P1.8 million. This generated a lot of excitement in the market as we found a number of our retail customers preferred cash.



Sefalana Cash & Carry Birthday Promotion



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

Corporate Social Responsibility Report

(continued)



Sefalana
Shopper Setlhoa
WIN-A-CAR
promotion



A lucky customer walked away with a brand new Honda as a thank you for shopping at the new Sefalana Shopper Setlhoa (The BIG One).



Standard Chartered 5-side Cup



Sports

Sefalana football team are the 2019 Standard Chartered Cup champions. The team won a trip to Anfield in England (sponsored by Standard Chartered Botswana). They took part in a training session at the Liverpool Academy with Liverpool trainers, enjoyed a stadium experience and watched a Premier League match. Sefalana Group sponsored the team's participation in the tournament.



Sefalana Hyper Trolley Dash



Improved Living

Sefalana Hyper Gaborone in partnership with Safari Distributors ran trolley dashes. Lucky customers walked away with trollies full of groceries.

Corporate Social Responsibility Report

(continued)



Our Environment

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



» 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 are collected for recycling by a third-party contractor and converted into toilet tissue and related products for reuse.

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



» E - environment



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



Energy saving lights

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



Used cooking oil

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



Solar power

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.



FRESH THINKING[°]

overcoming challenges



FARM FRESH smoothie bar treats

» SEFALANA
HEALTHY LIVING
**Cholesterol does not
exist in a smoothie**
- a must for a balanced healthy lifestyle



We use real fruit and vegetable
juices in our smoothies.

**Sefalana Shopper
Setlhoa Smoothie
Bar has various
fruit smoothies,
fresh juice and
milkshakes to
choose from** and every
one of them is full of healthy
flavour.



Amazingly beneficial
Smoothie Bar offering



Sefalana
healthy
living®

✓ healthy ✓ fresh ✓ affordable



With better quality and
better products,

**Sefalana is all
about adding
VALUE BACK INTO
YOUR POCKET**



Corporate Governance Report

Governance Overview

With over four decades of existence, Sefalana prides itself in a strong governance culture and for being the first publicly listed company in Botswana. This culture has assisted us in positively contributing to the country's growth, as the economy largely depends on the drive and efficiency of its larger organisations. The essence of any system of corporate governance is to freely drive a company forward whilst exercising that freedom within the framework of accountability and transparency.

Board Skills



Strategy & Planning



Financial Performance



Governance Risk & Compliance



Commercial Experience



Government Relations (Policy and Processes)



Stakeholder Engagement



Policy Development



Legal

The Board is committed to high standards of Corporate Governance, which it considers critical to business integrity, and as such has adopted the concepts of ethical leadership, sustainable development, integrated reporting, corporate citizenship and stakeholder inclusivity as stipulated in the King IV report on Corporate Governance for South Africa 2016 (King IV). Sefalana's governance philosophy is outcome based and seeks to achieve the following benefits;

Ethical Culture

Good Performance

Effective Control

Legitimacy



Dr Ponatshego Kedikilwe (82)
Chairman
Non - Executive



Chandra Chauhan (58)
Group Managing Director
Executive



Mohamed Osman (43)
Group Finance Director
Executive



Keneilwe P Mere (47)
Non - Executive



All Non-Executive Directors are independent



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

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

The Board is therefore very much committed to the highest standards of business integrity, ethical values and governance at all times. This we believe differentiates us in our market.



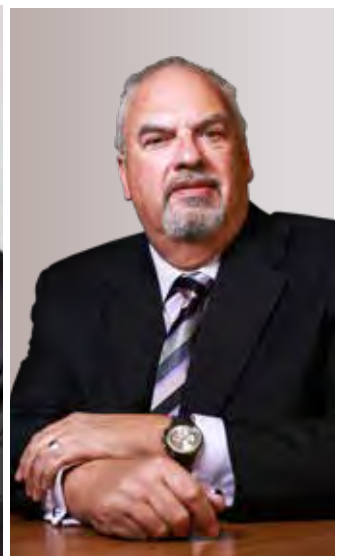
Elias Dewah (78)
Non - Executive



Dr Keith Jefferis (63)
Non - Executive



Reginald Motswaiso (56)
Non - Executive



Bryan Davis (62)
Sefalana Cash and Carry Namibia -
Managing Director - Executive



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

Corporate Governance Report

(continued)

Governance Outcome: Ethical Culture

Directors declaration of interest

The Sefalana Board of Directors provide effective leadership, based on ethical foundations. The Directors act with intellectual uprightness and an unfettered mind, in the best interest of the company and its stakeholders. 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. This interest register is tabled at each Board meeting

Dealings in the Company Securities

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 publicly available.

The Directors and Executive management are mandated to declare to the Company Secretary all personal dealings in the securities of the company and the same is disclosed to shareholders through the Botswana Stock Exchange Limited and tabled at the subsequent Board meeting.

Directors' 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 (2019: 11 233)
Mr Chandra Chauhan	13 860 448 (2019: 13 150 700)
Mr Elias Dewah	Nil (2019: Nil)
Mr Bryan Davis	Nil (2019: Nil)
Dr Keith Jefferis	34 804 (2019: 34 804)
Mrs Keneilwe Mere	Nil (2019: Nil)
Mr Mohamed Osman	223 708 (2019: 201 632)
Mr Reginald Motswaio	247 620 (2019: 247 620)

Governance Outcome: Effective Control

Role of the Board

The Board provides leadership for the Group, directly and through properly constituted Board Committees. Leadership is also excised through the delegated authority to the Group Managing Director. This brings an independent judgement on all strategic matters.

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.

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

Board Meetings

Every year the Board has four scheduled meetings, and additional meetings may be called as and when required. Four meetings were scheduled for the period under review, however, the fourth meeting which is usually held in April was rescheduled to May 2020 following the President's announcement of the Country's extreme social distancing regulations (lockdown) due to the COVID-19 Pandemic. The rescheduling of the meeting was to allow the Board to make a thorough assessment and response to the COVID 19 Pandemic as disclosed on page 18 of this report.

Considerable planning goes into setting the agendas for the Board and sub - committee meetings. The Board has an annual work plan which is agreed with Executive management. This is to ensure that duties as set out in the respective Charters are carried out effectively, and that the Board and its committees are focused on relevant matters.

All Directors attended 100% of the meetings.



Board Committees

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

Sefalana Holding Company Limited comprises of four sub - committees, which membership, attendance, roles and responsibilities are outlined as per table below:

Name of Board Committee	Membership & Meeting attendance	Main responsibilities	Focus areas for the year under review
Nominations Committee	Dr Kedikilwe (Chair) 2/2 Dr Jefferis 2/2 Mr Motswaiso 2/2	<p>To review the structure, size and composition (including the skills, knowledge and experience) required of the Board;</p> <p>Succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the company, and what skills and expertise are needed on the Board in future;</p> <p>Identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and</p> <p>Review the leadership needs of the organisation, both executive and non-executive, with a view to ensure the continued ability of the organisation to compete effectively in the market place.</p>	<ul style="list-style-type: none"> Review of the structure, size and composition of the Board Board skills matrix Board tenure Annual Board and Board Committee evaluations Succession planning for the Board Annual review of the Committee Terms of Reference

Corporate Governance Report

(continued)

Name of Board Committee	Membership & Meeting attendance	Main responsibilities	Focus areas for the year under review
Remuneration Committee	Dr Jefferis (Chair) 1/1 Mr Dewah 1/1 Mr Motswaiso 1/1	To ensure that the Group adopts and implements appropriate policies and procedures that provide the framework for remuneration on a competitive and equitable basis; To set the Group's grading and remuneration levels each year; and To ensure alignment of the compensation and incentive plans with the Group's strategy and values charter.	<ul style="list-style-type: none"> Executive Directors' remuneration Executive Directors' incentive structure Employee remuneration Group Reward structures
Audit & Risk Committee	Mr Motswaiso (Chair) 2/2 Mr Dewah 2/2 Mrs Mere 2/2	To direct internal assurance planning and programme execution, to deliver risk identification, monitoring and mitigation; To oversee that Management has established effective systems of internal controls; and to further oversee Management's arrangements to establish combined assurance and the relationship with the external auditor; and To report to the Board on decisions taken, including approval of the annual financial statements and any formal announcements relating to the company's performance.	<ul style="list-style-type: none"> Review and approval of financial information (annual & interim) Providing oversight of the Assurance function (Internal & External) Consideration and review of the Internal Auditor's reports Oversight of Risk Management
Corporate Social Responsibility Committee	Dr Kedikilwe (Chair) 2/2 Mr Dewah 2/2 Dr Jefferis 2/2 Mr Osman 2/2	To review, agree and establish the Company's corporate strategy to ensure that corporate social responsibility ("CSR") is and remains an integral part of the strategy and its implementation in practice and that the Group's social, environmental and economic activities are aligned; To develop and recommend for acceptance by the Board CSR policies and activities undertaken by the Group; Develop and support the activities necessary to convert CSR policies into an effective plan for implementation across the Group and to agree a programme of specific CSR activities and focus for each financial year, supported by appropriate targets and key performance indicators; and Evaluate and oversee on an ongoing basis the quality and integrity of any reporting to external stakeholders concerning CSR matters.	<ul style="list-style-type: none"> Corporate Social Investment Strategies Corporate Social Responsibility budget allocation Oversight of Corporate Social Responsibility activities.

Through the Board Committee Evaluation process, the Committees of the Board have satisfied themselves that they have fulfilled their responsibilities in terms of their terms of reference for the period under review.

The Board Chairman and the Group Managing Director

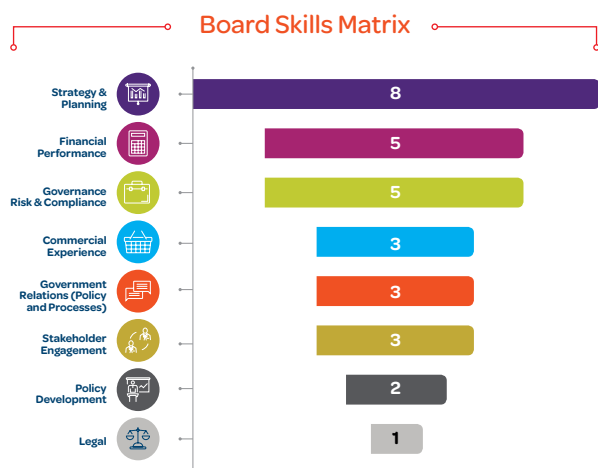
The role of the Chairman and the Group Managing Director are two distinct and separate roles. The Chairman has the primary responsibility of running the Board, whilst the Group Managing Director has the executive responsibilities for the operations of the business. These roles are formally set out in the Board charter.

Role of the Board Chairman	Role of the Group Managing Director
<ul style="list-style-type: none"> Presides over the Board Ensures that directors play a full and constructive role in the affairs of the Company Facilitates Board discussions to ensure that core matters are addressed Promotes consultative and respectful relations between the Board and Executive management Ensures efficiency of the Board Composition 	<ul style="list-style-type: none"> Presides over Senior Management Accountable to the Board Operationalizes the Group Strategy Optimizes resources to increase Group Profitability Ensures business growth and sustainability

Skills Matrix

The Board comprises of Directors who collectively have the skills, knowledge and experience to effectively govern and direct the organisation. The skills and attributes of the Board can be broadly categorised into Governance skills (skills directly relevant to performing the Board's key functions) and Industry skills (skills relevant to the industry). The skills matrix strengthens our overall governance practices by identifying the current skills, knowledge and experience of the Board and to make future plans for skills diversity.

Through the Nominations Committee, the Board carried out its skills assessment to ensure appropriate composition accordingly.



Board diversity and balance

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

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

Changes in the Board Structure

The Board considers, on an on-going basis the appropriateness of the mix of skills, experience, diversity and independence of each of its members. Dr Keith Jefferis resigned from the Board on 31 May 2020 to pursue a role in Government, whilst Mr Reginald Motswaiso and Mr Elias Dewah, both having served in the Board for 11 years retire by rotation and do not offer themselves for re-election. The Board would like to thank them for their diligent service to the Company.

In February 2020, the Board appointed a new Group Company Secretary. The Company Secretary is not a member of the Board and as such maintains an arm's length relationship with the Board. The Board considered the competencies, qualifications and experience of the Company Secretary and found them to be suitable.

Corporate Governance Report

(continued)

Board Tenure

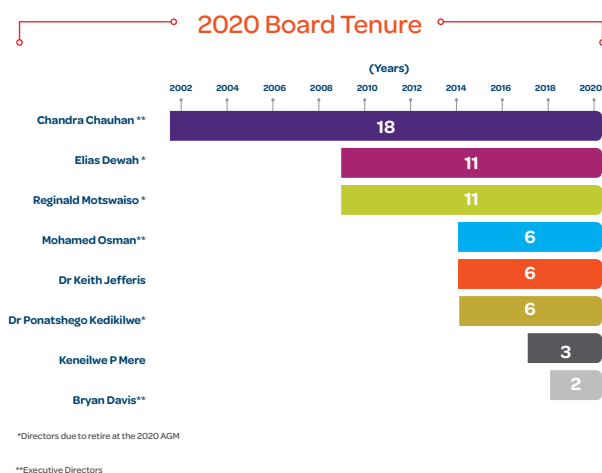
Every year, the Board undergoes a staggered rotation of its non-executive directors. Rotation of Board members ensures retention of valuable skills, maintaining continuity of knowledge and experience and introduction of people with new ideas and expertise.

The Board through its Nominations Committee considered Board tenure, reviewed any term beyond three, three-year terms for independent non-executive directors with the view to test independence and skills diversity.

The Board's assessment of the Directorship of Mr Elias Dewah and Mr Reginald Motswaiso on completion of their 9 year term in 2018 concluded no threats to independence and determined an additional 2 years of service was acceptable.

Mr Reginald Motswaiso and Mr Elias Dewah who have now both served in the Board for 11 years will be resigning at the Annual General Meeting of 2020 and will not offer themselves for re-election.

Prospective Directors have been evaluated and will be confirmed in due course to ensure the composition of the Board remains appropriate.



Governance Outcome: Delivering Good Performance

The Board considers its performance an integral part of good governance, as such it carries out annual Board evaluations to assess its performance in discharging its duties. The purpose of the evaluation is to assess Board effectiveness through interrogating governance, accountability and Board processes. The Board evaluations are the responsibility of the Board Chairman and the Chairpersons of each Committee. Through the office of the Company Secretary, a questionnaire is sent to the directors to unanimously evaluate the Board's performance. The results of the assessment are tabled at the Board meeting for consideration by the Board, where areas of improvement are discussed and resolved. The Board certifies that they are satisfied that the evaluation process enhances their effectiveness.

The Board assessed the performance of the Group Finance Director and the Head of Internal Audit and has satisfied itself of the appropriateness of the expertise of these individuals.

Governance Outcome: Legitimacy

Regulatory Reviews

During the year, Sefalana was audited by the Botswana Accountancy Oversight Authority (BAOA). The audit covered a review on Financial Reporting and Corporate Governance. We continue to work closely with BAOA to enhance our corporate governance and implement some recommendations received from the Authority. We are also proud to have consistently won prizes for the last 6 years at the PwC Annual Report competition for excellence in presentation and compliance.

Relations with Stakeholders

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

The Chairman of the Audit and Risk, Remuneration, Corporate Social Responsibility and Nominations Committees, as well as the external auditors 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.

Shareholders are encouraged to attend the Annual General Meeting either in person or by proxy. At the 2019 Annual General Meeting we achieved a total of 72% attendance by person and by proxy. All the proposed resolutions were passed and the results were communicated to the shareholders through the Botswana Stock Exchange News Services.

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.

Sefalana also hosts, biannually, a breakfast seminar for the presentation of the Groups' annual and half year financial results. This is an interactive session with all stakeholders, including but not limited to shareholders, asset managers, bankers, institutional investors and the media. An open questions and answer session is held for the stakeholders to openly interrogate management on all areas of the business.

In the current year, so as to observe social distancing, the year-end presentation was done by a pre-recorded video made available to stakeholders on Youtube.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

In order to ensure that the highest standards of Corporate Governance are observed, Sefalana operates within the King IV governance code which we believe identifies all the elements of a sound approach to governance and responsibility. Our endeavour is to provide our shareholders and other stakeholders with the confidence and assurance that Sefalana is a well-managed and responsible company.



Sefalana has carried out an assessment of its compliance to King IV and sets out the outcomes of such compliance in the table below:

KING IV

PRINCIPLE		ASSESSMENT
1	The governing body should lead ethically and effectively	<p>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.</p> <p>Through its Nominations Committee, the Board ensures the appropriate skill sets are in place and that independence is maintained through quarterly declarations of interests by Board members.</p> <p>The Terms of Reference for the Main Board and its sub - committees are annually reviewed and updated in line with best practice.</p> <p>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.</p>

Corporate Governance Report

(continued)

	PRINCIPLE	ASSESSMENT
2	The governing body should govern the ethics of Sefalana in a way that supports the establishment of an ethical culture	<p>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.</p> <p>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.</p> <p>Sefalana's Value Charter regulates guiding principles that set out internal conduct as well as relations with various stakeholders.</p>
3	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	<p>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.</p> <p>The inter - dependencies and relationship of human, financial, manufacturing capital, intellectual capital and other externalities are reported in the Group Managing Director's and Group Finance Director's reports and the Annual Financial statements.</p> <p>Sefalana's focus continues to be adopting sustainability practices in integrating environmental and social issues in the business strategy of the Group 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.</p> <p>Refer to page 6 on how this Integrated Report features all these critical areas.</p>
4	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	<p>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.</p> <p>The Sefalana Facebook site allows for an improved level of interaction with various stakeholders. We encourage strong engagement with investors and other stakeholders through our planned program of investor relations activities, as well as responding to queries from shareholders and analysts throughout the year.</p>



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





The Board ensures that there is
**an appropriate
 balance of power**
 and authority in its composition.



PRINCIPLE	ASSESSMENT
5 The governing body should serve as the focal point and custodian of corporate governance in the Group	<p>The Group is headed by a Board that directs, governs and is in effective control of the Group 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.</p> <p>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.</p> <p>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.</p>
6 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	<p>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.</p> <p>The Board member profiles in the annual report summarises the qualifications and experience of each Board member.</p>
7 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	<p>The Board has well developed committees which have been established with clear mandates and reporting procedures. The Committee Charters are reviewed annually.</p> <p>The committees are satisfied that they have fulfilled their responsibilities in accordance with the Terms of Reference for the year.</p>
8 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	<p>Board evaluations are done annually which interrogate the past year Board's collective and individual performance. It measures its respective performances and its committees, and presents to the Board the results of those self-assessments.</p> <p>Our Board evaluations aim to assess Board performance against established best practice, reflect on the role of the Board, its objectives and efficacy, create the opportunity to enhance Board effectiveness and identify future development needs</p>

Corporate Governance Report

(continued)

	PRINCIPLE	ASSESSMENT
9	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	<p>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 Directors' interests.</p> <p>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.</p> <p>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.</p> <p>The appointment of the Company Secretary is a matter of the Board.</p>
10	The governing body should govern risk in a way that supports Sefalana in setting and achieving its strategic objectives	<p>The Audit & Risk Committee plays a key role in ensuring that the Company's Internal Audit function has the necessary resources, budget standing and authority within the Group to enable it to discharge its functions. The Head of Internal Audit reports directly to the Audit & Risk Committee.</p> <p>The Audit & Risk Committee acts in accordance with its statutory duties and the delegated authority of the Board in terms of governance of risk. The Audit & Risk Committee is an integral component of the risk management process and oversees the development of policies.</p> <p>Risk assessments are conducted on a continuous basis and reported to the Board through the Audit & 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"> • A documented, approved Risk Management Policy, Framework and Plan. • Board and Executive management assessment of risks impacting on the Group's strategic objectives. <p>A strategic risk register with core risks is maintained and these shall be monitored on a continuous basis by the Board.</p>



The Audit & Risk Committee plays a key role
in ensuring that the Company's Internal Audit function
 has the necessary resources, budget standing and authority within the company

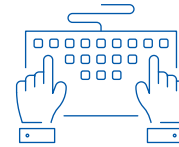


The Audit & Risk Committee is
an integral component of the risk management process and oversees the development of policies



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.



PRINCIPLE	ASSESSMENT
11 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 & 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 & 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>
12 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 Group 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> <p>As the Group's operations extend beyond Botswana's borders the aim remains to observe compliance with laws and regulations in the country the Group and its subsidiaries operate in.</p>
13 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	<p>The Group has adopted remuneration practices which create value for the Group and are aligned its strategy. The Remuneration Committee assists the Board in its responsibility for setting and administering the remuneration policy.</p> <p>Directors' fees in aggregate are disclosed in the annual report and tabled for Shareholders' approval at Annual General Meetings.</p> <p>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.</p>

Corporate Governance Report

(continued)

	PRINCIPLE	ASSESSMENT
14	<p>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</p>	<p>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.</p> <p>There is a sound collaboration between assurance providers. Internal Audit team has been enhanced during year and shall ensure more reliance is placed on Internal Audit work by External Audit.</p> <p>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.</p> <p>Instances of fraud are reported through the Anonymous tip – off line and these are investigated. The outcome is reported to the Audit and Risk Committee.</p> <p>The Board has assigned oversight of the Group's risk management function to a well-established Audit & Risk Committee. This Committee approves the annual internal audit plan. The Group Internal Auditor and the Risk Manager report to the Committee at all its meetings.</p>
15	<p>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</p>	<p>The Board, through the Sefalana Group Strategy monitors legitimate stakeholder interests and expectations, relevant to the Group's strategic objectives and long-term sustainability.</p> <p>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.</p> <p>The Sefalana website provides on-going information about the Group. The Facebook site helps improve interaction with various stakeholders. Sefalana endeavors to engage regularly with its various stakeholders ranging from suppliers, employees, consumers, Governments, local communities and institutional investors as part of a vital condition for good corporate governance practices.</p> <p>Institutional investors engage directly with the Board about their request for governance reforms and are also advanced during Annual General meetings.</p> <p>Sefalana encourages strong engagement with various stakeholders including shareholders, suppliers, employees and the public through various forums.</p>



The Board not only encourages
proactive stakeholder engagement through attending Annual General Meetings,
 but also through informal processes such as direct contact, advertising and press releases.



The UK Corporate Governance Code

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

In the light of recent local and global corporate governance failures and misconduct, it is vital that Sefalana utilises enhanced corporate governance codes to strengthen its governance frameworks to deliver long-term sustainable performance.

The adoption of the UK Corporate Governance Code amongst several governance codes is due to similar legal systems as well as the similarity of governance models being the Shareholder model of ownership and control. The UK Corporate Governance Code sets out the standards of good practice for listed companies. Similar to the King Code the overarching principles of the Code are leadership, capability, accountability, sustainability and integrity. Below is an expansion of the principles to which Sefalana has aligned itself:

Board Leadership and Company Purpose

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

Division of Responsibilities

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



The remuneration responsibilities will include **reviewing workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking them into account when setting executive director remuneration.**



Composition, Succession and Evaluation

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

Audit, Risk And Internal Control

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

Remuneration

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

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

Corporate Governance Report

(continued)

Remuneration Report

The Remuneration Committee's responsibilities includes reviewing workforce remuneration and related policies, and the alignment of incentives and rewards with performance and culture, taking these into account when setting executive director remuneration. In order to achieve the best results, we have in place a short term and deferred element of remuneration for executive management as we feel this helps ensure alignment with the Group's overall strategy to reward strong performance, and to retain and motivate those who drive growth and profitability.

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 three-year look-back period. These matrix have been carefully selected to ensure there is alignment between shareholder value creation and growth, and performance measures of the Executive Directors responsible for this growth and organisational success over the short term and also over the long term.

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

(ii) Deferred remuneration – retention component

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

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

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

Executive Directors' Emoluments

	2020 (P)			2019 (P)		
	Salary	Incentive	Total	Salary	Incentive	Total
Total Executive remuneration	8 320 282	12 105 304	20 425 585	7 513 133	11 141 966	18 655 099

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 97 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

	2020 (P)			2019 (P)		
	Retainer	Sitting fees	Total	Retainer	Sitting fees	Total
Total Non - Executive remuneration	712 800	387 091	1 099 891	712 800	566 720	1 279 520

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

FRESH THINKING[°]

overcoming challenges



» SEFALANA HEALTHY LIVING. Select your packed or individual fruit and vegetables in-store

Also available are fresh herbs and the widest selection of dried fruits and nuts, which will provide a choice of condiments and complementary ingredients for your culinary efforts.



» Fruit and Veg is an important part of our diet.
For great flavour and quality, enjoy the wonderful array of FRESH FRUIT AND VEGETABLES at Sefalana



FARM FRESH
fruit & vegetables



Sefalana
healthy
living.

✓ healthy ✓ fresh ✓ affordable



» With better quality and better products,
Sefalana is all about giving OUR CUSTOMERS WHAT THEY WANT

Risk and Compliance Management

Our Approach to Risk

The Group recognises that risk management is inextricably woven into our strategy, as effective risk management is essential to achieving the Group's strategic and operational objectives. Effective risk management is pivotal to executing our strategy, achieving sustainable shareholder value, protecting the brand and ensuring good and strong governance.

Sefalana manages, monitors and reports on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives. The Company's risk management framework encompasses internal control in an integrated manner and is tailored to the specific Sefalana segments, businesses and functions. It takes into account various factors such as the size and nature of the inherent risks and the regulatory environment of the individual business segment or operating company. The Sefalana management systems, organisational structures, processes, standards, code of conduct and values and behaviours together govern how Sefalana conducts its business and manages associated risks.

Sefalana's risk management framework is designed to be a simple, consistent and clear framework for managing and reporting risks from the Group's operations to the Board. The framework and related processes seek to avoid incidents and maximise business outcomes by allowing management to:

- » Understand the risk environment and assess the specific risks and potential exposure for Sefalana
- » Manage the identified risks in appropriate ways
- » Monitor and seek assurance of the effectiveness of the management of these risks and intervene for improvement where necessary

- » Report up the management chain to the Board on a periodic basis about how risks are being managed, monitored, assured and the improvements that are being made.

Group Risk Management Framework

The Group Risk Management Framework is designed to help ensure risk management is an integral part of the way that Sefalana works to enable risks to be identified, assessed and managed appropriately. The Group Risk Management Framework comprises three levels:

1 Oversight and Governance

The Sefalana Board sets the direction for the manner in which risk management is approached and addressed in the Group. The Board, along with executive and functional leadership, has an absolute commitment of the Group to effective risk management and provides oversight to identify and understand significant risks, both long term and short-term. They also put in place systems of risk management, compliance and control to mitigate these risks. 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.



2 Business and Strategic Risk Management

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. Sefalana businesses and functions manage risk as part of key business processes such as strategy, planning, operations, performance management, resource and capital allocation and project appraisal.

3 Day-to-day Risk Management

Management and staff at Sefalana group identify and manage risk, promoting safe, compliant and reliable operations. 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.

These requirements, along with business needs and the applicable legal and regulatory requirements, underpin the practical plans developed to help reduce risk and deliver strong, sustainable performance.

Continuous Assurance through the three lines of defense

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:



Strategic Focus Areas

- » Optimise Profit Before Tax as a percentage of revenue
- » Optimise return on surplus cash
- » Enhance real growth in EPS
- » Increase revenue
- » Drive corporate citizenship
- » Retain and grow customer base
- » Create innovative solutions and products
- » Improve process efficiency
- » Develop, motivate and retain a multi-skilled and high performance workforce
- » Institute talent management

Our top priorities and risks

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

Risk and Compliance Management

(continued)

Key risk movements








The principal and emerging risks are monitored throughout the year to identify changes to the risk landscape. Risks are reviewed in line with the Group's strategic objectives.



We have reviewed and updated the descriptions and mitigating actions of our principal risks to reflect new emerging external risks and any new strategic priorities that have been announced. We reviewed whether the level of risk associated with each of the principal risks is

increasing or decreasing compared to the previous financial year and noted new risks, which do not have a basis for comparison.

Following the review of the principal risks and our strategic key drivers, we have also included an additional principal risk and uncertainty that relates to the ongoing heightened levels of global uncertainty with regards to the COVID - 19 Pandemic.

The most significant principal risks identified by the Board, and the corresponding mitigating controls, are set out below in no order of priority.

Risk Status Key:			Risk Movement Key			
			No Change	Increase	Decrease	New Risk
HIGH: Risk management activities have not resulted in demonstrated improvement in the inherent risk exposure	MEDIUM: Risk management activities have begun to demonstrate improvement	LOW: Risk management activities have resulted in demonstrated improvement to adequately address or exceed inherent risk				


OUR PRIORITIES	IMPACT ON OUR STRATEGIC OBJECTIVES	MOVEMENT	KEY CONTROLS AND MITIGATING ACTIVITIES
Business Strategy	Failure of our business customer value proposition to adequately cater to customer demands may impact results from operations and future growth. This risk would adversely affect our businesses.		<ul style="list-style-type: none"> ➤ The progress against strategic programmes and any risks to delivery, such as the ability to implement and deliver change and new business initiatives, is regularly reviewed by the Board. ➤ The Board and Executive management are very focussed on the strategy and mindful of the risks, so there is strong direction and commitment from the top. ➤ The Board also has regular sessions to discuss strategy, supported by a dedicated Strategy Coordinator. ➤ In addition, management performs ongoing monitoring of business as usual performance to determine indicators of potential negative performance because of change initiatives.
Governance and Regulatory Compliance	<p>Failure to recognise and adapt to changes in legislation and to deliver proper governance, scrutiny and internal control to protect the Company from poor practice and mismanagement.</p> <p>This may result in fines, criminal penalties, consequential litigation and an adverse impact on our reputation, financial results, and/or our ability to do business.</p>		<ul style="list-style-type: none"> ➤ Integrated compliance approach embeds compliance as an essential, proactively managed component of business activities. ➤ Our Code of Business Conduct is supported by annual compliance reviews and other tools such as our whistleblowing hotline. The engagement of leadership and senior management is critical in the successful management of this risk area and leaders provide clear tone from the top. ➤ We continue to monitor and improve our controls to ensure we comply with legal and regulatory requirements across the Group. ➤ Communication and strong tone from the top concerning compliance with laws and regulations. ➤ Proven commitment to regulatory compliance improves relationship with regulators.

OUR PRIORITIES	IMPACT ON OUR STRATEGIC OBJECTIVES	MOVEMENT	KEY CONTROLS AND MITIGATING ACTIVITIES
Market Position	<p>Failure to deliver an effective, coherent and consistent strategy to respond to our competitors and changes in market conditions, resulting in poor turnover, loss of market share and failure to improve profitability.</p> <p>The trading environment continues to be competitive, driven by new entrants, as well as being affected by changing customer needs and expectations. We must be able to compete in changing markets.</p>	↔	<ul style="list-style-type: none"> ➤ Our Board develops and regularly challenges the strategic direction of our business to enhance our ability to remain competitive on price, range and service. ➤ Our Executive and operational management regularly review markets, trading opportunities, competitor strategy and activity. We engage in market scanning and competitor analysis to refine our customer proposition. ➤ Our outstanding market position as a leading FMCG Group, and the strength of our brand enables us to respond robustly to competitive threats. ➤ Our key business enhancement objective is to ensure that the Group is able to respond more effectively, efficiently and competitively to the changing dynamics of our local and regional marketplace.
Procurement and Strategic Sourcing	<p>Failure to deliver effective product availability and growth initiatives may impair competitive position.</p>	↔	<ul style="list-style-type: none"> ➤ We continue to monitor and improve our controls to further reduce this risk. ➤ We are currently implementing a formal business continuity plan with contingencies for supply disruptions or shortages. ➤ Our intermediate supply chain priorities are to care for our customers, products, costs and people. These priorities will optimise our performance and mitigate the risks of future disruptions. Strong sourcing capabilities with established buying operations continue to be leveraged to maintain optimal procurement costs. ➤ We have product standards, policies and guidance covering both food and non-food, ensuring that products are safe, legal and of the required quality.
Diversification and growth	<p>There is a risk that we could be unsuccessful in maximising opportunities to execute our expansion strategy.</p> <p>This could mean that we fail to achieve some of the initiatives we have embarked upon, which could result in us falling short against the overall growth targets we have set for the business.</p>	↔	<ul style="list-style-type: none"> ➤ We set ourselves a target of achieving an annual PBITA. This will be driven by growth primarily in our FMCG and related segments, as well as top line and efficiency improvements. ➤ There are a number of initiatives underway to achieve growth which reduces the risk through diversification into new markets and currencies.




Risk and Compliance Management

(continued)

OUR PRIORITIES	IMPACT ON OUR STRATEGIC OBJECTIVES	MOVEMENT	KEY CONTROLS AND MITIGATING ACTIVITIES
Information Security	<p>Our responsibility is to protect the confidentiality, integrity and availability of the data we have to provide to our customers, employees, suppliers and service delivery teams.</p> <p>A major breach of information security could have a major negative financial and reputational impact on the business.</p>		<ul style="list-style-type: none"> ➤ We continue to strengthen our cyber-control framework and improve our resilience and cybersecurity capabilities, including threat detection and analysis, encryption, network security, access controls, system security, payment systems controls back-up and recovery. ➤ A risk-based security testing approach across Group IT infrastructure and applications is in place to identify ongoing vulnerabilities. ➤ The Group has plans in place, supported by senior management who have the experience and the authority levels to make decisions in the event of a potentially disruptive incident. ➤ Greater focus is now being placed in this area with the emergence of more regular cyber-attacks globally. There is a need to focus greater resources to enhance the overall defence environment. ➤ The Group's key IT systems are protected to prevent and minimise any potential interruption. This includes resilient design and the provision of disaster recovery services to continue operating within pre-agreed times in case of a major incident. Our plans as tested during the year were found to be effective.






OUR PRIORITIES	IMPACT ON OUR STRATEGIC OBJECTIVES	MOVEMENT	KEY CONTROLS AND MITIGATING ACTIVITIES
Technology and Data Management	<p>Failure of our IT infrastructure or key IT systems result in loss of information, inability to operate effectively, financial or regulatory penalties, and negatively impacts our reputation.</p> <p>Our focus is on enhancing customer experience by providing seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying IT services required to support the Group's overall strategy for driving profitable growth.</p> <p>A significant IT Strategy implementation failure could impact on our ability to provide leading technology solutions in our markets and therefore impacting on our competitiveness, our ability to provide a superior customer experience and associated impact on quality and operational efficiency.</p>		<ul style="list-style-type: none"> ➤ We change and evolve to meet the needs of our customers through our digital strategy and technology developments, so that we are there for them whenever and wherever they want to shop with us, with great products and services at fair prices. To deliver this, we will continue to listen to and understand our customers. ➤ A multi-year programme is underway to enhance our technology infrastructure and resilience capabilities. This involves significant investment in re-engineering some of our legacy retail systems, while building redundancy for key business systems. Our technology security programme continues to build security capabilities to strengthen our infrastructure and Information Technology General Controls. ➤ We continue to invest in our operational capability across processes and technology. ➤ Processes are in place to enhance the Group's IT Strategy which shall be aligned to our overall business objectives and considers external factors such as the pace of technology change and internal factors such as the underlying quality required throughout IT. ➤ Leverage customer data and analytics from loyalty programmes to inform all our business.




Risk and Compliance Management

(continued)

OUR PRIORITIES	IMPACT ON OUR STRATEGIC OBJECTIVES	MOVEMENT	KEY CONTROLS AND MITIGATING ACTIVITIES
Value Based Employee Culture	Failure to attract and retain the required capability and continue to evolve our culture could impact delivery of our purpose and strategic drivers.		<ul style="list-style-type: none"> ➤ Market competitiveness continues to affect our ability to attract and retain key specialist talent. ➤ We aim to be an employer of choice, with engaged, proactive employee relationships. Over the past year, we revised our Group HR strategy in response to employee and business needs. We aim to attract, develop, retain and reward talent, and to strengthen our customer-first culture through employee engagement. ➤ We continue to monitor workforce capacity and capability requirements in line with the Group growth strategy and any emerging issues in the markets in which we operate. ➤ The Group has implemented remuneration and incentive policies that seeks to recruit and retain suitable talent and to remunerate talent at levels commensurate with market levels.
Knowledge, Capacity and Culture	Failure to attract and retain the required capability and continue to evolve our culture could impact delivery of our purpose and strategic driver.		<ul style="list-style-type: none"> ➤ We continue to monitor workforce capacity and capability requirements in line with the Group growth strategy and any emerging issues in the markets in which we operate. ➤ The Group's employment policies and remuneration and benefits packages are regularly reviewed and are designed to be competitive with other companies, fair and consistent, as well as providing colleagues with fulfilling career opportunities.
Environment and sustainability	The environment and sustainability are core to Sefalana's values. The key risk facing the Group in this area relates to reducing the environmental impact of the business, which could result in a financial and/or reputational risk.		<ul style="list-style-type: none"> ➤ The business is developing an environmental sustainability framework to guide operations. ➤ The Group is committed to leading ethically as a good corporate citizen. We contribute significantly to the Governments and countries where we operate. ➤ The Group is committed to creating shared value through its business model, which helps to develop communities. ➤ The Corporate Responsibility and Sustainability Committee oversees the impact of Sefalana's corporate responsibility and sustainability strategy. Maintain partnerships within communities to ensure social projects are effective.



OUR PRIORITIES	IMPACT ON OUR STRATEGIC OBJECTIVES	MOVEMENT	KEY CONTROLS AND MITIGATING ACTIVITIES
Business Interruption (COVID -19)	<p>A major incident or catastrophic event could impact on the Group's ability to trade</p> <p>We continue to assess and monitor the potential risks and impacts of COVID -19 on our customers, supply chains and colleagues so that we can take appropriate action.</p>		<ul style="list-style-type: none"> ➤ Our employees and customers trust us to protect their health and safety. We prioritise safety and security in our workplaces and shopping environments. Our aim is to maintain the Group's reputation for quality and to move towards zero tolerance for any safety threats. We provided staff in - stores with mask, gloves and hand sanitisers to help reduce the risk of spreading the virus. ➤ We have co-ordinated activities across the Wholesale, Retail, HR, IT and Finance teams to help ensure that, in the event of a disaster, appropriate mitigations are in place to reduce the impact on customers, supply chains and employees. These activities specifically relate to five key areas of risk: <ul style="list-style-type: none"> ○ Communication risks ○ Business and operational risks ○ Employee risks ○ Cyber risks ○ Infrastructure risks ➤ We have set up a mechanism of communication with employees, customers, suppliers, authorities, and the public. ➤ We continue to focus our efforts on controls which ensure colleague and customer safety. ➤ Developed counter measures for processes, employees, technologies and developed organisational instructions in order to ensure continuity of operations, as well as set up reaction plans (procedures, allocation of employees and other resources). ➤ Updated health and safety policy will build safety culture and improve consistent protocols across the Group. ➤ Awareness campaign for specific cases of social engineering attacks in communication related to crisis (Cyber Security Risks). ➤ Programmes to support communities through hunger and disaster relief.





COMPANY PROFILES

**FRESH
THINKING**
overcoming
challenges



As a large diversified Group, an Essential Services provider, and in response to the environment around us relating to COVID-19, we developed a number of measures to ensure limited impact of the Pandemic on our staff, our business and the communities we serve.

Our Management Teams



Our Sefalana Head Office team



Chandra Chauhan

Group Managing Director (GMD)



Mohamed Osman

Group Finance Director (GFD)



Omphemetse Mokgosi

Personal Assistant to GMD and GFD



Saju Peter

Group Financial Controller



Bofithile Malesela

Group Property Accountant



Izdihar Salim

Group Financial Accountant



Zeenat Mia

Group Data Analyst



Michael Simaye

Group IT Manager



Tapiwa Muzembe

Group Brand Custodian



Gofaone Senna

Group Company Secretary



Otstile Johwa

Group Human Resources Manager



Kgositsile Setumo

Messenger



Lorato Radiposo

Head of Internal Audit



Yule Madikwe

Group Internal Auditor



Chedza Mothebe

Trainee Internal Auditor



Otstile Maoba

Office Cleaner



Mosetsana Disela

Receptionist



Gaolathe Solomon

Receptionist

Our Management Teams

(continued)



Our Sefalana Cash & Carry team



Gerhard Scheepers

General Manager - Wholesale



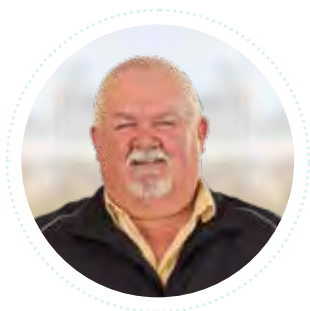
Moagi Buzwani

Operations Executive - Wholesale



Sunil Urath

General Manager - Retail



Shane Colloty

Merchandise Executive



Delores Adul

Head of Merchandise



Anthony Lambrechts

General Manager - Sefalana Catering



David Levin

Head of Corporate Services



Mike Makin

Sefalana Cash & Carry - Finance Director



Godfrey Ndwapi

Head of Risk



Mmapula Pilane

Head of Human Resources

Our Management Teams

(continued)



Our Metro Cash & Carry team



Bryan Davis

Metro Cash & Carry Namibia -
Managing Director



Philip Nel

Operations Executive



Sinsikus Amwiigidha

Finance Executive



Kobus Boshoff

Merchandise Executive



Jan Rauwerda

National Buyer



Vic Goosen

Regional General Manager



Zelda Rauwerda

Regional Admin Manager Central



Milton Shiimi

Human Resources Executive



Amand du Preez

IT and Systems Executive



Rhyno van Rooyen

Risk Executive



Amanda Philander

Retail Development Manager



Jade Rickerts

Business Analyst



Allister Groenewald

CCTV Control Room Manager



Rosalia Samuel

Training Manager

Our Management Teams

(continued)



Our Lesotho Cash & Carry team



Devin Serfontein

Country General Manager



Maime Lehlohonolo

Branch Manager



Rapelang Maubelle

Finance Officer



Sadik Patel

Senior Buyer and Sales Manager



Consolata Pheko

Administration Manager



Mary Moloi

Branch Administration Manager



Etienne Botha

Maputsoe Branch Manager



Mohau Lebeko

Maputsoe Liquor Manager



Keabetsoe Makha

Maputsoe Admin Manager



Our Commercial Motors team



Akhtar Nanuck

Dealer Principal



Khumo Christos

Finance Manager



Nazim Shaikh

Part Manager



Rudolf Kroukamp

MAN Workshop Manager



Upul Kalansooriya

Honda Workshop Manager



Rejesh Kumar

Tata Workshop Manager

Our Management Teams

(continued)



Our Mechanised Farming team



Akhtar Nanuck

Dealer Principal



Khumo Christos

Finance Manager



Kabo Tshukudu

Stock Controller



Dintle Selepe

Sales Executive



Our Foods Botswana Beverages team



Zeenat Malek

Finance Manager



Scharl Varnfield

Operations Manager



Keitumetse Ngwako

Human Resources Officer



Kgakgamatso Monare

Production Foreman



Clifford Motseme

Lab Manager

Our Management Teams

(continued)



Our Foods Botswana Milling Team



Oaitse Goitsewang

General Manager - Production



Patrick Muzhingi

Finance Manager



Mavis Manyapelo

Human Resources Officer



Randas Siziba

Miller



Our Sefalana Fresh Produce Team



Sunil Urath

General Manager - Retail



Praveen Veliyath

Retail Business Manager



Sophie Montshiwa

Finance Accountant

FRESH THINKING[°]

overcoming challenges



» SEFALANA
HEALTHY LIVING.
Even if we are land locked,
we can still enjoy the taste
of premium seafood.

» New beautiful Sefalana Shopper Setlhoa,
you'll love the catch of the day.
**A beautiful selection of
the best fresh and frozen
fish at affordable prices.**



FRESH CATCH

Setlhoa Sea Food Range



Sefalana
healthy
living.

✓ healthy ✓ fresh ✓ affordable



With better quality and
better products,

**Sefalana is all
about adding
VALUE BACK INTO
YOUR POCKET**



Sefalana Cash & Carry Limited

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



voluntary
retail
franchise
members

400

In addition, 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



Our store complement consists of the following:

» **25**
retail supermarkets
trading under the name
"Sefalana Shopper"



convenience stores
under the name
'Sefalana Quick',

4



Cash & Carry
outlets trading as
"Sefalana Cash & Carry"

25



Liquor stores
called 'Sefalana
Liquor' and
1 cigarette
distribution outlet
trading as
"Capital Tobacco"

5



4



4 Hyper stores located in
**Gaborone,
Francistown
and Mahalapye,**
operating as
"Sefalana Hyper"



Sefalana Cash & Carry

(continued)

During the year we opened our very first petrol station under the Puma franchise. This is positioned in a prime location along the A1 and is adjacent to our new flagship store – “Shopper Setlhoa -the Big One”. This is a modified and exciting store format and based on the success of this offering, this is something we look forward to rolling out in other locations in the near future. We are proud to be able to offer more and more to our loyal customers every year.



Looking back at our history, our operations commenced in 1974 when Sefalana Sa Botswana was formed and took over the operations of Bechmalt Holdings which included six wholesale stores. Over the last 46 years, our FMCG operations have expanded throughout the country making Sefalana a household name and a trusted local brand.



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

- » Launch of Botswana’s first FMCG online shopping site ‘Sefalana Online’ in 2016. This platform allows customers to purchase goods online and have these delivered or held for collection in - store.
- » Launch of Sefalana Rewards in 2016, making Sefalana the first local entity to introduce a loyalty program to its customers, allowing customers to earn points on current purchases which can be redeemed at a later date.
- » First FMCG store to include post-office services in - store. This was achieved through partnership with Botswana Post.
- » Launch of Sefalana’s first filling station under the Puma franchise in Setlhoa in 2019, offering an added convenience to our customers as they are able to re-fuel their vehicles while shopping for groceries on their way home.
- » Launch of our first hybrid store in 2019 (Sefalana Shopper Setlhoa, “The Big One”). This store offers an extensive range of fresh fruit and vegetables, a butchery, a bakery, a hot foods deli, an in - store pharmacy, a fresh seafood section, a ‘grab and go’ corner for quick meals and an Eastern delicacies section offering Asian spices and herbs.

We pride ourselves in being a one-stop-shop for our customers and providing a wide range of quality products and services at competitive prices. Our focus continues to be enhancing the shopping experience for our customers through improved product displays, a diversity of new products, well stocked isles and a better store layout.



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

We are pleased to have been able to go a step further and offer our customers a home delivery services during the COVID-19 lockdown earlier this year. Customers were able to place orders through Whatsapp, telephone and email services. We have been able to quickly adapt to the fast changing environment around us and ensure our customers are well attended to while keeping safe at home.



We are increasingly becoming a preferred alternative to other chains in the market through our hard work and dedication to quality customer service. We focus on ensuring our supply chains are efficient and reliable and that our service standards are monitored closely and continually improved, increasing efficiency and achieving optimal levels of inventory in - store.

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



This year marks the 10 year anniversary of our Retail Division – Sefalana Shopper. Over the years, and through astute leadership and planning, this division has grown from just 3 stores in 2010 to 30 stores in 2020, a colossal achievement for our FMCG business and the Group as a whole.

The market share of this division continues to grow as we move from catering for the lower-medium income earning market to including the more affluent, modern consumer. We aim to further contribute to the market through enhancing our product offering, modernising the layout of our stores and creating more appealing stores.

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

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



Our Catering Division, Sefalana Catering is now well into its second year of operations and is located in Gaborone West Industrial. This division is focused on the supply and delivery of frozen food and related catering equipment to the local hospitality industry, offering over 2000 new product lines not previously sold by our stores. Using a fleet of new, multi-temperature vehicles and freezer facilities, we ensure all products are delivered in a safe manner, ensuring the best quality at affordable prices.

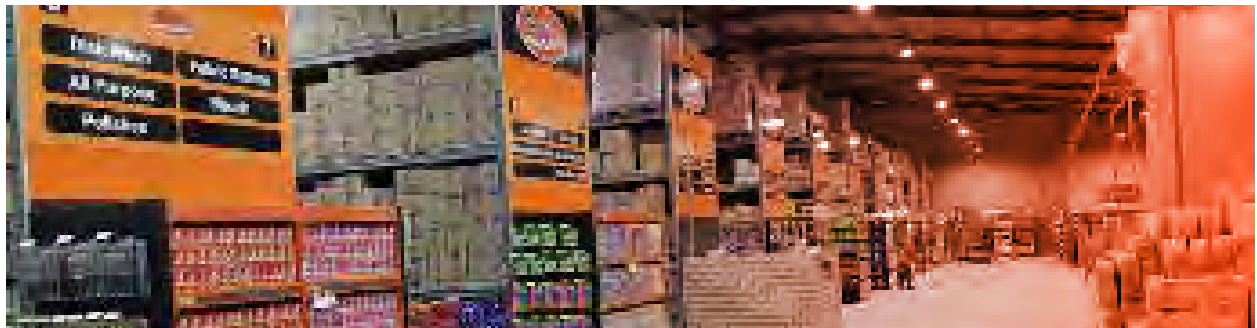
Our large, modern freezers are open to walk - in customers and we are able to offer a fantastic range of ready-made cakes, desserts, frozen French fries, ribs, chicken and seafood, to name but a few. Our extensive ambient products are suitable for any size kitchen, from the large industrial kitchens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

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

Sefalana Cash & Carry Namibia

(Proprietary) Limited ("Metro")

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



» Metro sponsored 30 refuse bins that are attached to street poles in the CBD of Rundu



» In 2019 Metro relaunched the Lucky 7 Brand and Rainbow stores. Each store has its own identity and personality that offers a shopping experience to the market in which they trade.



Our store complement consists of the following:

20

We met our medium term **target of 20 stores across the country**



3

3 Liquor outlets **across the country**



Improved bottom line which has **increased five-fold over the last six years,**

allowing this business segment to be the second largest contributor to overall Group results



744
employees

Providing employment to close to **700 Namibian nationals, an increase of over 250 employees from acquisition.**



Sefalana Cash & Carry Namibia

(continued)

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

Remarkable support and growth of our customer base which has allowed the Metro brand to be a brand of choice in Namibia, encouraging store growth and expansion into new areas of the country.



Providing employment to close to 700 Namibian nationals, an increase of over 250 employees from acquisition. We look towards adding on to our staff complement through additional store openings.

Various store revamps, provide a new look and feel to customers and the opening of four new additional stores in Divundu, Swakopmund, Eenhana and Grootfontein. This achievement has allowed us to meet our medium term target of 20 stores across the country.



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



Roll out of the Arch Enterprise management system to all stores which has enabled operational optimisation and an enhanced performance in all stores.

We are pleased to have created a name for ourselves in new localities across Namibia, serving more customers closer to their homes. Over the coming years we aim to achieve the following objectives:

- Further enhance the range of goods and services in - store which will include Sefalana's own house brand of Family Favourite products.



- Continue with our store relocation program, repositioning some of our stores to larger premises accommodating the increased footfall and wider range of products on offer.
- Open new stores in areas in which we do not have a presence.
- From inception, we have monitored the property market in Namibia and have purchased properties in Strategic locations, including Windhoek and Keetmanshoop. We look towards growing our property portfolio in a manner similar to what we have done in Botswana and are constantly on the lookout for well placed, reasonably priced locations for new store openings.





Metro is committed to a clean environment.
Metro employees who voluntarily partook in the country's National Clean Up Campaign.



Lidar Foundation, a charity organization who cares for young **vulnerable women who did not finish school mainly because of early pregnancies** asked Metro Namibia for a helping hand.



The foundation through training sessions and other programs help these women to find their way back into society. With the help of Metro and Namib Mills, these women were also trained in basic bakery skills, they received training in baking pies, muffins and cakes.

Lidar Foundation reported that 75 young vulnerable women trained in 2019 all received certificates for completing the course and 21 of them are now in full time employment. As a Christmas gift to the vulnerable children, Metro Namibia sponsored a train trip, which included refreshments and gifts.



Metro Namibia hosts 3 trade fairs annually.

The Central trade fair took place on 18 June 2019, the Northern trade fair 17 October 2019 and the Coastal trade fair 19 August 2019.



The aim of the trade fairs are to give suppliers the opportunity to showcase their products to Metro customers as well as to boost sales.

Metro Namibia recognizes their suppliers for their ongoing support. In appreciation Metro handed out certificates to the suppliers. The supplier with the best stall in terms of presentation and customer interaction received a Trophy.



During Metro's Birthday promotion, **5 lucky customers** each won a trailer.



During Metro's Birthday promotion, a competition took place where customers stood a chance to win a Food Trailer to the value of N\$80 000 to start a small business. (In the photo is the lucky 5 customers who each won a trailer).



Sefalana Trading Lesotho

T/A Sefalana Cash & Carry Lesotho

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



We continue to ensure our staff receive **continuous on-the-job training and have promoted a number of staff** through our internal succession planning program.



Sefalana has developed this business through meeting the needs of the local population and through the opening of additional stores in both Maseru and Maputsoe. **Our stores offer an extensive range of products and services, making us a house-hold name over the last four years.**



Our aim for this year has been to improve profitability in our stores through improving margins, offering enhanced product promotions and ensuring we meet customer requirements. Installation of the new Point of Sale system in the prior year has improved efficiencies in our procurement practices and overall stock management. During the year, we launched MPesa, a risk free payment platform common with our customers.

We are delighted to offer a helping hand to the community around us. **Our very own soccer team has commenced with the distribution of food packages in all localities in which a corporate match is played.** We are also proud to be the Corporate Cup Champions of 2019.



175
employees

Our Lesotho business is led by a strong management team **with 175 full time staff.** **A significant number of new jobs** were created this year through the opening of our Maputsoe cash and carry and liquor stores.

FRESH THINKING[•]

overcoming challenges



» Sefalana's own brand of A Star products are becoming increasingly popular



Quality we are proud to call our own



A-Star product

Sefalana House-Brand range



Sefalana
healthy
living

✓ healthy ✓ fresh ✓ affordable



A-Star - Sefalana house-brand range.
Quality we are proud to call our own.

**Exclusive to Sefalana
stores, quality you won't
find anywhere else.**

Available nation-wide in all Sefalana stores at unbeatable price.

Foods Botswana

(Proprietary) Limited

Almost 40 years since inception, Foods Botswana has grown into a reliable producer of quality products for the Nation, and is accredited by the Botswana Bureau of Standards. With a staff complement of just under 120 full time employees, the entity is one of Serowe's largest employers, and continues to supply the Government with Tsabana and Malutu.



In addition, Foods Botswana produces the following range of products sold to the general public:

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



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.



Staff complement of
304 employees

304



We look forward to the assembly of a wheat plant in Serowe in the coming year. **This will allow the division to improve its marketability through offering additional products to its customers.**





Fresh taste

Nature's Best

Tsabotlhe

CEREAL MEAL

Feeding our nation





For a stronger, healthier nation



Fb

Foods Botswana

Feeding our Nation

Fb

Foods Botswana

Feeding our Nation



Foods Botswana

(Proprietary) Limited (“Foods Botswana”)



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

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

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

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

We look forward to the assembly of a wheat plant in Serowe in the coming year. This will allow the division to improve its marketability through offering additional products to its customers.

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



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

The division started off with 54 employees who were retrenched by Delta Diaries. We are pleased to have reemployed these people who would have otherwise lost their jobs. In the five years since takeover, we have grown our staff complement, and look to employ additional staff as we expand our manufacturing operations.

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

In late 2016, the division commenced production of milk for the Government milk feeding scheme. In 2018 low fat and skim milk variants were introduced to meet the needs of our growing customer base.

We look forward to expanding our product range in the next year with the introduction of fruit juice, dairy blends and bottled water while preserving eco-friendly production methods and bio-degradable packaging.

Overall, through enhanced marketing efforts at both the milling and beverages divisions, we have managed to list our products in a number of fast moving consumer goods stores countrywide, improving our presence and product availability for our customers.



THE BEST
TASTE IN TOWN
ALWAYS FRESH, RICH AND CREAMY TASTE



Commercial Motors

(Proprietary) Limited

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



A Sefalana Group Company



A Sefalana Group Company



» 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.



Tata Trucks have set the new benchmark in life - cycle costs, **design and technology, offering first class features, comfort, reliability and safety at an affordable price.**



We were honoured to welcome Mr. Noel N Tata to our showrooms in December 2019 together with delegates from TATA international. **During his time in Gaborone, we visited the Office of the President and discussed the future plans of TATA in Botswana.**



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



86
employees

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

Commercial Motors (Proprietary) Limited

(continued)



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

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

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

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

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



MAN possesses a history of producing innovative vehicles **that have proved to be favoured over a number of its competitors.**



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.

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. Commercial Motors has recently promoted the new Efficient Line Truck model which has been well accepted in the Botswana market.



Our Tata range predominantly specialises in the construction, **sales and after - sales service of Tata Buses and Tata Trucks**



Tata (light and heavy commercial motor vehicles)

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

Our Tata range predominantly specialises in the construction, sales and after - sales service of Tata Buses and Tata Trucks. Tata Buses and Trucks surpass many of their competitors in power, speed, carrying capacity and operating economy. Our Tata buses offer three models with seating capacity for 28, 38 and 65 passengers.

During the year, we promoted the **new Daewoo Truck which has sparked significant customer interest.**



In 2018, we welcomed the TATA Ultra 814 into our showroom and continue to market this range as it has proved popular with customers. The model is powered by a turbo charged inter cooler engine, new generation transmission unit, G-550 gear box with cable shift mechanisms and higher load margins. Operational efficiencies are built into the vehicle through disk brakes and tubeless radial tyres. During the year, we promoted the new Daewoo Truck which has sparked significant customer interest.



We were honoured to welcome Mr. Noel N Tata to our showrooms in December 2019 together with delegates from TATA International. During his time in Gaborone, we visited the Office of the President and discussed the future plans of TATA in Botswana. We also visited our earmarked site for a new showroom in Setlhoa and carried out a number of new TATA handovers to our customers.

For nearly four decades Honda has challenged to exceed universal automobile requirements and became **the first automaker to meet the Clean Air Acts standard in the 1970's.**



Honda (passenger vehicles)

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

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

We launched the new 2019 Honda Brio in our showroom this year. This new model exhibits swept-back headlights, a minimalistic interior feel and a sportier tail end.

Honda (motorcycles)

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

From producing commuter models to fun-to-ride dynamic sports models, **Honda provides the convenience and pleasure of riding to customers world-wide.**



Mechanised Farming

(Proprietary) Limited ("Mechanised Farming")



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

A strategic decision to downscale the operations of this business and eliminate retail sales to customers was therefore made in 2018. Since then, focus has been placed on the supply and delivery of parts and equipment to Botswana Railways (BR) as our primary customer.

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



» We have noted an improved performance of the entity and continue to support BR with the maintenance spares for their locomotives.

Mechanised Farming is pleased to be the local representative for Electro-Motive Diesel (EMD) and are the sole authorised dealer for supply of imported diesel electric locomotives and spares.

Sefalana Properties



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



Over the last few years, we have undertaken to develop our 35 000 sqm property in Setlhoa Village, situated along the A1 highway.

Over the last few years, we have undertaken to develop our 35 000 sqm property in Setlhoa Village, situated along the A1 highway. In November 2019, we opened our flagship, hybrid retail store under the name Sefalana Shopper, the 'Big One' in Setlhoa. This store offers a significantly wider range of products and liquor in the 3000 sqm building. Adjacent to this store is our first petrol station offering Puma fuel in 6 lanes, and our own run Sefalana Quick convenience store.

We are pleased with these developments and the traffic it has brought to the Setlhoa area. We are currently finalising plans to construct our new showroom and workshop for Commercial Motors (Pty) Limited, which will be the new home of MAN, TATA and HONDA. We are excited about this venture as it will bring

more visibility to these brands and expect to open our doors to the public in early 2021.

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

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

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

Kgalagadi Soap Industries

(Proprietary) Limited (“KSI”)



Kgalagadi Soap Industries

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

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

In 2014, the Group entered into an agreement with a strategic partner and diluted its shareholding in the manufacturing company. This entity which was previously a 50% owned subsidiary, has since been accounted for as an associate company with an effective 25% interest. This represents a very small segment in the Group. This business’s activities were discontinued in May 2020.

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



Sefalana Fresh Produce

(Proprietary) Limited



Sefalana Fresh Produce (Pty) Limited (SFP), previously known as Natural Value Foods Botswana (Pty) Limited (NVF) joined the Group in 2014 as a joint venture between Sefalana and Natural Value Foods (Pty) Limited (South Africa). In an effort to improve profitability of this business and gain additional control, the entity was restructured to operate as a 100% subsidiary of Sefalana Holding Company Limited in 2017/18.

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

The entity operates from Gaborone North and employs a total of 25 staff. We have noted a significant improvement in both the quality of fresh fruit and vegetables supplied by SFP as well as profitability of the business. This has enabled us to offer a more favourable price to our customers and be more competitive in the local fruit and veg market.

We continue to augment our relationship with local farmers through providing support to enable the production of high quality locally produced fruit and vegetables. This allows us to place a lower reliance on South African produce and support local harvests.





ANNUAL FINANCIAL STATEMENTS



**FRESH
THINKING**
overcoming
challenges



Notwithstanding the difficult times, we have managed to close the year with a sterling performance. **Last year we reported our best ever results and this year we have done it again**



WELCOME TO OUR ANNUAL FINANCIAL REPORT

Directors' statement of responsibility

The directors of Sefalana Holding Company Limited are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Sefalana Holding Company Limited and its subsidiaries ("the Group"), comprising the consolidated and separate statement of financial position as at 30 April 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate changes in equity and consolidated and separate cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS").

The Directors have reviewed the Group and Company budgets and cash flow forecasts for the year to 30 April 2021. On the basis of this review, and in the light of the current financial position, existing borrowing facilities of the Group and the effects of COVID-19 (Note 4.1.2 and 42), the directors are satisfied that Sefalana Holding Company Limited and the Group are a going concern and have continued to adopt the going concern basis in preparing the financial statements.

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the consolidated and separate financial statements. The financial statements have been examined by the external auditors and their report is presented on pages 166 to 171.

Directors' approval of the financial statements

Against this background, the Board of directors accepts responsibility for the consolidated and separate financial statements on pages 172 to 232 which were approved on 27 July 2020 and signed on its behalf by:

PHK Kedikilwe
Chairman

CD Chauhan
Group Managing Director

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



Opinion

We have audited the consolidated and separate financial statements of Sefalana Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 172 to 232, which comprise the consolidated and separate statements of financial position as at 30 April 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 30 April 2020, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

We have not identified any key audit matters related to the separate financial statements.

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

Key Audit Matter	How the matter was addressed in the audit
<p>Investment in preference shares (Group)</p> <p>Significant judgement is required by the Directors in determining the fair value of the investment held by the Group in preference shares, which is carried at fair value through profit and loss as disclosed in Note 19, and is determined based on the significant assumptions applied to the valuation of the investment in preference shares.</p> <p>The specific areas of significant management judgement within the fair valuation of the preference shares are as follows:</p> <ul style="list-style-type: none"> • The assumptions related to future cash flows for the call option including assumptions about forecasted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA); and • Assumptions about the discount rates applied in discounting the future cash flows from the investment in the preference shares. <p>Due to the significance of the investment in preference shares balance to the consolidated financial statements as a whole, combined with the significant assumptions associated with the determination of the fair value of the instrument, this is considered to be a key audit matter.</p> <p>The disclosures relating to the fair value assessments are set out in the following notes to the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 4.2.4 – Critical accounting judgements and key sources of estimation uncertainty; and • Note 19 - Investment in preference shares. 	<p>Our response to the key audit matter included the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of relevant controls around the process followed to determine the fair value of the investment in preference shares; • Obtained the fair value calculations prepared by the directors and audited the validity and reasonableness of the assumptions applied in the fair value assessment; • Reviewed the future expected cash flows used in the directors' fair value calculation to determine whether these are reasonable; • Re-computed and tested the accuracy of the key inputs used in the computation, which include the discount rates and the valuation model applied; • Performed an independent sensitivity analysis of key inputs (discount rates and the expected cash flows) used in the fair value computation; • Engaged our internal fair valuation specialists to assist with the review of the fair valuation of the instrument. The specialists' procedures included independently valuing the call option by considering a number of variables such as equity value, profit and EBITDA; and • Evaluated the adequacy and appropriateness of the Group financial statements disclosures relating to the investment in the preference shares against the requirements of IAS 1 – Presentation of Financial Statements, IFRS 13 – Fair Value Measurement and IFRS 9 – Financial Instruments. <p>The fair value of the preference share is appropriate. We found that the quantitative information relating to the range of significant unobservable inputs used in the valuation of the preference share as required by IFRS 13 – Fair Value Measurement were not included in the financial statements, although this did not have a material effect on the disclosures relating to the preference shares.</p>

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

Key Audit Matter	How the matter was addressed in the audit
Valuation of investment property and land and buildings (Group)	
<p>The Group accounts for investment properties and land and buildings at fair value. The carrying value of investment properties as at 30 April 2020 was P234.7 million and the fair value adjustment recorded in profit before tax in respect of investment properties amounted to P12.6 million for the financial year. The carrying value of land and buildings as at 30 April 2020 was P528.4 million and the gross gain on revaluation of land and buildings recorded in other comprehensive income amounted to P15.4 million.</p> <p>The Group periodically commissions an external expert to value its property portfolio. The latest full scope evaluation was carried out at 30 April 2018. At 30 April 2019 and 30 April 2020, an update was performed in the form of a desktop valuation. This assessment was carried out by the same independent valuer and on the same basis as at 30 April 2018. This updated valuation was used to support the Directors' valuation of the portfolio of Group properties.</p> <p>Judgement is required to determine the fair value of investment properties and land and buildings. The valuation is specifically dependent on the judgement made around sustainable rental income and the significant judgement (based on associated sensitivities) of the capitalisation rates and we have 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"> • Note 4.2.1 - Critical judgements and key sources of estimation uncertainty; • Note 14 - Property, Plant and Equipment; and • Note 16 - Investment Property. 	<p>Our response to the key audit matter included the following audit procedures:</p> <ul style="list-style-type: none"> • Assessed the design and implementation of relevant controls over the fair valuation of investment property and land and buildings; • Assessed the reasonability of the desktop valuations done on the investment property and buildings by comparing the market value per the Directors' calculations to the value of comparative properties in similar locations; • Assessed the competence, objectivity and capabilities of the Group's independent valuers through a consideration of their qualifications and past experience; • Performed a comparison of the valuation approaches used by the independent valuers against IFRS requirements and industry norms to assess whether the methodologies were appropriate under the circumstances; • Assessed the assumptions used by the Group's independent valuers for reasonability; • Reviewed data inputs used in the independent valuations, including rental income, against appropriate supporting documentation (such as rental agreements, business plans and historical performance) to assess the accuracy and completeness thereof; • Compared the capitalisation rates utilised in the valuation to those generally used in the market, rates used in historical valuations and general market factors, such as comparable long-term bond yield rates; • Discussed with our internal property specialists any further matters for consideration; • Performed sensitivity analyses to assess the impact of changes in the capitalisation; and • Reviewed the related disclosures for compliance with the requirements of IAS 1 – Presentation of Financial Statements, IAS 16 – Property, Plant and Equipment, IAS 40 – Investment Property and IFRS 13 – Fair Value Measurement. <p>The models (net operating income approach) used in the valuation were appropriate and the capitalisation rates were comparable to market rates and those utilised in the prior year.</p> <p>We considered the disclosures in the consolidated financial statements to be appropriate.</p>

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

Key Audit Matter	How the matter was addressed in the audit
Allowance for slow moving and obsolete retail inventory (Group)	
<p>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.</p> <p>In making an allowance for slow moving and obsolete items, the Group determines the estimated loss rates for slow moving and obsolete items held in inventory based on historical sales quantities, its estimate of likely sales discounts (below original cost), which the Group may have to offer in order to sell slow-moving items, and the extent of losses which the Group may incur when writing off obsolete items.</p> <p>This allowance was a matter of most significance to our current year audit due to the magnitude of the inventory balance and of the allowance, and because of the judgements applied in determining the allowance.</p> <p>The disclosures relating to the inventory allowance are set out in the financial statements in the following notes:</p> <ul style="list-style-type: none"> • Note 4.2.3 - Critical accounting judgements and key sources of estimation uncertainty; and • Note 23 – Inventories. 	<p>Our response to the key audit matter included the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of relevant controls around the process followed to quantify the estimate for slow moving and obsolete retail inventory; • Reviewed and evaluated the Group's provisioning policy for reasonableness and appropriateness, including the validity of the assumptions applied; • Re-performed the computations to ensure the arithmetical accuracy of the estimate; • Independently re-computed the ageing of inventory at year end based on sales records for the past twelve months to assess the likelihood of inventory items becoming slow moving or obsolete through the use of our internal data analytical tools; performing a comparison of the current year age analysis versus prior year. Analysed causes for movements in the ageing buckets and assessed their related impact on the applied loss rates; • Analysed the inventory ageing profile per store type/format, i.e., Shopper, Hyper and Cash and Carry, to incorporate the nature of inventory types and inventory holding cycles and their respective impact on the loss rates; • Used this analysis and our understanding of likely value of loss rates based on our experience in the industry and formed an independent view of a range of appropriate loss rates for slow moving and obsolete items; and • Reviewed the related disclosures for compliance with the requirements of IAS 1 – Presentation of Financial Statements and IAS 2 – Inventories. <p>Our testing did not identify material exceptions and concluded that the consolidated financial statements included the appropriate disclosures relating to the allowance for slow moving and obsolete retail inventory.</p>

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or 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 the Company to cease to continue as a

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

going concern.

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

- 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, actions taken to eliminate threats or safeguards applied.

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

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: M J Wotherspoon (CAP 0032 2020)

Gaborone
28 July 2020

Consolidated and Separate Statements of Comprehensive Income

For the year ended 30 April 2020

	Note	Group		Company	
		2020	2019	2020	2019
		P'000	P'000	P'000	P'000
REVENUE	5	5 835 836	5 305 981	164 562	114 900
Cost of sales		(5 448 817)	(4 965 856)		
Gross profit		387 019	340 125	164 562	114 900
Other income and gains / (losses)	8	40 996	48 897	(17 347)	(7 799)
Administrative expenses		(191 331)	(168 082)	(25 753)	(24 536)
Earnings before interest, tax and amortisation (EBITA)		236 684	220 940	121 462	82 565
Amortisation of intangible assets	17	(6 107)	(5 819)		
Investment income	7	55 900	55 409	24 306	24 830
Finance costs	9	(25 656)	(9 866)	(508)	(1 242)
Profit before share of results of associate		260 821	260 664	145 260	106 153
Share of result of associate (discontinued)	18	(2 011)	(1 994)		
Profit before tax	11	258 810	258 670	145 260	106 153
Income tax expense	10	(61 142)	(60 026)	(10 005)	(4 434)
PROFIT FOR THE YEAR		197 668	198 644	135 255	101 719
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Net gain on revaluation of land and buildings		12 599	9 752		
Gross gain on revaluation of land and buildings		15 384	12 398		
Income tax on gain on revaluation of land and buildings		(2 785)	(2 646)		
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		(85 809)	(46 462)		
Other comprehensive loss for the year (net of tax)		(73 210)	(36 710)		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		124 458	161 934	135 255	101 719
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the parent		197 922	198 860	135 255	101 719
Non - controlling interests		(254)	(216)		
TOTAL PROFIT FOR THE YEAR		197 668	198 644	135 255	101 719
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the parent		124 712	162 150	135 255	101 719
Non - controlling interests		(254)	(216)		
TOTAL COMPREHENSIVE INCOME		124 458	161 934	135 255	101 719
Earnings per share attributable to the equity holders of the Company during the year:					
BASIC AND DILUTED EARNINGS PER SHARE (THEBE)	13	78.94	79.31		
TOTAL COMPREHENSIVE INCOME PER SHARE (THEBE)	13	49.74	64.67		

Consolidated and Separate Statements of Financial Position

As at 30 April 2020

	Note	Group		Company	
		2020	2019	2020	2019
		P'000	P'000	P'000	P'000
ASSETS					
NON - CURRENT ASSETS					
Property, plant and equipment	14	756 867	641 720		
Right of use assets	15	140 984			
Investment property	16	234 705	287 166		
Intangible assets	17	119 915	134 546		
Investment in preference shares	19	175 858	197 895		
Deferred lease assets	20	3 842	2 656		
Deferred tax assets	21	23 717	17 254		
Investment in subsidiaries	22			523 755	523 755
Trade and other receivables	24	2 473			
Amounts due from related parties	25			116 962	131 618
Total non - current assets		1 458 361	1 281 237	640 717	655 373
CURRENT ASSETS					
Inventories	23	725 613	607 640		
Trade and other receivables	24	344 180	254 882	21 990	20 194
Amounts due from related parties	25			127 652	48 041
Current tax assets	10	5 046	1 669	1 014	
Cash and cash equivalents	26	372 018	537 566	83 079	133 168
Total current assets		1 446 857	1 401 757	233 735	201 403
TOTAL ASSETS		2 905 218	2 682 994	874 452	856 776
EQUITY AND LIABILITIES					
EQUITY					
Stated capital	27	686 354	686 354	686 354	686 354
Other reserves	28	132 391	205 353		
Retained earnings		970 971	867 318	151 185	109 951
Equity attributable to owners of the parent		1 789 716	1 759 025	837 539	796 305
Non-controlling interests		14 981	16 064		
Total equity		1 804 697	1 775 089	837 539	796 305
NON - CURRENT LIABILITIES					
Finance lease obligations	15		1 360		
Lease liabilities	15	119 948			
Deferred lease obligations	29		17 653		
Loans and borrowings	30	109 335	110 831		
Deferred tax liabilities	21	97 016	88 948		
Total non - current liabilities		326 299	218 792		
CURRENT LIABILITIES					
Trade and other payables	31	651 149	607 336	10 284	4 459
Amounts due to related parties	25			13 142	40 251
Finance lease obligations	15		775		
Lease liabilities	15	39 319			
Loans and borrowings	30	1 490	1 429		
Contract liabilities	35	17 191	14 119		
Current tax liabilities	10	10 166	11 655		1 253
Bank overdrafts	26	6 143	5 325		74
Provisions and accruals	36	48 764	48 474	13 487	14 434
Total current liabilities		774 222	689 113	36 913	60 471
Total liabilities		1 100 521	907 905	36 913	60 471
TOTAL EQUITY AND LIABILITIES		2 905 218	2 682 994	874 452	856 776

Consolidated and Separate Statements of Changes in Equity

For the year ended 30 April 2020

	Note	Attributable to owners of the parent				Non - controlling interests	Total equity
		Stated capital	Other reserves	Retained earnings	Total		
		P'000	P'000	P'000	P'000		
Group							
At 1 May 2018		686 354	242 063	751 199	1 679 616	16 280	1 695 896
Profit for the year				198 860	198 860	(216)	198 644
Other comprehensive income for the year:							
Gain on revaluation of land and buildings (net of tax)			9 752		9 752		9 752
Currency translation differences			(46 462)		(46 462)		(46 462)
Dividends paid - 2019 interim and 2018 final	13			(82 741)	(82 741)		(82 741)
As at 30 April 2019		686 354	205 353	867 318	1 759 025	16 064	1 775 089
Profit for the year				197 922	197 922	(254)	197 668
Other comprehensive income for the year:							
Gain on revaluation of land and buildings (net of tax)			12 599		12 599		12 599
Currency translation differences			(85 809)		(85 809)		(85 809)
Transactions with non-controlling interests			248	(248)		(829)	(829)
Dividends paid - 2020 interim and 2019 final	13			(94 021)	(94 021)		(94 021)
As at 30 April 2020		686 354	132 391	970 971	1 789 716	14 981	1 804 697

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 28.

		Stated capital	Retained earnings	Total equity
	Note	P'000	P'000	P'000
Company				
At 1 May 2018		686 354	90 973	777 327
Profit for the year			101 719	101 719
Dividends paid - 2019 interim and 2018 final	13		(82 741)	(82 741)
At 30 April 2019		686 354	109 951	796 305
Profit for the year			135 255	135 255
Dividends paid - 2020 interim and 2019 final	13		(94 021)	(94 021)
At 30 April 2020		686 354	151 185	837 539

Consolidated and Separate Statements of Cash Flows

For the year ended 30 April 2020

	Note	Group		Company	
		2020	2019	2020	2019
		P'000	P'000	P'000	P'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		197 668	198 644	135 255	101 719
Income tax expense	10	61 142	60 026	10 005	4 434
Finance costs	9	25 656	9 866	508	1 242
Investment income	7	(55 900)	(55 409)	(24 306)	(24 830)
Net exchange differences		(18 782)	(4 355)	13 705	7 863
Fair value gain from investment in preference shares	19		(11 202)		
Fair value loss on derivative financial instruments	31	17 315		8 112	
Gain on revaluation of investment property	8	(12 616)	(4 424)		
Share of loss from associate	18	2 011	1 994		
Net effect of movement in lease obligations			(3 312)		
Impairment of investment in associate	8	2 627	1 808	2 127	308
Impairment of property, plant and equipment	14	600			
Loss / (gain) on disposal of property, plant and equipment	8	19	(581)		
Amortisation of intangible assets	17	6 107	5 819		
Depreciation on right of use assets	15	39 618			
Depreciation of property, plant and equipment	14	56 260	47 688		
Cash generated by operating activities before working capital changes		321 725	246 562	145 406	90 736
Movements in working capital:					
Trade and other receivables		5 391	(418)	(1 796)	(19 358)
Inventories		(117 973)	8 151		
Provisions, contract liabilities, trade and other payables		29 860	94 911	(3 234)	16 220
Finance lease obligations			(742)		
Movement in amounts due to subsidiary companies				(27 109)	32 430
Movement in amounts due from subsidiary companies				18 853	38 492
Cash generated by operations		239 003	348 464	132 120	158 520
Finance costs	9	(25 656)	(9 866)	(508)	(1 242)
Income taxation		(66 191)	(49 679)	(12 271)	(2 926)
Net cash generated by operating activities		147 156	288 919	119 341	154 352
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and other dividends received	7	55 900	55 409	24 306	24 830
Purchase of property, plant and equipment	14	(107 086)	(73 667)		
Additions to investment property	16	(14 944)	(27 073)		
Purchase of computer software rights	17	(2 873)	(1 275)		
Investment in subsidiary					(3 549)
Loan advanced to third party	24	(98 464)			
Loan advanced to subsidiary company				(98 464)	
Proceeds from sale of property, plant and equipment		2 525	3 584		
Investment in associate	18	(2 127)	(308)	(2 127)	(308)
Loan to associate	18	(2 038)			
Net cash flows (utilised in) / generated by investing activities		(169 107)	(43 330)	(76 285)	20 973
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings and finance lease obligations	30 & 15	(3 570)			
Repayment of lease liabilities	15	(36 269)	(5 123)		(3 763)
Cash dividend paid to owners of the parent	13	(94 021)	(82 741)	(94 021)	(82 741)
Net cash flows utilised in financing activities		(133 860)	(87 864)	(94 021)	(86 504)
Net (decrease) / increase in cash and cash equivalents		(155 811)	157 725	(50 965)	88 821
Cash and cash equivalents at beginning of year		532 241	383 641	133 094	44 365
Effects of exchange rate changes on cash and cash equivalents		(10 555)	(9 125)	950	(92)
Cash and cash equivalents at end of year		365 875	532 241	83 079	133 094
Represented by:					
Bank overdrafts	26	(6 143)	(5 325)		(74)
Cash and cash equivalents	26	372 018	537 566	83 079	133 168
		365 875	532 241	83 079	133 094

Notes to the financial statements

For the year ended 30 April 2020

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 profile 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 2020 were authorised for issue by the Board of Directors on 27 July 2020.

2 BASIS OF PREPARATION

(i) Compliance with IFRS

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 May 2019:

- IFRS 16 – Leases;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 19 – Employee Benefits Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures; and
- IFRIC 23 – Uncertainty over Income Tax Treatments.

Except for the adoption of IFRS 16, these new standards and amendments have not resulted in any material changes to the Group's accounting policies and have had a minimal impact on the current period, any prior period and are not likely to affect future periods.

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the

recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4 determining if an arrangement contains a lease.

(a) Impact of the new definition of leases

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 May 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 May 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- Separates the total amount of cash paid into a principal

Notes to the financial statements

For the year ended 30 April 2020

(continued)

portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 - Impairment of assets. For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'cost of sales' or 'administrative expenses' in profit and loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 - Provisions, contingent liabilities and assets in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application was reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 May 2019.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The Group did not have operating sublease arrangements entered into at the date of initial application and reporting date. Accordingly, no such reclassifications were made on date of initial application.

(d) Financial impact of initial application of IFRS 16

The financial impact arising from the adoption of IFRS 16 by the Group has been disclosed in note 15 of the financial statements.

(iv) New standards and interpretations not yet adopted

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:

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, effective for annual periods beginning on or after 1 January 2020.

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment to the standard is not expected to have a material effect on the financial statements of the Group.

Amendments to IFRS 3 – Business Combinations, effective for annual periods beginning on or after 1 January 2020.

The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The amendment clarifies the definition of a business and is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendment to the standard is not expected to have a material effect on the financial statements of the Group.

Amendments to IAS 1 – Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2022.

The International Accounting Standards Board (IASB) has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the

Notes to the financial statements

For the year ended 30 April 2020

reporting date. The change in classification affects only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendment to the standard is not expected to have a material effect on the financial statements of the Group.

IFRS 10 – Consolidated Financial Statements and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, effective date deferred indefinitely by the IASB.

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

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

Amendments to IFRS 16 – Covid-19-Related Rent Concessions, effective for annual periods beginning on or after 1 June 2020.

The amendment deals in detail with the following changes:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession as a lease modification;
- requires the lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications;
- requires lessees that apply the exemption to disclose that fact; and
- requires lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The Group did not receive COVID-19-related rent concessions from its lessors in the current financial year, and has not opted for early adoption of this amendment. The Directors do not anticipate that the application of the amendments in future will have a significant impact on the Group's consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power to direct the activities of the entity.

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of

Notes to the financial statements

For the year ended 30 April 2020

(continued)

measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required by IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(ii) Associates

Associates are all entities over which the Company or its subsidiaries have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's shareholding in associates is as disclosed in note 18.

(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.

(iv) Equity method

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

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

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised

losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

(v) Changes in ownership interests

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

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

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

(vi) 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,

Notes to the financial statements

For the year ended 30 April 2020

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 hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to

shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the statement of 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. Exchange differences arising are recognised in other comprehensive income.

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 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:

Notes to the financial statements

For the year ended 30 April 2020

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Freehold buildings	50 years
Leasehold buildings	remaining period of lease
Buildings capitalised under finance leases	15 years, being initial lease period
Plant, fixtures and equipment	4 to 20 years
Motor vehicles	4 to 6 years
Fixtures and equipment	4 to 10 years
Right of use assets	shorter of lease term and the useful life of the underlying asset

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

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

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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.

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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 recognised in the consolidated statement of financial position as a right-of-use asset and lease liability, initially measured at the present value of future lease payments.

Depreciation of the right-of-use asset and interest on lease liability is recognised in the consolidated statement of profit or loss over the estimated useful life based on contractual assignment terms.

3.6 Intangible assets

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the

cash generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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

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

Brands, trademarks and customer contracts

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

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

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

Brands	25 years
Customer contracts	10 years

Software

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

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

Notes to the financial statements

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Derecognition of intangible assets

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

3.7 Impairment of non-financial assets

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

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

3.8 Leasing

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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.

Amounts due from lessees under finance leases are recognised 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.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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For the year ended 30 April 2020

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Some of the leases of buildings contain extension and termination options exercisable by the Group before the end of the non-cancellable contract period. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. For some of the property leases, the extension and termination options held are exercisable only by the Group and not by the respective lessor. At lease commencement date, the Group assesses whether it is reasonably certain to exercise the extension options.

The Group reassesses whether it is reasonably certain to exercise to exercise the options if there is a significant event or significant change in circumstances within its control.

Policies applicable prior to 1 May 2019

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

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. 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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, 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.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease 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 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.

Notes to the financial statements

For the year ended 30 April 2020

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The Group as a lessor

Amounts due from lessees under finance leases are recognised 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 from operating leases is recognised on a straight-line basis over the term of the relevant lease. 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.

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. The amalgamated Fund had fully utilised the Employer Reserve available to the participating employers at both 30 April 2019 and 2020.

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 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.

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For the year ended 30 April 2020

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 instruments

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

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

3.13.1 Financial assets

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

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

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group did hold debt instruments that satisfy the requirements for subsequent measurement at fair value through other comprehensive income (FVTOCI).

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

Financial assets at FVTPL

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

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

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

Trade receivables

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

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of 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.

Impairment of financial assets

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

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For the year ended 30 April 2020

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

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

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

Write off policy

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

Measurement and recognition of expected credit losses

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

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

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

Impairment assessment of trade receivables is described in note 24.

Derecognition of financial assets

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

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

Foreign exchange gains and losses

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

3.13.2 Financial liabilities and equity

Classification

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

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

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Derecognition of financial liabilities

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

Trade payables

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

Stated capital

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

3.14 Provisions

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

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

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

3.15 Warranties

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

3.16 Revenue recognition

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

The Group recognises revenue from the principal activities of retailing and associated activities. For the majority of revenue streams, there is a low level of judgement applied in determining the consideration or the timing of transfer of control.

The Group recognises revenue when the Group satisfies its performance obligations in terms of the related customer contract. The Group bases its estimates on

historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods – merchandise

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

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

Under the Group's standard contract terms, customers have a right of return within seven days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return. Consequently, the Group recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly. No material right of return assets and corresponding refund liabilities were held by the Group at the end of the current financial year.

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

The loyalty points provide a material right to customers that they would not receive without entering into a contract with the Group. Accordingly, the promise to provide points to the customer is identified as separate performance obligation. The transaction price is allocated to the product and the points using a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. The stand-alone selling price of the product sold to the customer is estimated on the basis of its retail price.

Sales of goods – others

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

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Sales of services

Revenue from the provision of services is recognised when the Group satisfies its performance obligations, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Payment for sales services is not due until the services are complete.

Dividend and interest income

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

3.17 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

3.18 Dividend distribution

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

3.19 Segmental reporting

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

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment. Segment liabilities include all operating liabilities. These assets and liabilities

are all directly attributable to the segments. All inter-segment transactions are eliminated on consolidation.

The Group's areas of operations were limited to the Republic of Botswana, the Republic of Namibia, the Kingdom of Lesotho, the Republic of South Africa, the Republic of Zambia and Mauritius 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 CRITICAL JUDGEMENTS IN APPLYING THE GROUP ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

4.1.1 Consolidation of KSI Holdings Proprietary Limited

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

4.1.2 Impact of COVID-19

IFRS requires that all material effects of COVID-19 are appropriately recognized, measured and disclosed as at the reporting date. Management has closely monitored the development of this pandemic and is not aware of any COVID-19 effect amongst its people and businesses, across all operating regions. As such, the outbreak has not had a significant impact on our operations.

The impact of COVID-19 on the Botswana economy commenced in April 2020 after the first cases were confirmed and the country was put under a 28 day lockdown. As at 30 April 2020, COVID-19 has had no material impact on the financial statements, estimates or judgements applied during the year.

Management will continue to monitor and assess the development of this pandemic and respond accordingly, ensuring no adverse impacts in the foreseeable future.

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For the year ended 30 April 2020

Please refer to note 42 for additional disclosure on Going Concern in relation to COVID-19.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.2.1 Fair value of land and buildings and investment properties

The Group periodically commissions an external expert to value its property portfolio. The latest full scope evaluation was carried out at 30 April 2018. At 30 April 2019 and 30 April 2020, an update was performed in the form of a desktop valuation. This assessment was carried out by the same independent valuer and on the same basis as at 30 April 2018. This updated valuation was used to support the Directors' valuation of the portfolio of Group properties. Resulting fair value gains and losses have been recognised in the statement of 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 8.0% to 13.0% (2019: 6.0% to 15.0%).

A 10 basis point increase in the capitalisation rate would result in a P8.3 million reduction in overall portfolio value. A 10 basis point decrease in capitalisation rate would result in a P8.3 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. Refer to notes 14 and 16 respectively for fair value disclosure.

4.2.2 Impairment of goodwill

The Group tests annually whether goodwill (as disclosed in note 17) 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 17).

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.

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

Provision for warranties

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

4.2.4 Fair Value of Investment in Preference Shares

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

4.2.5 Determination of the lease term and discount rate

The measurement of the right-of-use assets and lease liabilities is inherently judgmental and relies on management's best estimate based on key inputs, namely: the determination of the lease term and the discount rate (interest rate implicit in the lease or incremental borrowing rate).

Notes to the financial statements

For the year ended 30 April 2020

(continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant for the Group's leases of buildings:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. There were no revisions to the lease term in the current financial year.

The discount rate is determined as the interest rate implicit in the lease, or if the rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Notes to the financial statements

For the year ended 30 April 2020

	Group	
	2020	2019
	P'000	P'000
5 REVENUE		
An analysis of the Group's revenue is as follows:		
Revenue from trading and manufacturing	5 815 402	5 287 679
Property rental income	20 434	18 302
	5 835 836	5 305 981
Property rental income comprises:		
Contractual rental income	19 248	16 736
Straight - line lease rental adjustment	1 186	1 566
	20 434	18 302
	Company	
	2020	2019
	P'000	P'000
Dividend income (note 25)	143 269	95 608
Management cost recoveries (note 25)	21 293	19 292
	164 562	114 900

6 SEGMENTAL ANALYSIS

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

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

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

Trading - consumer goods:

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

Trading - others:

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

Manufacturing:

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

Property:

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

With the exception of Trading - others and Manufacturing operation segments, revenue is derived from a very broad and diversified customer base, with no dependence on any significant customer.

Revenue from Trading - others and Manufacturing operating segments is derived largely from various Government departments following the award of tenders.

The Group's most significant operations are in Botswana, Namibia and Lesotho where the Group engages in the wholesale and retail distribution of fast moving consumer goods. The Group also operates a property company in Zambia with operating leases in place with third party tenants. The operational results and financial position of the Lesotho, Namibian and Zambian businesses are reported as separate geographical segments. There is no single external customer whose revenue transactions amount to 10% or more of the Group's revenue.

Investment in Preference Shares

In July 2017, the Group invested in a consortium of companies that own a chain of retail stores in South Africa. The Sefalana Group does not own or operate any of these stores but has invested in a preference share arrangement (note 19). The return on this investment is shown in a separate segment (South Africa) given its significant contribution to the Group's results.

Notes to the financial statements

For the year ended 30 April 2020

(continued)

6 SEGMENTAL ANALYSIS (continued)

Segment results

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Investment in preference shares	Inter- segment or unallocated	Consolidated
2020	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Revenue	3 329 879	115 893	205 779	55 532	4 661	529 399	1 707 326		(112 633)	5 835 836
Cost of sales	(3 185 560)	(90 795)	(157 785)			(503 870)	(1 622 065)		111 258	(5 448 817)
Gross profit	144 319	25 098	47 994	55 532	4 661	25 529	85 261		(1 375)	387 019
Other income and gains / (losses)	7 524	5 620	2 158	3 458	8 575	80	14 938		(1 357)	40 996
Administrative expenses	(68 533)	(21 293)	(32 710)	(10 331)	(1 620)	(14 544)	(23 051)		(19 249)	(191 331)
Earnings before interest, tax and amortisation (EBITA)	83 310	9 425	17 442	48 659	11 616	11 065	77 148		(21 981)	236 684
Amortisation	(261)					(1 516)	(4 330)			(6 107)
Investment income	2 976	815	764	470	21	3 941	3 255	37 528	6 130	55 900
Finance costs	(18 051)	(125)	(306)	(9 506)		(12 265)	(22 807)		37 404	(25 656)
Profit before share of results from associate	67 974	10 115	17 900	39 623	11 637	1 225	53 266	37 528	21 553	260 821
Share of results from associate									(2 011)	(2 011)
Profit before tax	67 974	10 115	17 900	39 623	11 637	1 225	53 266	37 528	19 542	258 810

Total segment results above include:

Revenue from external customers	3 328 944	114 595	134 472	16 439	4 661	529 399	1 707 326			5 835 836
Revenue from internal customers	936	1 297	71 489	39 093					(112 815)	
Total revenue	3 329 880	115 892	205 961	55 532	4 661	529 399	1 707 326		(112 815)	5 835 836
Depreciation and amortisation	50 349	1 307	7 274	12 248		4 097	26 709			101 984

Segment assets and liabilities

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Investment in preference shares	Inter- segment or unallocated	Consolidated
2020	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Non-current assets	381 630	21 017	78 408	594 415	50 526	25 596	258 128	175 858	(127 217)	1 458 361
Current assets	685 842	50 899	142 937	9 467	2 773	120 016	239 627		195 296	1 446 857
Liabilities	(724 472)	(27 403)	(29 177)	(199 917)	(1 124)	(132 151)	(244 576)		258 299	(1 100 521)
Inter-group balances			6 636	1 440		(74 248)	(116 962)		183 134	
Capital expenditure during the year	34 737	460	5 797	22 051		5 141	56 717			124 903

Notes to the financial statements

For the year ended 30 April 2020

6 SEGMENTAL ANALYSIS (continued)

Segment results

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Investment in preference shares	Inter- segment or unallocated	Consolidated
2019	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Revenue	2 941 668	120 472	209 679	48 994	4 344	438 638	1 629 985		(87 799)	5 305 981
Cost of sales	(2 806 026)	(96 533)	(172 106)			(426 796)	(1 547 889)		83 494	(4 965 856)
Gross profit	135 642	23 939	37 573	48 994	4 344	11 842	82 096		(4 305)	340 125
Other income and gains / (losses)	10 274	8 479	900	1 431	5 265	253	14 147	11 202	(3 054)	48 897
Administrative expenses	(70 508)	(19 472)	(28 919)	(12 407)	(1 247)	(5 890)	(20 465)		(9 174)	(168 082)
Earnings before interest, tax and amortisation (EBITA)	75 408	12 946	9 554	38 018	8 362	6 205	75 778	11 202	(16 533)	220 940
Amortisation	(247)					(1 584)	(3 988)			(5 819)
Investment income	4 043	1 135	1 095	355	44	113	7 318	37 339	3 967	55 409
Finance costs	(1 895)	(11)	(78)	(9 750)		(7 406)	(18 090)		27 364	(9 866)
Profit before share of results from associate	77 309	14 070	10 571	28 623	8 406	(2 672)	61 018	48 541	14 798	260 664
Share of results from associate									(1 994)	(1 994)
Profit before tax	77 309	14 070	10 571	28 623	8 406	(2 672)	61 018	48 541	12 804	258 670

Total segment results above include:

Revenue from external customers	2 940 210	119 958	158 888	13 958	4 344	438 638	1 629 985			5 305 981
Revenue from internal customers	1 458	514	50 791	35 036					(87 799)	
Total revenue	2 941 668	120 472	209 679	48 994	4 344	438 638	1 629 985		(87 799)	5 305 981
Depreciation and amortisation	23 135	873	6 593	10 819		2 767	9 320			53 507

Segment assets and liabilities

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Investment in preference shares	Inter- segment or unallocated	Consolidated
2019	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Non-current assets	131 315	34 614	65 511	573 034	59 998	20 195	297 976	197 895	(99 301)	1 281 237
Current assets	601 165	50 899	123 438	9 467	2 773	148 267	239 627		226 121	1 401 757
Liabilities	(598 824)	(25 165)	(25 069)	(207 121)	(1 052)	(46 926)	(371 555)		367 807	(907 905)
Inter-group balances	(39 335)		32 155	(6 681)	3 029		(131 618)		142 450	
Capital expenditure during the year	42 344	60	4 050	28 913		777	25 871			102 015

Notes to the financial statements

For the year ended 30 April 2020

(continued)

7 INVESTMENT INCOME	Note	Group		Company	
		2020	2019	2020	2019
		P'000	P'000	P'000	P'000
Interest income from:					
Bank deposits		16 634	17 717	4 903	5 381
Related party loans	25			19 403	19 449
Other loans and receivables		1 738	353		
Dividends and interest from preference share investment	25	37 528	37 339		
		55 900	55 409	24 306	24 830

8 OTHER INCOME AND GAINS / (LOSSES)

Fair value gain on investment in preference shares			11 202		
(Loss) / gain on disposal of property, plant and equipment		(19)	581		
Commissions received			1 204		
Gain on revaluation of investment property	16	12 616	4 424		
Net effect of straight line - rental adjustment	5	(1 186)	(1 566)		
Net foreign exchange gains / (losses)	11	5 819	9 855	(15 220)	(7 771)
Impairment of investment in associate	18	(2 627)	(1 808)	(2 127)	(308)
Insurance claims, rent and rebates		19 823	24 541		
Other		6 570	464		280
		40 996	48 897	(17 347)	(7 799)

9 FINANCE COSTS

Interest paid on:					
Bank overdrafts and loans		12 912	9 286	40	25
Lease obligations	15	12 526	421		
Related party loans	25			468	1 217
Other		218	159		
		25 656	9 866	508	1 242

The weighted average cost of borrowings for the Group is 8.9% (2019: 8.0%).

During the year the Group adopted IFRS 16: Leases which resulted in an increase in lease liabilities (refer to note 15).

Notes to the financial statements

For the year ended 30 April 2020

10 INCOME TAX EXPENSE

	Group		Company	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
Current tax				
Basic Company Tax	48 113	51 975	1 611	4 141
Withholding tax on dividend and interest	12 937	8 965	8 394	300
Adjustment in respect of prior years	275	(112)		(7)
Total current tax	61 325	60 828	10 005	4 434
Deferred tax				
Origination and reversal of temporary differences	(183)	(802)		
Total deferred tax	(183)	(802)		
Income tax expense	61 142	60 026	10 005	4 434

The Group has used the single corporate tax rate of 22% for calculating the current and deferred income taxes at the current and previous financial year end for the non - manufacturing entities in Botswana. For manufacturing entities, the current and deferred taxation rate applied is 15%. The Namibian corporate tax rate of 32% has been applied for the operations in Namibia. The tax rate in Zambia is a fixed final tax of 10% on rental income and the applicable tax rate of 25% and 15% has been applied to operations in Lesotho and Mauritius respectively. The charge for the year can be reconciled to the accounting profit as follows:

	Group		Company	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
Profit before tax	258 810	258 670	145 261	106 150
Tax calculated at current tax rates - 22% / 15%(*) (2019: 22% / 15%(*))	56 938	54 443	31 957	23 353
Effect of differential tax rates	(1 266)	(2 719)	(30 347)	(19 212)
Expenses not deductible for tax purposes	968	1 057		
Adjustment in respect of prior years	275	(112)		(7)
Final tax on dividend and interest income	12 709	8 965	8 395	300
Tax effect of income not subject to tax	(8 482)	(1 608)		
Income tax expense per statement of comprehensive income	61 142	60 026	10 005	4 434

(*) On 1 August 2017 the Company was granted IFSC status and accordingly the applicable tax rate of 15% applied throughout the financial year on all qualifying profits and will continue to apply going forward.

Current tax assets and liabilities

Current tax assets:

Income tax refund receivable	5 046	1 669	1 014	
Current tax liabilities:				
Income tax payable	10 166	11 655		1 253

Notes to the financial statements

For the year ended 30 April 2020

(continued)

Note	Group		Company	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
11 PROFIT BEFORE TAX				
Profit before tax has been arrived at after charging / (crediting):				
Auditors' remuneration	3 488	3 362	408	299
Amortisation of intangible assets	17 6 107	5 819		
Cost of inventories expensed	5 011 382	4 782 688		
Depreciation of property, plant and equipment	14 56 260	47 688		
Depreciation of right to use asset	15 39 618			
Impairment of property, plant and equipment	14 600			
Directors and employee benefits	276 266	233 797	24 393	21 601
Impairment of receivables	24 7 859	2 762		
Operating lease costs:				
- properties	32 895	51 817		
- motor vehicles	2 075			
Gain on revaluation of investment property	16 (12 616)	(4 424)		
Fair value gain on investment in preference shares	19	(11 202)		
Loss / (gain) on disposal of property, plant and equipment	8 19	(581)		
Net foreign exchange (loss) / gains	8 5 819	9 855	(15 220)	(7 771)

12 DIRECTORS EMOLUMENTS

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

Fees for services as Non - Executive Directors	1 100	1 280	1 100	1 280
Managerial services	20 426	18 655	17 891	14 410
Total	21 526	19 935	18 991	15 690
In respect of subsidiary companies	2 535	4 245		
In respect of the Company	17 891	14 410	17 891	14 410
Fees for services as Non - Executive Directors	1 100	1 280	1 100	1 280
Total	21 526	19 935	18 991	15 690

Further information relating to Executive Director and Non Executive Director emoluments is contained on page 108 and 109 of the Corporate Governance Report

Notes to the financial statements

For the year ended 30 April 2020

	2020	2019
13 EARNINGS AND COMPREHENSIVE INCOME PER SHARE		
Profit attributable to owners of the parent (P'000)	197 922	198 860
Total comprehensive income attributable to owners of the parent (P'000)	124 712	162 150
Shares in issue at end of year (number)	250 726 709	250 726 709
<p>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.</p> <p>Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue by any share options in force assuming conversion of all dilutable potential ordinary shares.</p> <p>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.</p>		
Shares in issue at beginning and end of year (number)	250 726 709	250 726 709
Weighted average shares in issue during the year (number)	250 726 709	250 726 709
Basic and diluted earnings per share (thebe)	78.94	79.31
Total comprehensive income per share (thebe)	49.74	64.67
DIVIDENDS	2020	2019
	P'000	P'000
Declared and paid during the year:		
Interim 2020: 10 thebe per share and Final 2019: 27.5 thebe per share; (Interim 2019: 10 thebe per share and final 2018: 23 thebe per share)	94 021	82 741
Final 2020: 27.5 thebe per share; (Final 2019: 27.5 thebe per share)	68 950	68 950

Notes to the financial statements

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14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Buildings capitalised under finance leases	Plant, fixtures and equipment	Motor vehicles	Total
	P'000	P'000	P'000	P'000	P'000
Group					
Cost or valuation					
At 30 April 2018	444 871	11 798	299 620	35 454	791 743
Additions	7 694		57 767	8 206	73 667
Gain on revaluation	12 398				12 398
Reversal of depreciation on revaluation	(11 488)				(11 488)
Currency translation	(3 125)		(2 193)	(266)	(5 584)
Reclassification	(784)		784		
Transfer to investment property (note 16)	(5 876)				(5 876)
Disposals	(1 419)		(16 745)	(2 455)	(20 619)
At 30 April 2019	442 271	11 798	339 233	40 939	834 241
At 30 April 2019	442 271	11 798	339 233	40 939	834 241
Additions	24 625		69 940	12 521	107 086
Gain on revaluation	15 384				15 384
Reversal of depreciation on revaluation	(12 912)				(12 912)
Currency translation	(6 399)		(6 039)	(538)	(12 976)
Regrouping to right of use assets (note 15)			(1 428)		(1 428)
Regrouping	1 040		(1 040)		
Transfer from investment property (note 16)	64 409				64 409
Disposals			(1 316)	(3 517)	(4 833)
At 30 April 2020	528 418	11 798	399 350	49 405	988 971
Depreciation and impairment					
At 30 April 2018		11 798	141 654	21 227	174 679
Depreciation charge for the year	11 488		32 345	3 855	47 688
Disposals			(15 432)	(2 184)	(17 616)
Currency translation			(660)	(82)	(742)
Elimination of depreciation previously charged	(11 488)				(11 488)
At 30 April 2019		11 798	157 907	22 816	192 521
At 30 April 2019		11 798	157 907	22 816	192 521
Depreciation charge for the year	12 912		38 574	4 774	56 260
Impairment loss			600		600
Disposals			(94)	(2 196)	(2 290)
Currency translation			(1 833)	(242)	(2 075)
Elimination of depreciation previously charged	(12 912)				(12 912)
At 30 April 2020		11 798	195 154	25 152	232 104
Carrying amount					
At 30 April 2020	528 418		204 196	24 253	756 867
At 30 April 2019	442 271		181 326	18 123	641 720

Notes to the financial statements

For the year ended 30 April 2020

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 2020 arising

	Level 1	Level 2	Level 3
	P'000	P'000	P'000
Recurring fair value measurements			
Office buildings - Botswana			67 503
Retail sale outlets - Botswana			349 799
Manufacturing sites - Botswana			55 550
Retail sale outlet and employee houses - Namibia			45 930
Warehouse - Lesotho			9 636
			528 418

There were no transfers between levels during the year.

Fair value measurements at 30 April 2019 arising

	Level 1	Level 2	Level 3
	P'000	P'000	P'000
Recurring fair value measurements			
Office buildings - Botswana			67 503
Retail sale outlets - Botswana			263 680
Manufacturing sites - Botswana			55 550
Retail sale outlet and employee houses - Namibia			45 904
Warehouse - Lesotho			9 634
			442 271

There were no transfers between levels during the year.

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 valuer has recent experience in the location and categories of the said properties. The valuation conforms to International Valuation Standards and was based on recent market data on similar properties transacted on arm's length basis. These valuations were performed using the Income Return Method (discounted cash flow method) which is based on individual property capitalisation rates.

At 30 April 2020 and 30 April 2019, an update was performed on the above valuations in the form of a desktop valuation. This assessment was carried out by the same independent valuer and on the same basis as at 30 April 2018. This updated valuation was used to support the Directors' valuation of the portfolio of Group properties.

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

	2020	2019
	P'000	P'000
Opening fair value	442 271	444 871
Additions	24 625	7 694
Disposals		(1 419)
Reclassification / transfers / currency translation	59 050	(9 785)
Gain on revaluation recognised in other comprehensive income	15 384	12 398
Reversal of depreciation on revaluation	(12 912)	(11 488)
Closing fair value	528 418	442 271

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For the year ended 30 April 2020

(continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

2020

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

Description	Fair value at 30 April 2020 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Land and buildings	528 418	Income capitalisation	P25 per sqm to P62 per sqm (weighted average of P45 per sqm) and capitalisation factor range from 8% to 13% with a weighted average of 9%.	The higher the price per square meter, the higher the value of the property.

2019

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

Description	Fair value at 30 April 2019 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Land and buildings	442 271	Income capitalisation	P25 per sqm to P57 per sqm (weighted average of P41 per sqm) and capitalisation factor range from 9% to 14% with a weighted average of 11%.	The higher the price per square meter, the higher the value of the property.

A 10 basis point increase / decrease in capitalisation rate on each property would decrease / increase the overall valuation by P6.1 million (2019: P4.6 million).

Revaluation surpluses net of deferred tax relating to property, plant and equipment is credited to other reserves in shareholder's equity and are included in the Statement of Comprehensive Income.

Depreciation expenses of P 37.0 million (2019: P30.0 million) and P19.6 million (2019: P17.4 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:

	2020 P'000	2019 P'000
Cost	190 907	166 282
Accumulated depreciation	(33 818)	(27 435)
Net carrying amount	157 089	138 847

Notes to the financial statements

For the year ended 30 April 2020

15 RIGHT OF USE ASSET AND LEASE LIABILITY

Group

The Group adopted IFRS 16 (Leases) for the first time during the year. This standard replaces the previous lease accounting standard (IAS 17) and eliminates the classification of leases as either operating lease or finance lease. This new standard introduces a single accounting model and requires all leases to be recognised on the Statement of Financial Position. The Group adopted this standard on 1 May 2019 using the modified retrospective approach and as a consequence comparative information has not been re-stated.

Right of use assets

On transition the Group recognised additional right of use assets (net of opening operating lease liability) and related liabilities as follows:

Right of use asset 1 May 2019	195 536
Transfer from property, plant and equipment (note 14)	1 428
Less opening deferred lease obligations (note 29)	(17 653)
	179 311
Depreciation	(39 618)
Currency translation	1 291
At 30 April 2020	140 984

Right of use liability

Lease liability 1 May 2019	195 536
Add: Interest on lease liability during the year (note 9)	12 526
Less: Cash lease payments for:	
Principal portion	(36 269)
Interest (note 9)	(12 526)
At 30 April 2020	159 267

Depreciation and interest charges incurred during the year in the statement of comprehensive income are presented above.

The Group has property lease agreements of typically 5 years but also often include optional renewal periods. Where there is a highly probable likelihood of renewal, relevant cash flows have been considered. A discount rate of 6.5% was applied in arriving at the right of use asset and related liabilities. No restrictive covenants are imposed by the leases in place and there are no variable components.

The maturity of the lease liabilities is presented overleaf. The Group does not face a significant liquidity risk with regards to its lease liabilities.

Notes to the financial statements

For the year ended 30 April 2020

(continued)

15 RIGHT OF USE ASSET AND LEASE LIABILITY (continued)

Lease liability - under IFRS 16

Maturity analysis of lease liabilities

	2020	
	Future minimum lease payments	Present value of capital payments
	P'000	P'000
Finance lease liabilities are payable as follows:		
Within one year	50 224	39 319
Between two and five years	138 537	119 948
	188 761	159 267
Unearned finance charges	(29 494)	
	159 267	159 267

	2020
	P'000
Long term portion	119 948
Current portion	39 319
	159 267

The cash payments for the principal portion of the lease liability have been recognised under the financing activities in the statement of cash flows while cash payments for interest on lease liability and short term leases are classified as operating activities within the statement of cash flows.

Finance lease obligations - under IAS 17

	2020		2019	
	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			862	775
Between two and five years			1 575	1 360
			2 437	2 135
Unearned finance charges			(302)	
			2 135	2 135

	2019
	P'000
Long term portion	1 360
Current portion	775
	2 135

The above is an amount in respect of a facility for the lease of forklifts for P 3.7 million.

Notes to the financial statements

For the year ended 30 April 2020

	2020	2019
	P'000	P'000
16 INVESTMENT PROPERTY		
Group		
Freehold and leasehold land and buildings at fair value	238 548	289 822
Straight - line lease rental adjustment	(3 843)	(2 656)
Balance at end of year	234 705	287 166
Reconciliation of fair value:		
Opening fair value	287 166	260 685
Additions during the year	14 944	27 073
Transfer (to) / from property, plant and equipment (note 14)	(64 409)	5 876
Currency translation differences	(14 426)	(12 458)
Gain on revaluation of properties	12 616	4 424
Straight - line lease rental adjustment	(1 186)	1 566
Closing fair value	234 705	287 166

Land and buildings are encumbered as detailed per note 30.

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 2020

	Level 1	Level 2	Level 3
	P'000	P'000	P'000
Recurring fair value measurements			
Office buildings - Botswana			129 349
Office buildings - Zambia			50 526
Retail sale outlets - Botswana			24 430
Manufacturing site - Botswana			30 400
			234 705

There were no transfers between levels during the year.

Fair value measurements at 30 April 2019

	Level 1	Level 2	Level 3
	P'000	P'000	P'000
Recurring fair value measurements			
Office buildings - Botswana			161 665
Office buildings - Zambia			56 720
Retail sale outlets - Botswana			22 446
Manufacturing site - Botswana			46 335
			287 166

There were no transfers between levels during the year.

Notes to the financial statements

For the year ended 30 April 2020

(continued)

16 INVESTMENT PROPERTY (continued)

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

2020

	Botswana properties	Zambia property	Total
	P'000	P'000	P'000
Opening fair value	230 446	56 720	287 166
Additions	14 944		14 944
Transfer to property, plant and equipment (note 14)	(64 409)		(64 409)
Regrouping	(953)	953	
Currency translation differences		(14 426)	(14 426)
Gain on revaluation of properties	5 400	7 216	12 616
Straight - line lease rental adjustment and others	(1 248)	62	(1 186)
Closing fair value	184 180	50 525	234 705

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

2019

	Botswana properties	Zambia property	Total
	P'000	P'000	P'000
Opening fair value	197 894	62 791	260 685
Additions	27 073		27 073
Transfer to property, plant and equipment (note 14)	5 876		5 876
Regrouping	(2 382)	2 382	
Currency translation differences		(12 458)	(12 458)
Gain on revaluation of properties	531	3 893	4 424
Straight - line lease rental adjustment and others	1 454	112	1 566
Closing fair value	230 446	56 720	287 166

Valuation process

An independent valuation of the Group's investment properties was performed by a professional third party valuer at 30 April 2018. The valuer has recent experience in the location and categories of the said properties. The valuation conforms to International Valuation Standards and was based on recent market data on similar properties transacted on an arm's length basis. These valuations were performed using the Income Return Method (discounted cash flow method) which is based on individual property capitalisation rates.

At 30 April 2020 and 30 April 2019, an update was performed on the above valuations in the form of a desktop valuation. This assessment was carried out by the same independent valuer and on the same basis as at 30 April 2018. This updated valuation was used to support the Directors' valuation of the portfolio of Group properties.

Notes to the financial statements

For the year ended 30 April 2020

16 INVESTMENT PROPERTY (continued)

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

2020

Description	Fair value at 30 April 2020 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Investment property (Botswana)	184 180	Income capitalisation method	P9 per sqm to P90 per sqm (weighted average of P60 per sqm) and capitalisation factor range from 9 % to 13% with a weighted average of 10%	The higher the price per square meter, the higher the value of the property
Investment property (Zambia)	50 525	Income capitalisation method	Market price per square meter	The higher the price per square meter of a comparable property, the higher the value of the property
Total	234 705			

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

2019

Description	Fair value at 30 April 2019 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Investment property (Botswana)	230 446	Income capitalisation method	P8 per sqm to P96 per sqm (weighted average of P43 per sqm) and capitalisation factor range from 6% to 15% with a weighted average of 7%	The higher the price per square meter, the higher the value of the property
Investment property (Zambia)	56 720	Income capitalisation method	Market price per square meter	The higher the price per square meter of a comparable property, the higher the value of the property
Total	287 166			

A 10 basis point increase / decrease in capitalisation rate on each property would increase / decrease the overall valuation by P2.2 million (2019: P1.9 million).

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

	2020 P'000	2019 P'000
Contractual rental income from investment property	19 248	16 736
Expenses directly attributable to investment property	(1 462)	(1 392)

Lease agreements exist for all let properties and range from 12 months to 10 years with options to renew.

No contingent rentals are charged. Most leases include escalation clauses which approximate to expected inflation rates over the period of the respective leases.

Notes to the financial statements

For the year ended 30 April 2020 (continued)

17 INTANGIBLE ASSETS

	Goodwill	Brand value	Computer software	Customer contract	Total
	P'000	P'000	P'000	P'000	P'000
Group					
Cost					
At 30 April 2018	51 301	91 926	15 395	20 879	179 501
Additions			1 275		1 275
Currency translation	(1 343)	(5 300)	(136)	(1 204)	(7 983)
At 30 April 2019	49 958	86 626	16 534	19 675	172 793
Additions			2 873		2 873
Disposals			(15)		(15)
Currency translation	(2 445)	(9 646)	(344)	(2 191)	(14 626)
At 30 April 2020	47 513	76 980	19 048	17 484	161 025
Amortisation and impairment					
At 30 April 2018	443	14 096	15 008	4 131	33 678
Currency translation		(863)	(129)	(258)	(1 250)
Charge during the year		3 515	317	1 987	5 819
At 30 April 2019	443	16 748	15 196	5 860	38 247
Currency translation		(2 143)	(276)	(825)	(3 244)
Charge during the year		3 357	652	2 098	6 107
At 30 April 2020	443	17 962	15 572	7 133	41 110
Carrying amount					
At 30 April 2020	47 070	59 018	3 476	10 351	119 915
At 30 April 2019	49 515	69 878	1 338	13 815	134 546

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 a straight - line basis. Its useful life is reviewed at each reporting date.

Computer software rights

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The useful lives of software are reviewed at each reporting date.

Customer contracts

This arises from the long standing contractual agreements in place with credit customers of Sefalana Cash & Carry (Namibia) (Proprietary) Limited and Sefalana Trading (Proprietary) Limited, Lesotho.

Notes to the financial statements

For the year ended 30 April 2020

17 INTANGIBLE ASSETS (continued)

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

	2020	2019
	P'000	P'000
Sefalana Cash and Carry Limited	23 768	23 768
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	22 254	22 254
Sefalana Trading (Proprietary) Limited, Lesotho	1 371	1 371
PWT Properties (Proprietary) Limited Namibia	90	90
MF Holdings Proprietary Limited	3 794	3 794
Currency translation	(4 207)	(1 762)
Total	47 070	49 515

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

	2020				2019			
	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	MF Holdings (Pty) Limited	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	Sefalana Trading (Pty) Limited, Lesotho
Discount rates	14.00%	14.50%	14.50%	14.00%	14.50%	14.50%	14.50%	14.50%
Growth rates	3.00%	3.00%	4.00%	4.00%	2.00%	3.00%	5.00%	0.30%

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.

	2020				2019			
	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	MF Holdings (Pty) Limited	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	Sefalana Trading (Pty) Limited, Lesotho
Discount rates	14.00%	14.50%	14.50%	14.00%	14.50%	14.50%	14.50%	14.50%
Growth rates	(0.69)%	(11.75)%	(34.00)%	2.20%	(1.88)%	(9.15)%	(6.91)%	(1.54)%

Management used a 3 year projected cashflow based on approved financial budgets / forecasts of each cash generating unit to determine the recoverable amounts.

Analysis of amortisation of intangible assets

	2020	2019
	P'000	P'000
Computer software	652	317
Brand value	3 357	3 515
Customer contracts	2 098	1 987
Total	6 107	5 819

Notes to the financial statements

For the year ended 30 April 2020

(continued)

18 INVESTMENT IN ASSOCIATE

	2020		
	P'000		
	Grow Mine Africa Proprietary Limited	Kgalagadi Soap Industries Proprietary Limited- (discontinued)	Total
	P'000	P'000	P'000
Investments at cost			
At 1 May 2018	4 185	2 616	6 801
Additions during the year	308		308
At 30 April 2019	4 493	2 616	7 109
At 1 May 2019	4 493	2 616	7 109
Additions during the year	2 127		2 127
At 30 April 2020	6 620	2 616	9 236
Impairment provision and other movements			
At 1 May 2018	4 185		4 185
Impairment charge during the year	308	1 500	1 808
Other movements		96	96
Add: current year loss		1 994	1 994
Transfer to receivables		(974)	(974)
At 30 April 2019	4 493	2 616	7 109
At 1 May 2019	4 493	2 616	7 109
Impairment charge during the year	2 127	500	2 627
Add: current year loss		2 011	2 011
Transfer to receivables		(2 511)	(2 511)
At 30 April 2020	6 620	2 616	9 236

Carrying value as at 30 April 2020 and 30 April 2019

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 was set up for the sole purpose of submitting a tender for the Botswana National Lottery.

The summarised results of this entity have not been presented on the basis that activities have not yet commenced at 30 April 2020. Costs incurred in relation to this tender have been impaired annually following a series of delays and uncertainties regarding the final award outcome. During the year a further investment of P2.1m was made and impaired. Subsequent to the year end, Grow Mine Africa Proprietary Limited has been selected as the preferred bidder. A number of further steps still need to be met before the formal license is awarded (refer to note 43).

Notes to the financial statements

For the year ended 30 April 2020

18 INVESTMENT IN ASSOCIATE (continued)

Kgalagadi Soap Industries Proprietary Limited

As at 30 April 2020 and 2019 the fair value and carrying value of the Group's interest in Kgalagadi Soap Industries Proprietary Limited was P nil following an impairment provision to reflect the potential realisable loss of its net investment in the assets of the business, including any losses incurred to date.

Kgalagadi Soap Industries Proprietary Limited is a private company and there is no quoted market price available for its shares. This business ceased its operations in May 2020. 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 Statement of Financial Position

	2020	2019
	P'000	P'000
Non - current assets		
Plant and equipment	3 653	4 021
Deferred tax		89
Total non - current assets	3 653	4 110
Current assets		
Cash and cash equivalents	3 370	425
Other current assets	15 343	17 997
Total current assets	18 713	18 422
Current liabilities		
Financial liabilities	(13 654)	(9 611)
Other current liabilities	(11 426)	(11 773)
Total current liabilities	(25 080)	(21 384)
Net (liability) / assets	(2 714)	1 148

Notes to the financial statements

For the year ended 30 April 2020 (continued)

18 INVESTMENT IN ASSOCIATE (continued)

	2020	2019
	P'000	P'000
Summarised Statement of Comprehensive Income		
Revenue	12 177	14 913
Depreciation and amortisation	(281)	(397)
Interest income	7	49
Interest expense	(582)	(586)
Loss before tax	(4 022)	(3 824)
Income tax		(164)
Total comprehensive loss for the year	(4 022)	(3 988)
Share of loss for the year	(2 011)	(1 994)

Reconciliation of summarised financial information

	Equity investment	Loan	Total
As at 1 May 2018	2 616	5 749	8 365
Movement in loan / other adjustments	(96)	37	(59)
Share of loss from associate	(1 994)		(1 994)
	526	5 786	6 312
Less: impairment provision	(526)	(974)	(1 500)
Net loan receivable as at 30 April 2019 (note 24)		4 812	4 812
As at 1 May 2019		4 812	4 812
Additional loan advanced		2 038	2 038
Share of loss from associate transferred to loan receivable		(2 011)	(2 011)
		4 839	4 839
Less: impairment provision		(500)	(500)
Net loan receivable as at 30 April 2020 (note 24)		4 339	4 339

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

For the year ended 30 April 2020

	2020	2019
	P'000	P'000
19 INVESTMENT IN PREFERENCE SHARES		
Group		
1 May	197 895	198 114
Investment in preference shares		
Foreign exchange retranslation	(22 037)	(11 421)
Fair value gain		11 202
30 April	175 858	197 895

The Group entered into a Preference Share subscription agreement with Set to Run Trade and Invest (Proprietary) Limited, renamed UIH Investment Holdings (Proprietary) Limited ("UIH") with an effective date of 1 July 2017. UIH consists of third parties in South Africa who have come together with the overall objective of acquiring a number of independent chains in the fast moving consumer goods sector in South Africa. The largest member is Unitrade Management Services (Proprietary) Limited ("UMS" / a "Buying Group") which services over 350 members across the country. Sefalana has been a member of this Buying Group for a number of years and procures a significant proportion of its products through this entity thereby establishing economies of scale.

Under this agreement, UIH is expected to make certain investments in the fast moving consumer goods sector in South Africa in accordance with an agreed business plan.

The cashflows expected to be generated through implementation of this business plan underpin the Group's R250 million investment in preference shares issued by UIH. The Group earns a fixed annual return of 20% on the invested amount of R250 million for a 5 year period, at which time the preference shares will either be redeemed at face value or, at the Group's election, may be converted to ordinary shares in UIH representing up to 30% of the issued share capital of UIH. Such conversion may be blocked by the majority ordinary shareholder of UIH through the exercise of a call option.

Through operation of the agreement, should actual cash flows be below those forecasted, the Group remains entitled to the original capital amount invested. However, should actual cash flows exceed those as originally forecasted and agreed, the Group may be required to invest additional amounts upon conversion of the preference shares.

The subscription price of R250 million was funded out of the Rights Issue program carried out in November 2016. Under this program 1 share was issued for every 8 shares held at an exercise price of P12.50. Total proceeds of P351 million were raised net of expenses. The remaining proceeds were utilised for the Group's acquisition into the Lesotho market.

The investment is assessed to be a financial instrument at fair value through profit or loss in accordance with the IFRS 9 treatment of compound instruments.

The fair value of the preference share investment was determined by the Group in accordance with IFRS 13; Fair value measurements, using the Discounted Cash Flow Method and is based on the business plans and forecasted cash flows of UIH as originally agreed between the parties. Since the start of UIH's business operations in December 2017, there have been no indicators that these plans or forecasts would change significantly over the 5 year term of the instrument.

As time lapses and the redemption date of 30 June 2022 approaches, or if the performance and cash flows of UIH deviates significantly from originally anticipated, or if there is a significant change in interest rates, any changes to fair value of the preference shares will be determined based on all information available at that time. However, the fair value of the preference shares will not be lower than the initial investment, unless there is impairment due to credit risk, as the initial investment would be redeemed.

The valuation methodology applied at the year end remains consistent with that of the prior year and is based on expected future cashflows relating to this investment. The fair value measurement is a Level 3 fair value measurement with the following inputs:

1. Earnings before interest, tax, depreciation and amortisation (EBITDA)
2. Expected rate of return
3. Interest rate
4. Inflation rates
5. Benchmark market information

The most significant input in the model is EBITDA and the expected rate of return. For every R10 million change in the average annual EBITDA the value of the instrument would change by R0.8 million, and for every 1% change in the expected rate of return, the value of the investment instrument would change in the opposite direction by R 2.8 million.

It was determined that taking into account the various inputs into the model, the valuation of the preference share in ZAR as at 30 April 2020 remains unchanged from the previous year valuation.

20 DEFERRED LEASE ASSETS

Group		
At beginning of year	2 656	1 090
Movement during the year	1 186	1 566
At end of year	3 842	2 656

Deferred lease assets relate to investment properties and deferred letting commission and represents the unamortised lease rentals arising from straight - lining of lease charges and unamortised letting commission over the lease term.

Notes to the financial statements

For the year ended 30 April 2020 (continued)

21 DEFERRED TAX ASSETS AND LIABILITIES

Group

Deferred tax assets (liabilities) arise from the following:

	Accelerated tax depreciation	Revaluation of land and buildings	Inventory net realisable value adjustments	Other	Total
	P'000	P'000	P'000	P'000	P'000
At 30 April 2018	(9 952)	(81 569)	17 590	4 053	(69 878)
Current year movement	(1 676)	1 846	3 195	(2 563)	802
Currency translation				28	28
Gain on revaluation of land and building included in Other Comprehensive Income		(2 646)			(2 646)
At 30 April 2019	(11 628)	(82 369)	20 785	1 518	(71 694)
At 30 April 2019	(11 628)	(82 369)	20 785	1 518	(71 694)
Current year movement	(3 423)	(410)	1 486	2 530	183
Currency translation	1 150			(153)	997
Gain on revaluation of land and building included in Other Comprehensive Income		(2 785)			(2 785)
At 30 April 2020	(13 901)	(85 564)	22 271	3 895	(73 299)

	2020	2019
	P'000	P'000
Disclosed as:		
Deferred tax assets	23 717	17 254
Deferred tax liabilities	(97 016)	(88 948)
	(73 299)	(71 694)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

22 INVESTMENT IN SUBSIDIARIES

Company

Held directly:

	2020	2019	2020	2019
	% holding	% holding	P'000	P'000
Cebay Investments Proprietary Limited	100	100		
Foods (Botswana) Proprietary Limited	100	100	32 524	32 524
KSI Holdings Proprietary Limited	50	50	4 250	4 250
Meybeernick Investments Proprietary Limited	100	100	1 504	1 504
MF Holdings Proprietary Limited	100	100	31 961	31 961
Sefalana Fresh Produce Proprietary Limited	90	90	1 517	1 517
Sefalana Cash & Carry Limited	100	100	109 524	109 524
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	100	100	48 802	48 802
Sefalana sa Botswana Limited	100	100		
Sefalana Mauritius (Proprietary) Limited	100	100	283 051	283 051
Sefalana Properties Limited, Zambia	100	100	10 561	10 561
Sefalana Cash and Carry Limited, Zambia	100	100	61	61
			523 755	523 755

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22 INVESTMENT IN SUBSIDIARIES (continued)

	% holding by the controlling entity	
	2020	2019
Held indirectly, through :		
KSI Holdings Proprietary Limited		
Refined Oil Products Proprietary Limited	100	100
Kgalagadi Soap Industries Proprietary Limited - Associate	50	50
Sefalana Cash and Carry Limited		
Welcome Serowe Proprietary Limited	100	100
MF Holdings Proprietary Limited		
Commercial Motors Proprietary Limited	100	100
Ellerry Holdings Proprietary Limited	100	100
Mechanised Farming Proprietary Limited	100	100
Sefalana Mauritius (Proprietary) Limited		
Sefalana Lesotho (Proprietary) Limited	100	100
Sefalana Properties (Lesotho) (Proprietary) Limited	100	100
Sefalana Trading (Proprietary) Limited *	100	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 1 May 2019, Sefalana Lesotho (Proprietary) Limited acquired the minority shareholdings, being 5% of the issued share capital, of Sefalana Trading (Proprietary) Limited for a consideration of R1.4 million. The net effect of this transaction is disclosed in the Statement of Changes in Equity. On the basis of this being an insignificant amount in the context of these financial statements as a whole, no additional disclosures has been made in respect of this transaction.

	2020	2019
	P'000	P'000
23 INVENTORIES		
Group		
Purchased for resale	741 227	613 311
Finished goods	6 537	3 917
Raw materials	74 092	36 344
Work in progress	1 790	1 584
Less: provision for obsolescence	(98 033)	(47 516)
	725 613	607 640

Inventory stated at net realisable value amount to P nil (2019: P nil). The cost of inventory expensed during the current financial year is disclosed in note 11.

Notes to the financial statements

For the year ended 30 April 2020 (continued)

24 TRADE AND OTHER RECEIVABLES

	2020	2019
	P'000	P'000
Group		
Trade receivables	161 490	176 314
Impairment provision	(18 760)	(13 007)
	142 730	163 307
Prepaid expenses	11 686	10 419
Advances	1 693	11 571
Dividends on preference shares	27 651	31 116
Related party receivables (note 18)	4 339	4 812
Loan receivable	98 464	
Other receivables	60 090	33 657
	346 653	254 882

Trade and other receivables

Non-current portion	2 473	
Current portion	344 180	254 882
	346 653	254 882

Non-current trade and other receivables relate to instalment lease debtors with maturities between 2 to 5 years. The related future interest receivable is P0.6 million.

The average credit period on sale of goods is 40 days (2019: 40 days).

Included in trade and other receivables are amounts due in foreign currencies being South African Rand, ZAR43.3 million (2019: ZAR50.0 million), Namibian Dollar, N\$53.2 million (2019: N\$35.5 million), United States Dollar, US\$0.2 million (2019: US\$0.2 million), Zambian Kwacha, K1.1 million (2019: K0.1 million), Australian Dollar, AUD 12.5 million (2019: nil) and Lesotho Loti, LSL72.0 million (2019: LSL61.8 million) all of which equates to P213.4million (2019: P112.7 million).

Loan receivable relates to a short term advance of AUD 12.5 million to a third party during the current financial year at an interest of 5.00% per annum, receivable within 12 months.

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due. In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed and approved by credit management committees. The expose to credit risk and the creditworthiness of customers is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period. Trade receivables comprise of retail customers, Government entities or parastatals, wholesale customers and tenants from retail and commercial properties. The trade receivables are spread across different revenue streams with no specific significant concentration of credit risk to a group of trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9: Financial Instruments, and is monitored at the end of each reporting period. The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below.

The expected loss rate per provision matrix has been developed by making use of past due default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date. The estimation techniques explained have been applied, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

Notes to the financial statements

For the year ended 30 April 2020

24 TRADE AND OTHER RECEIVABLES (continued)

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past statistics without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Estimated credit loss allowance working for the year ended 30 April 2020

	Current	30 days	60 days	90 days	120 days plus	Total
Expected loss rate	3.80%	5.51%	18.98%	34.65%	60.55%	
Gross carrying amount (P'000)	96 693	32 288	8 846	10 426	13 237	161 490
Loss allowance (P'000)	3 674	1 779	1 679	3 613	8 015	18 760

Estimated credit loss allowance working for the year ended 30 April 2019

	Current	30 days	60 days	90 days	120 days plus	Total
Expected loss rate	2.20%	5.00%	15.00%	25.00%	50.00%	
Gross carrying amount (P'000)	110 077	39 797	7 513	8 030	10 897	176 314
Loss allowance (P'000)	2 433	1 990	1 127	2 008	5 449	13 007

Other receivables mainly consist of prepayments which have a low risk of credit losses and therefore do not attract the need for additional provisions.

	2020	2019
	P'000	P'000
Movement in allowances for impairment:		
Group		
Balance at beginning of year	13 007	12 364
Impairment losses recognised during the year	7 859	2 762
Amounts written off as uncollectible	(2 106)	(2 119)
Balance at end of year	18 760	13 007
Company		
Trade and other receivables	566	921
Receivables from related parties	21 424	19 273
	21 990	20 194

Related party receivable relates to management fees receivable from group entities disclosed as per note 25.

Credit risk is not considered to be significant at Company level due to the nature of the items held within trade receivables and prepaid expenses and therefore no impairment provision is considered necessary.

Notes to the financial statements

For the year ended 30 April 2020

(continued)

25 RELATED PARTY BALANCES AND TRANSACTIONS

There is no impairment provision in respect of amounts owed by related parties at the end of the reporting year. Assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates to ensure provisions are made if necessary.

The majority of related party loans arise through the Group's Treasury function and bear interest linked to the prime bank rate, which represents the Company's borrowing rate from its main banker in Botswana.

There are no fixed terms for repayment, hence they are classified under current assets except for the loan receivable from Sefalana Cash and Carry (Namibia) Proprietary Limited, which is classified as a non-current asset and no collateral is held for this receivable (related party).

Refer to note 22 for a list of subsidiaries.

Group		
	2020	2019
	P'000	P'000
Amount due from related party / affiliate (common directorship)		
UIH Investment Holdings (Proprietary) Limited	175 858	197 895
Company		
Amount due from local subsidiaries:		
Refined Oil Products Proprietary Limited		337
Meybeernick Investments Proprietary Limited		6 741
KSI Holdings Proprietary Limited	2 501	1 581
Sefalana Cash & Carry Limited		39 274
Amounts due from foreign subsidiaries:		
Sefalana Mauritius (Proprietary) Limited	114 446	108
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	116 962	131 618
Sefalana Trading (Proprietary) Limited	10 705	
Total amounts due from related parties	244 614	179 659
Non - current assets	116 962	131 618
Current assets	127 652	48 041
Total	244 614	179 659

All amounts due from related parties are performing according to established credit terms, and no default or loss on account of impairment is anticipated based on available forecasts and business plans. The terms of the loan agreement between Sefalana Holding Company Limited and Sefalana Cash and Carry (Namibia) (Proprietary) Limited has resulted in the entire amount related to the loan receivable from Namibia being classified as non - current.

Amounts due to local subsidiaries:		
Cebay Investments Proprietary Limited	10	11
Foods (Botswana) Proprietary Limited	6 636	32 155
Meybeernick Investments Proprietary Limited	1 440	
Sefalana sa Botswana Limited	5 056	5 056
Amounts due to foreign subsidiary:		
Sefalana Properties Limited, Zambia		3 029
Total amounts due to related parties (current liabilities)	13 142	40 251

All other 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.

Security

Collateral held by Sefalana Holding Company Limited in respect of amounts due from related parties consists of the equity shares held in the respective legal entity.

Notes to the financial statements

For the year ended 30 April 2020

	2020	2019
	P'000	P'000
25 RELATED PARTY BALANCES AND TRANSACTIONS (continued)		
Group		
Dividend on preference shares from related party / affiliate		
UIH Investment Holdings (Proprietary) Limited (note 7)	37 528	37 339
Rent paid		
Sefalana Group Staff Pension Fund	5 984	5 909
Contribution to pension fund		
Sefalana Group Staff Pension Fund	8 862	7 782
Refer to note 18 and note 24 for investment in associate and loan receivable from related party.		
Company		
Interest income from loans to subsidiaries (note 7)		
Foods (Botswana) Proprietary Limited		13
KSI Holdings Proprietary Limited	95	92
Refined Oil Products Proprietary Limited		23
Meybeernick Investments Proprietary Limited	245	437
Sefalana Cash & Carry Limited	472	10 072
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	16 775	8 812
Sefalana Mauritius (Proprietary) Limited	1 100	
Sefalana Trading (Proprietary) Limited	716	
	19 403	19 449
Interest paid on loans from subsidiaries (note 9)		
Foods (Botswana) Proprietary Limited	468	652
Sefalana Cash & Carry Limited		565
	468	1 217
Dividends from subsidiaries (note 5)		
MF Holdings Proprietary Limited	22 200	62 275
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	61 043	
Sefalana Properties Limited, Zambia	9 508	
Sefalana Cash & Carry Limited	22 000	
Sefalana Mauritius (Proprietary) Limited	28 518	33 333
	143 269	95 608
Management fees charged to subsidiaries (note 5)		
Commercial Motors Proprietary Limited	2 682	2 417
Mechanised Farming Proprietary Limited	173	173
Foods (Botswana) Proprietary Limited	4 008	3 760
Meybeernick Investments Proprietary Limited	1 343	1 233
Sefalana Cash & Carry Limited	4 221	3 457
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	8 866	8 065
Sefalana Trading (Proprietary) Limited		187
	21 293	19 292
Management fee charged from subsidiary		
Meybeernick Investments Proprietary Limited		1 972
Contribution to pension fund		
Sefalana Group Staff Pension Fund	921	729

Notes to the financial statements

For the year ended 30 April 2020

(continued)

26 CASH AND CASH EQUIVALENTS

	2020	2019
	P'000	P'000
Group		
Cash on hand	14 930	15 914
Bank balances	247 393	109 365
Short term deposits	109 695	412 287
Bank overdrafts	(6 143)	(5 325)
	365 875	532 241
Cash and cash equivalents represented by:		
Cash on hand and bank balances	372 018	537 566
Bank overdrafts	(6 143)	(5 325)
	365 875	532 241
Company		
Cash on hand		11
Bank balances	15 257	65 335
Short term deposits	67 822	67 822
Bank overdraft		(74)
	83 079	133 094
Cash and cash equivalents represented by:		
Cash on hand and bank balances	83 079	133 168
Bank overdraft		(74)
	83 079	133 094

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions. In addition, there has been no default in prior years. As a result, no impairment provision has been recognised.

The credit quality of cash at bank and short term deposits that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates. Short term deposits earn interest rates from 1.25% to 4.25% based on the money market interest rates and are redeemable on demand.

27 STATED CAPITAL

	2020	2019	2020	2019
	Number of shares	Number of shares	P'000	P'000
Group and Company				
Issued and fully paid				
At beginning of the year	250 726 709	250 726 709	686 354	686 354
At end of the year	250 726 709	250 726 709	686 354	686 354

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

Notes to the financial statements

For the year ended 30 April 2020

28 OTHER RESERVES

Group			
	Land and buildings revaluation	Currency translation	Total
	P'000	P'000	P'000
At 30 April 2018	242 876	(813)	242 063
Gain on revaluation of land and buildings (net of tax)	9 752		9 752
Currency translation differences		(46 462)	(46 462)
At 30 April 2019	252 628	(47 275)	205 353
At 30 April 2019	252 628	(47 275)	205 353
Gain on revaluation of land and buildings (net of tax)	12 599		12 599
Currency translation differences		(85 809)	(85 809)
Transfer from retained earnings		248	248
At 30 April 2020	265 227	(132 836)	132 391

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.

29 DEFERRED LEASE OBLIGATIONS

	2020	2019
	P'000	P'000
Group		
Balance at beginning of year	17 653	19 399
Movement during the year (note 15)	(17 653)	(1 746)
Balance at end of year		17 653

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. In accordance with IFRS 16, a Right to use asset was recognised during the year in respect of lease obligations (refer to note 15).

30 LOANS AND BORROWINGS

	2020	2019
	P'000	P'000
Group		
Long term portion	109 335	110 831
Current portion	1 490	1 429
	110 825	112 260

Notes to the financial statements

For the year ended 30 April 2020

(continued)

30 LOANS AND BORROWINGS (continued)

Company

The company had no loans and borrowings in the current year and previous year.

Loans and borrowings include the following:

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 2020, the full facility had been drawn down.

The Group has complied with the financial covenants of its borrowing facilities during the current and previous year.

A second term loan from First National Bank of Botswana Limited for P15 million bears interest at prime lending rate plus 0.85%, and is repayable over 120 months commencing October 2016. This loan is secured by a first Covering Mortgage Bond of P18 million over Plot 10247/50, Broadhurst Industrial, Gaborone, Botswana and by letter of suretyships from Sefalana Holding Company Limited and the minority shareholders of KSI Holdings Proprietary Limited.

31 TRADE AND OTHER PAYABLES

	2020	2019
	P'000	P'000
Group		
Trade payables	579 475	523 578
Accrued expenses	34 376	38 002
Advances from customers	2 641	2 517
Other payables	33 032	41 322
Unclaimed dividends	1 625	1 917
	651 149	607 336

Included above are liabilities denominated in foreign currencies being ZAR174.2 million (2019: ZAR59.3 million) which equates to P115.7 million (2019: P44.3 million), Namibian Dollar, N\$252.4 million (2019: N\$258.0 million) which equates to P1 67.5 million (2019: P192.7 million), US\$ 0.2 million (2019: US\$ 0.3 million) which equates to P 1.8 million (2019: P 3.1 million), and Lesotho Loti, LSL 118.6 million (2019: LSL51.7 million) which equates to P78.7million (2019: P38.6 million).

The average credit period for certain service cost liabilities is 30 days (2019: 30 days). Other payables are settled as and when they fall due. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Company

Trade payables	11	82
Accrued expenses	360	2 266
Other payables	8 287	496
Unclaimed dividends	1 626	1 615
	10 284	4 459

Derivative Financial Instruments

Included in other payables are derivative financial instruments valued at P17.3 million (Company: P8.1 million). The Group enters into foreign exchange contracts, with its main Bankers, to purchase currency to match its procurement cashflows. This is part of the Group's foreign exchange risk management process to maximize margins and limit its exposure to fluctuating exchange rates. It was particularly important during the Pandemic when significant volatility occurred in the market.

These forward exchange contracts are not designated as hedging instruments and consequently are recognised as derivative instruments in liabilities in the statements of financial position. The fair value adjustments arising from valuation is recognised in the profit or loss. As at 30 April 2020, the Group had ZAR forward exchange contracts of ZAR 490 million (Company: ZAR 175 million) to cover purchases over the next 6 months. Included in the profit before tax are fair value losses amounting to P17.3 million (Company: P8.1 million).

Notes to the financial statements

For the year ended 30 April 2020

2020	2019
P'000	P'000

32 FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to financial assets and financial liabilities as applicable. Financial assets of the Group and Company are classified as follows:

Category - financial assets at fair value through profit and loss

Group		
Preference shares (note 19)	175 858	197 895

Category - financial assets at amortised cost

Group		
Trade and other receivables (excluding prepaid expenses and value added tax refund)	321 423	244 463
Cash and cash equivalents	372 018	537 566
	693 441	782 029

Company		
Amounts due from related parties	244 614	179 659
Trade and other receivables (excluding prepaid expenses and VAT refund)	21 934	20 069
Cash and cash equivalents	83 079	133 168
	349 627	332 896

The directors consider that the carrying amount of financial assets held at amortised costs to approximates their fair value.

33 FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to financial assets and financial liabilities as applicable. Financial liabilities of the Group and Company are classified as follows:

Category - financial liabilities at amortised cost

Group		
Trade and other payables (excluding value added tax payable)	649 592	604 645
Loans and borrowings	110 825	112 260
Finance lease obligations		2 135
Lease liabilities	159 267	
Bank overdrafts	6 143	5 325
	925 827	724 365

Company		
Amounts due to related parties	13 142	40 251
Trade and other payables	10 284	4 459
Bank overdrafts		74
	23 426	44 784

The directors consider that the carrying amount of financial liabilities held at amortised costs to approximates their fair value.

Notes to the financial statements

For the year ended 30 April 2020

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34 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 30.

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
	Letters of credits	ZAR	3.0 million	2.0 million
	Letters of credits	USD	1.2 million	14.3 million
	Guarantee	P	N/A	37.7 million
Standard Bank Namibia Limited	Overdraft	N\$	30.0 million	20.0 million
Standard Bank Lesotho Limited	Overdraft	LSL	20.0 million	13.3 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	N/A	0.1 million

The average interest rate on overdraft facilities utilised by the Group is at the commercial banks' prime rate less 2.00%. The Wesbank floor plan facility is secured over vehicles and equipment under the floor plan, details of this facility are provided under note 15.

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 P217 million (2019: P237 million).

35 CONTRACT LIABILITIES

	Maintenance service plan	Customer loyalties	Total
	P'000	P'000	P'000
Group			
At 30 April 2018			
Reclassification from provisions (note 36)	7 514		7 514
Reclassification from other payables		3 213	3 213
Net movement during the year	(2 155)	(3 055)	(5 210)
Payments received in advance against performance obligations / liabilities accrued	4 439	4 163	8 602
At 30 April 2019	9 798	4 321	14 119
Group			
At 30 April 2019	9 798	4 321	14 119
Reclassification		398	398
Payments made during the year	(907)	(5 459)	(6 366)
Payments received in advance against performance obligations / liabilities accrued	1 772	7 268	9 040
At 30 April 2020	10 663	6 528	17 191

Maintenance Service Plan

Revenue relating to maintenance services is recognised over time. The customer pays up front in full for these services resulting in a contract liability being recognised for revenue relating to the maintenance services at the time of the initial sales transaction. The liability is recognised as revenue over the service period.

Customer Loyalties

The Sefalana Cash and Carry Limited loyalty program, Sefalana Rewards enables customers to purchase goods in future at a discounted price through use of loyalty cards. The cardholder cannot redeem points without future purchases. The above contract liability relates to un-redeemed points at any given time. Loyalty points have an expiry term of one year after which the liability is eliminated.

Notes to the financial statements

For the year ended 30 April 2020

36 PROVISIONS AND ACCRUALS

	Accruals for employee benefits	Other provisions	Total
	P'000	P'000	P'000
Group			
At 30 April 2018	44 923	14 702	59 625
Reclassified to contract liabilities (note 35)		(7 514)	(7 514)
Reclassification to other payables (note 31)		(7 188)	(7 188)
Currency translation	(746)		(746)
Arising during the year	24 467		24 467
Utilised during the year	(20 170)		(20 170)
At 30 April 2019	48 474		48 474
At 30 April 2019	48 474		48 474
Currency translation	(4 786)		(4 786)
Arising during the year	31 031		31 031
Utilised during the year	(25 955)		(25 955)
At 30 April 2020	48 764		48 764
Company			
At 30 April 2018			
Transfer during the year	13 424		13 424
Arising during the year	9 722		9 722
Utilised during the year	(8 712)		(8 712)
At 30 April 2019	14 434		14 434
At 30 April 2019	14 434		14 434
Arising during the year	9 833		9 833
Utilised during the year	(10 780)		(10 780)
At 30 April 2020	13 487		13 487

Accruals for employee benefits represents annual leave and severance benefit entitlements as applicable. Other provisions include provisions for warranties and service plans and accounts payable to suppliers which were reclassified to contract liabilities (note 35) and trade and other payables (note 31) in the prior year, respectively.

Notes to the financial statements

For the year ended 30 April 2020 (continued)

37 OPERATING LEASE ARRANGEMENTS

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.

	2020	2019
	P'000	P'000
Maturity analysis of amounts receivable under operating leases:		
Within one year	16 855	16 564
Within two to five years	55 300	60 725
Over five years	23 150	23 427
	95 305	100 716

38 RETIREMENT BENEFIT ASSETS

Up until 30 September 2010, the Group operated two defined contribution retirement benefit plans, namely:

- the Sefalana Pension Fund: Members of this Fund were the qualifying employees of Sefalana Holding Company Limited and Foods Botswana; and
- 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.

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 respective financial years.

The amalgamated Fund had fully utilised the Employer Reserve available to the participating employers at both 30 April 2019 and 2020. This reserve may at a later date receive a distribution from other Reserves under certain circumstances. This surplus would then be utilised once again to fund employer contributions to the Pension Fund as was previously the case.

Notes to the financial statements

For the year ended 30 April 2020

38 RETIREMENT BENEFIT ASSETS (continued)

	2020	2019
	P'000	P'000
Plan assets consist of the following at fair value		
Property occupied by the Group	56 900	56 300
Equity securities	32 431	32 686
Managed funds	199 962	170 457
Cash	13 561	9 533
Other assets	758	65
	303 612	269 041
Plan liabilities consist of the following:		
Payables	(6 091)	(6 472)
Net surplus	297 521	262 569
Represented by:		
Members' Funds	265 838	223 095
Pensioners' Reserves	31 683	29 474
	297 521	252 569

39 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. In the current year there were outstanding forward exchange contracts as at 30 April 2020 (note 32). Market risk exposures in the prices of grain used by Foods (Botswana) (Proprietary) Limited are managed by securing contracts for bulk purchases of grain.

Notes to the financial statements

For the year ended 30 April 2020

(continued)

39 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	Assets	Liabilities	Liabilities
	2020	2019	2020	2019
	000	000	000	000
South African Rand (ZAR)	173 923	233 656	174 291	145 380
Namibian Dollar (N\$)	73 495	237 378	257 733	258 052
Lesotho Loti (LSL)	74 774	64 337	4 608	51 649
United States Dollars (US\$)	1 529	2 421	147	290
Zambian Kwacha (K)	53	703		1 172
Euro (EUR)	46	1 894		
Australian Dollar (AUD)	12 951			
Pula equivalent	335 019	465 964	291 526	357 106

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

For the year ended 30 April 2020

39 FINANCIAL INSTRUMENTS (continued)

	2020						2019				
	ZAR impact P'000	N\$ impact P'000	LSL impact P'000	USD impact P'000	EUR impact P'000	AUD impact P'000	ZAR impact P'000	N\$ impact P'000	LSL impact P'000	USD impact P'000	EUR impact P'000
On liabilities:											
Profit if Pula strengthens by 10%	11 566	17 104	306	177			10 857	19 271	3 857	312	
Loss if Pula weakens by 10%	(11 566)	(17 104)	(306)	(177)			(10 857)	(19 271)	(3 857)	(312)	
On assets:											
Profit if Pula weakens by 10%	11 542	4 877	4 962	1 839	60	10 219	17 449	17 727	4 804	2 598	2 271
Loss if Pula strengthens by 10%	(11 542)	(4 877)	(4 962)	(1 839)	(60)	(10 219)	(17 449)	(17 727)	(4 804)	(2 598)	(2 271)

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 P'000	Between 2 - 5 years P'000	Above 5 years P'000
Group			
At 30 April 2019:			
Trade and other payables	607 336		
Loans and borrowings	9 529	34 673	122 742
Finance lease obligations	775	1 360	
Bank overdraft	5 325		
Total	622 965	36 033	122 742
At 30 April 2020:			
Trade and other payables	651 149		
Loans and borrowings	9 590	41 904	128 080
Lease liabilities	39 319	149 442	
Bank overdraft	6 143		
Total	706 201	191 346	128 080

	2020 P'000	2019 P'000
The Group has unused banking facilities available at the reporting date as follows:		
Overdraft	180 113	183 830
Wesbank floor plan	4 750	4 750
Letters of credit and guarantee	31 076	48 818

The Group will finance cash flows to settle the above obligations through utilisation of unused banking facilities and future operating cash flows.

Notes to the financial statements

For the year ended 30 April 2020 (continued)

39 FINANCIAL INSTRUMENTS (continued)

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 2020 would decrease / increase by P1 124 000 (2019: decrease / increase by P480 000).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On - going credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit - ratings assigned by international credit - rating agencies.

The carrying amount of financial assets recorded in the financial statements is net of impairment losses and represents the Group's maximum exposure to credit risk.

Notes to the financial statements

For the year ended 30 April 2020

39 FINANCIAL INSTRUMENTS

Financial assets exposed to credit risk at end of year	2020	2019
	P'000	P'000
Group		
Trade and other receivables (excluding prepaid expenses and value added tax)	321 423	244 463
Bank balances with:		
African Banking Corporation Limited	237	1 933
Bank Gaborone		44
Absa Bank of Botswana Limited	4 957	38 744
BIFM Unit Trusts Proprietary Limited	109 695	73 672
First National Bank of Botswana Limited	22 396	22 863
First National Bank of Namibia Limited	523	3 424
First National Bank of South Africa Limited	21 073	13 339
Nedbank Lesotho	61	70
Stanbic Bank Botswana Limited	6 272	6 661
Standard Chartered Bank Botswana Limited	168 409	219 746
Standard Bank Namibia Limited	8 147	134 262
Standard Bank Mauritius	18 071	185
Stanlib Investment Management Services		1 480
Zambia National Commercial Bank, Lusaka, Zambia	1 903	5 229
	683 167	766 115
Company		
Trade and other receivables	566	20 194
Amount due from related parties	244 614	179 659
Bank balances with:		
Absa Bank of Botswana Limited		35 008
BIFM Unit Trusts Proprietary Limited	66 769	54 839
First National Bank of Botswana Limited	6	162
Standard Chartered Bank of Botswana Limited	1 364	42 947
Stanbic Bank Botswana Limited	199	201
	313 518	333 010

Notes to the financial statements

For the year ended 30 April 2020

(continued)

40 CONTINGENT LIABILITIES

- a) Pending litigations against the companies within the Group are summarised below:

	Number of cases pending	Approximate claim value	Number of cases pending	Approximate claim value
	2020		2019	
	P'000		P'000	
Commercial Motors Proprietary Limited	1	531	1	588
Foods Botswana Proprietary Limited	1	2 461	1	2 461
Sefalana Cash and Carry Limited	2	4 116	1	3 184

- b) Bank guarantees issued in the ordinary course of business are as stated below and are in place to facilitate supply of products and services to the respective entities within the Group.

	Currency	Amount	Currency	Amount
	2020		2019	
	'000		'000	
Foods Botswana Proprietary Limited	P	17 928	P	8 914
Mechanised Farming Proprietary Limited	P	80	P	80
Mechanised Farming Proprietary Limited	US\$	5	US\$	5
Sefalana Cash and Carry Limited	P	147	P	147
Commercial Motors Proprietary Limited	ZAR	3 000	ZAR	

- c) Assets mortgaged by the Group companies for various banking facilities are as stated in notes 14,16 and 31.
- d) Sefalana Holding Company Limited and its subsidiaries have issued letters of suretyships to support various banking facilities enjoyed by the companies within the Group.

Notes to the financial statements

For the year ended 30 April 2020

	2020	2019
	P'000	P'000
41 CAPITAL COMMITMENTS		
Capital expenditures approved by the Directors:		
Contracted for	7 481	19 777
Not contracted for	57 416	44 537
	64 897	64 314

The Group will procure third party financing for the major capital commitments before they are inception.

42 GOING CONCERN ASSESSMENT

Impact of Covid -19 on Sefalana Group

On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, the disease caused by a novel coronavirus, a Pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the Group, the economy and the general population. The financial impact of these events is still unknown globally, but for the year ended 30 April 2020, given the limited time this Pandemic has been in place, the impact is not considered significant for our Group.

Management has not been aware of any cases of COVID-19 infection among its people and the outbreak has not had a significant impact to the Group's operations to date. Management currently has an appropriate response plan in place. Management will continue to monitor and assess the ongoing development and respond accordingly.

The Directors are of the view that the Group remains a Going Concern and that there are no material uncertainties that would impact the financial statements as at the reporting date. Our assessment on the impact of judgmental areas is detailed in note 4 of these financial statements.

43 SUBSEQUENT EVENTS

Investment in Australia

In April 2020 the Group entered into an agreement to purchase 40% of the share capital of an Australian business that operates in the Fast Moving Consumer Goods division. This Australian business, by the name of Seasons Group, consists of a chain of 7 supermarkets in the Brisbane area. This business is controlled by a consortium of shareholders, many of whom are also consortium members in the South African business in which Sefalana has a preference share investment.

Total purchase consideration for Sefalana's investment in Australia amounted to AUD 9.9 million (P70 million), and is considered its fair value. The effective date of investment was 8 May 2020. This investment will be treated as an investment in an associate, in which Sefalana exerts significant influence, and therefore will be equity accounted. Sefalana entered into this agreement in order to pursue its Group strategy to diversify its income stream and foreign exchange exposure.

It is estimated that this investment will generate an additional share of EBITA of around P15 million for Sefalana for the year ending 30 April 2021. Further expansion in Australia will be considered in due course and additional information pertaining to this initial investment will be included in the April 2021 Annual Report.

Investment in associate - Growmine Proprietary Limited

On 4 June 2020 the Gambling Authority announced its award of the Botswana National Lottery to Grow Mine Proprietary Limited as its preferred bidder. Sefalana Holding Company Limited is a 40% shareholder in Grow Mine Proprietary Limited and will be working with the consortium members who make up the remaining 60% shareholding, to negotiate the formal license agreement with the Gambling Authority over the coming months. Given there are still a number of matters to attend to before the license is awarded to Grow Mine Proprietary Limited, the investments made by Sefalana Group in respect of this tender remains impaired until such time as there is certainty over the award of the license (refer to note 18).

Notes

Notes

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Sefalana Holding Company Limited will be held virtually via Microsoft Teams, on Friday 30 October 2020 at 16H00 for the purpose of transacting the following business:

Ordinary business

1. Ordinary Resolution 1:

To adopt the Notice and Agenda of the meeting.

2. Ordinary Resolution 2:

To receive, consider and adopt the Group's audited consolidated financial statements for the year ended 30 April 2020 together with the Directors' and Auditor's reports thereon.

3. Ordinary Resolution 3:

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 26 February 2020 and a gross final dividend of 27.5 thebe per ordinary share paid to shareholders on 26 August 2020.

4. Ordinary Resolution 4:

To approve the remuneration of the Executive Directors for the year ended 30 April 2020 as required by the Articles of Association and as detailed in note 12 of the financial statements and in the Corporate Governance Report.

5. Ordinary Resolution 5:

To approve the remuneration of the Non-Executive Directors for the year ended 30 April 2020 as required by the Articles of Association and as detailed in note 12 of the financial statements and in the Corporate Governance Report.

6. Ordinary Resolution 6:

To approve the remuneration of the Auditors for the year ended 30 April 2020 as disclosed in note 11 to the financial statements.

7. Ordinary Resolution 7:

To approve the appointment of Deloitte & Touche as Auditors for the ensuing financial year.

8. Ordinary Resolution 8:

To ratify the appointment of Ms Susanne Swaniker-Tettey as an Independent Non-Executive Director with effect from 1 October 2020.

9. Ordinary Resolution 9:

To ratify the appointment of Mr Moatlhodi Sebabole as an Independent Non-Executive Director with effect from 1 October 2020.

10. Ordinary Resolution 10:

To consider and approve, publishing and circulating the 2021 and future annual reports in electronic format only.

11. Matters For Noting

11.1. To note the resignation of Dr Keith Robert Jefferis from the Board with effect from 31 May 2020.

11.2. To note the retirement of Mr Reginald Mootiemang Motswaiso who retires in accordance with the Articles of Association with effect from 30 October 2020.

11.3. To note the retirement of Mr Elias Moyo Dewah who retires in accordance with the Articles of Association with effect from 30 October 2020.

11.4. To note the retirement of Dr Ponatshego H K Kedikilwe who retires in accordance with the Articles of Association with effect from 30 October 2020.

12. 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.

Meeting Procedures

Shareholders wishing to attend the meeting should send their names and email addresses to companysecretary@sefalana.com. For administrative purposes, shareholders are requested to send their details no later than Monday 26 October 2020.

By order of the board



Gofaone Senna
Group Company Secretary
28 September 2020

Non – Executive Directors' Profiles



Ms Susanne Swaniker-Tetty
Non - Executive

Susanne is a Fellow Chartered Accountant who possesses extensive knowledge and experience in Financial Management with core competencies in Financial Reporting, Financial Analysis, Strategic Planning, Governance and Compliance, among others. She is currently the Chief Financial Officer (CFO) of De Beers Sightholder Sales (Pty) Ltd and a former CFO of Okavango Diamond Company (Pty) Ltd and Boteti Mining (Pty) Ltd now Lucara Botswana.

Susanne holds an MBA from Oxford Brooks University (UK) and an M.Sc. in Accounting from University of Glamorgan (Wales, UK). She is a Fellow Chartered Accountant of Botswana Institute of Chartered Accountants (BICA) and a Fellow of the Association of Certified Chartered Accountants (UK). She was awarded "Woman of the Decade in Finance and Leadership" by All Ladies League & Women Economic Forum (New Dheli) in 2017.

She is currently the Treasurer and Chairperson of the Public Sector Committee of BICA, a Board member of Morula Capital Partners, Diamond Trading Company Botswana (DTCB) and Namibian Diamond Trading Company (NDTC).



Mr Moatlhodi Sebabole
Non - Executive

Moatlhodi is the Chief Economist of First National Bank Botswana, where he conducts macroeconomic forecasts and analysis, and also provides insight and synergy between the bank's strategy and economic developments. He is a former Finance Lecturer at the University of Botswana and also taught Quantitative Finance at the University of Essex, UK. He previously worked at Stanbic Bank in Risk Management, as well as at the Botswana Stock Exchange in Product Development.

Moatlhodi holds an M.Sc. in Finance & Investment from the University of Essex and a Bachelor of Finance from University of Botswana. Among his accolades, he received the 50 Young Batswana Change-makers award under the Leadership & Business track in 2016 and completed the 2017 Mandela-Washington fellowship at Case Western Reserve University at Cleveland, Ohio (US).

He is currently the Chairperson of the Botswana National Transformation Strategy Team appointed by the President of Botswana and is also a member of the University of Botswana Council.

All Non-Executive Directors are independent

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 virtually via Microsoft Teams on Friday 30 October 2020 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 _____ 2020

Signature _____

Assisted by (where applicable) _____

Each shareholder is entitled to appoint one or more proxies (who need not be member/s of the company) to attend, speak and vote in place of that shareholder at the General Meeting.

Please read the accompanying notes.

Notes

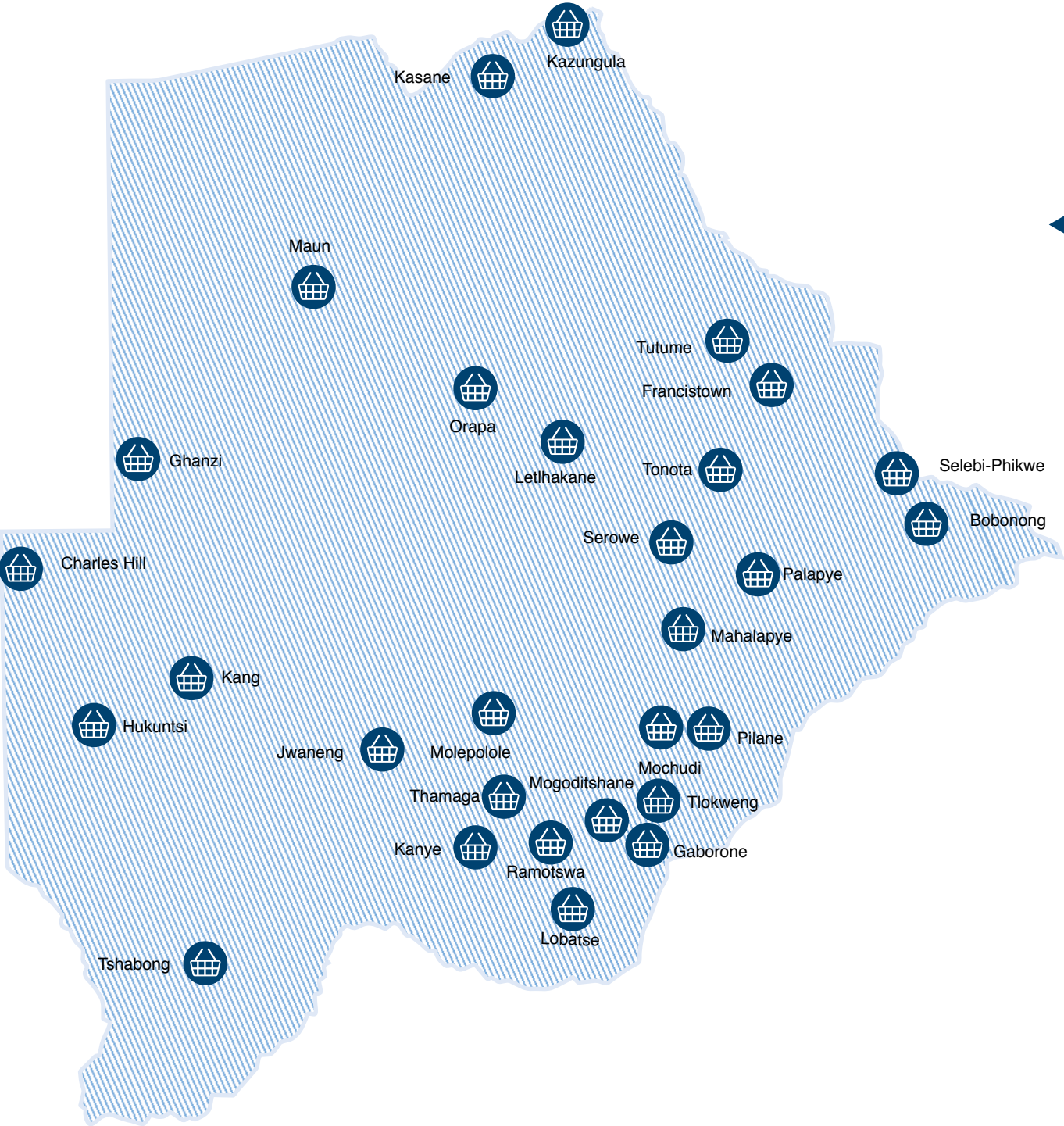
Notes to Form of Proxy

1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the General Meeting." The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he / she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his / her / its proxy is obliged to use all the votes exercisable by the Shareholder or by his / her / its proxy.
3. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.
4. The Chairman of the General Meeting may reject or accept any form of proxy not completed and / or received other than in accordance with these notes provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.
5. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
6. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the General Meeting or adjourned General Meeting at which the proxy is to be used.
7. The authority of a person signing the form of proxy under a power of attorney or on behalf of a Company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
8. Where Ordinary Shares are held jointly, all joint Shareholders must sign.
9. A minor must be assisted by his / her guardian, unless the relevant documents establishing his / her legal capacity are produced or have been registered by the Company.
10. Proxy forms must be received either at the Registered office at Plot 10038, corner of Nelson Mandela Drive and Kubu Road, Broadhurst Industrial Site, Private Bag 0080, Gaborone or at the Transfer Secretaries Office at Unit 206, Building 1, Showgrounds Close, Plot 64516, P. O. Box 1583 AAD, Poso House, Gaborone, Botswana.

SEFALANA GROUP CONTACT DETAILS

LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE	FAX
SEFALANA GROUP COMPANY HEAD OFFICES				
Sefalana Holding Company Limited	Private Bag 0080, Gaborone	Plot 10038, Broadhurst, Gaborone	3913661	3907614
Sefalana Cash and Carry Limited	Private Bag 00422, Gaborone	Plot 10038, Broadhurst, Gaborone	3681700	3907614
Meybeernick Investments (Pty) Limited	Private Bag 0080, Gaborone	Plot 10038, Broadhurst, Gaborone	3913661	3907614
Foods Botswana (Pty) Limited - Milling	P O Box 1131, Serowe	Plot 98, Newtown, Serowe	4630268	4630965
Foods Botswana (Pty) Limited - Beverages	Private Bag 1403 AAD, Gaborone	Plot 25433, Block 3 Industrial, Gaborone	3913056	3913057
Commercial Motors (Pty) Limited	P O Box: 2276, Gaborone	Plot 10232, Broadhurst, Gaborone	3952652	3952643
Mechanised Farming (Pty) Limited	P O Box: 2276, Gaborone	Plot 10243, Broadhurst, Gaborone	3974336	3959086
Kgalagadi Soap Industries (Pty) Limited	Private Bag BR 33, Gaborone	Plot 10247/50, Broadhurst, Gaborone	3912791	3973590
Sefalana Properties Limited, Zambia	Private Bag 0080, Gaborone	Stand no: 5032, Lusaka, Zambia	3913661	3907614
Sefalana Fresh Produce (Pty) Limited	P O Box 47296, Gaborone	Plot 313557 / 8 Gaborone North, Gaborone	3186935 / 318 6946	3186987
Sefalana Catering	Private Bag 0080, Gaborone	Plot 1712 Nkurumah Road, Gaborone West	3610140	3907614
SEFALANA HYPER STORES				
Francistown	P O Box 61, Francistown	Plot 22053, Donga, Francistown	2402222 / 2402235	2402250
Gaborone	Private Bag 0075, Gaborone	Plot 20608/9, Ext. 34, Western ByPass, Gaborone	3973866 / 3182406	3932487
Mogoditshane	Private Bag 00422, Gaborone	Plot 5512, Mogoditshane	3186300	3186316
Mahalapye	P O Box 122, Mahalapye	Botlaote Ward, Mahalapye	4710452 / 4710356	4710591
SEFALANA CASH & CARRY STORES				
Bobonong	P O Box 1240, Bobonong	Sebaila Ward, Bobonong	2629555	2629542
Broadhurst	P O Box 1066, Gaborone	Plot 10038, Ext. 16, Kubu Road, Broadhurst, Gaborone	3912361 / 3975760	3973093
Charleshill	P O Box 197, Charleshill	Plots 6/7/8, Main Street, Charleshill	6592225 / 6592223	6592224
Francistown	P O Box 10444, Tatitown	Plot 6146, Sam Nujoma Road. Light Indus Area, Francistown	2412161 / 2414404	2412151
Gaborone West	P O Box 269, Gaborone	Plot 14398, Gaborone West	3953241 / 3914964	3952058
Hukuntsi	P O Box 405, Hukuntsi	Plot 71, Mogobelelo Ward, Main Road, Hukuntsi	6510206	6510049
Jwaneng	P O Box 792, Jwaneng	Plot 2303, Industrial Sites, Jwaneng	5880327 / 5880953	5880878
Kang	Private Bag 9, Kang	Plot 35, Gamonyemana Ward, Kang	6517400 / 651 8114	6517044
Kanye	Private Bag MH4, Kanye	Plot 771, Mafhikana Ward, Kanye	5440160 / 5440912	5440484
Kasane	Private Bag K11, Kasane	Plot 732/733/734, Kazungula Main Road, Kasane	6250248 / 6250311	6250195
Lethakane	Private Bag F43, Lethakane	Nkosh 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 SHOPPER STORES				
Quick Broadhurst	Private Bag 00422, Gaborone	Plot 10032, Ext. 20, Broadhurst	3937043 / 3191912	3937041
Quick Mogoditshane	Private Bag 00422, Gaborone	Shop # 3, Plot 13779, Block 5	3182757	3182748
Quick Tlokweng	Private Bag 00422, Gaborone	Plot 158/159 Tlokweng	3971599	3971598
Quick Setlhoa	Private Bag 00422, Gaborone	Plot 77806, Setlhoa Village, Gaborone	3960237	3960234
Shopper Setlhoa	Private Bag 00422, Gaborone	Plot 77806, Setlhoa Village, Gaborone	3960237	3960234
Shopper Mogoditshane	Private Bag 00422, Gaborone	Plot # 6672, Mogoditshane	3917454	3917456
Shopper Gaborone West	Private Bag 00422, Gaborone	Plot 17872, Phase 1, G-West	3187607 / 3187606	3187606
Shopper Ghanzi	Private Bag 00422, Gaborone	Shop # 1, Plot 32, Ghanzi	6597192 / 6597189	6597170
Shopper Hukuntsi	Private Bag 00422, Gaborone	Macheng Mall, Unit G04a	6510414	6510412
Shopper Kanye 1	Private Bag 00422, Gaborone	Plot 751, Main Road	5480632	5480631
Shopper Kanye 2	Private Bag 00422, Gaborone	Mahube Mall, Tloung Ward	5443715	5443712
Shopper Lethakane	Private Bag 45, Lethakane	Plot 1602, Tawana Ward	2976277	2976702
Shopper Lethakane 2	Private Bag 00422, Gaborone	Plot 10408, Lethakane	2910313	2910312
Shopper Mahalapye 1	Private Bag 00422, Gaborone	Plot 3848, Botlaote Ward	4720508	4720505
Shopper Mahalapye 2	Private Bag 00422, Gaborone	Plot 1278, Main Mall	4720485	4711774
Shopper Maun 1	Private Bag 00422, Gaborone	Plot 1299, Old Mall, Riverside Ward	6863305	6863309
Shopper Maun 2	Private Bag 00422, Gaborone	Plot 11137, Boseja Ward	6864784 / 6864941	6864926
Shopper Mochudi	Private Bag 00422, Gaborone	Plot 979, Rammopyama Ward,	5777510	5777517
Shopper Molepolole 1	Private Bag 00422, Gaborone	Plot 1728, Borakalalo Ward	5910550	5910552
Shopper Nkoyaphiri	Private Bag 00422, Gaborone	Shop # 4, Plot 12011, Nkoyaphiri	3947957 / 3947961	3947937
Shopper Orapa	P.O. Box 1217, Orapa	Unit 1, Sable Avenue, Orapa	2971414 / 2970268	2970210
Shopper Palapye	Private Bag 00422, Gaborone	Lot 1077, Old Mall	4924608 / 4924609	4922303
Shopper Selebi-Phikwe	Private Bag 00422, Gaborone	Plot 7062, Main Mall	2610088 / 2610000	2610095
Shopper Tlokweng	Private Bag 00422, Gaborone	Plot 8KO, Tlokweng; Shop Porion #2	3104961 / 3104960	3104962
Shopper Tonota	Private Bag 00422, Gaborone	Plot 4594, Molebatsi Ward	2484869 / 2484870	2484850
Shopper Tsabong	Private Bag 00422, Gaborone	Plot 316, Mothupi Ward, TM Complex	6540643	6540637
Shopper UB Campus	Private Bag 00422, Gaborone	Plot 4775, Ext.15, Student Centre [Unit 34]	3951174	3907095
Shopper Charleshill	Private Bag 00422, Gaborone	Plot 56, Charleshill Shopping Mall, Charleshill	6597357	6597285
Shopper Kazungula	Private Bag 00422, Gaborone	Plot 1461, Duncan Plaza, Kazungula	6521186/87	6252790
DISTRIBUTION CENTRE				
Shoppers Distribution Centre	Private Bag 00422, Gaborone	Plot 1217, Ext. 6, Nkrumah Road	3911800 / 3937188	3937189
LIQUOR STORES				
Liquor Shop Hukuntsi	Private Bag 00422, Gaborone	Macheng Mall, 4a&4b, Tribal Lot 158	6510416	6510412
Liquor Shop Maun	Private Bag 00422, Gaborone	Plot 11137, Boseja Ward	6864017 / 6864090	6864082
Liquor Shop Nkoyaphiri	Private Bag 00422, Gaborone	Plot 12011, Nkoyaphiri, Mogoditshane	3947957 / 61	3972835
Liquor Shop Mogoditshane	Private Bag 00422, Gaborone	Shop # 4, Plot 13779, Block 5	3182747	3182748
Welcome Bottle Store	P.O. Box 139, Serowe	Tribal Lot 223 - Main Mall, Serowe	4631530	4631530
Liquor Shop Tlokweng	Private Bag 00422, Gaborone	Plot 10094 Grand Aria, Tlokweng	3164280	

Botswana

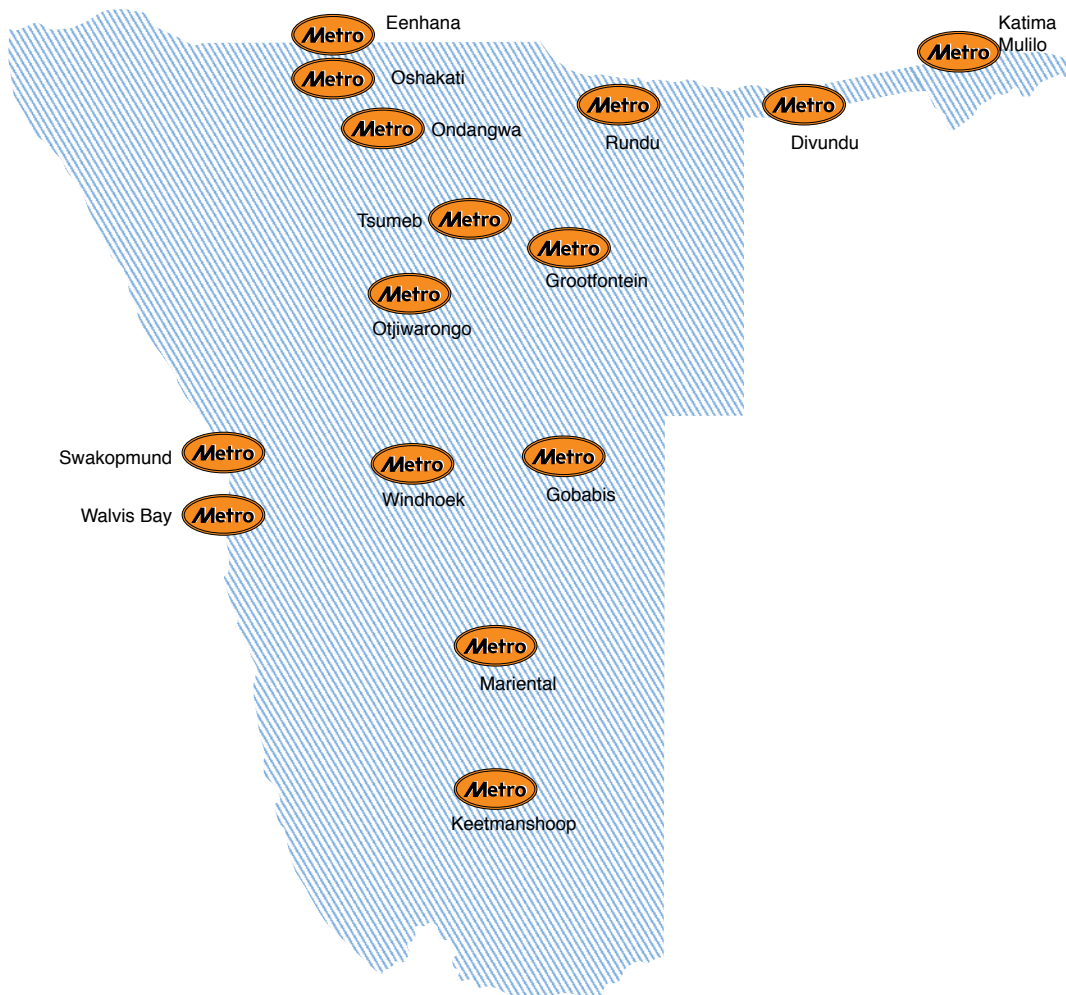


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Namibia

METRO NAMIBIA STORE CONTACT DETAILS

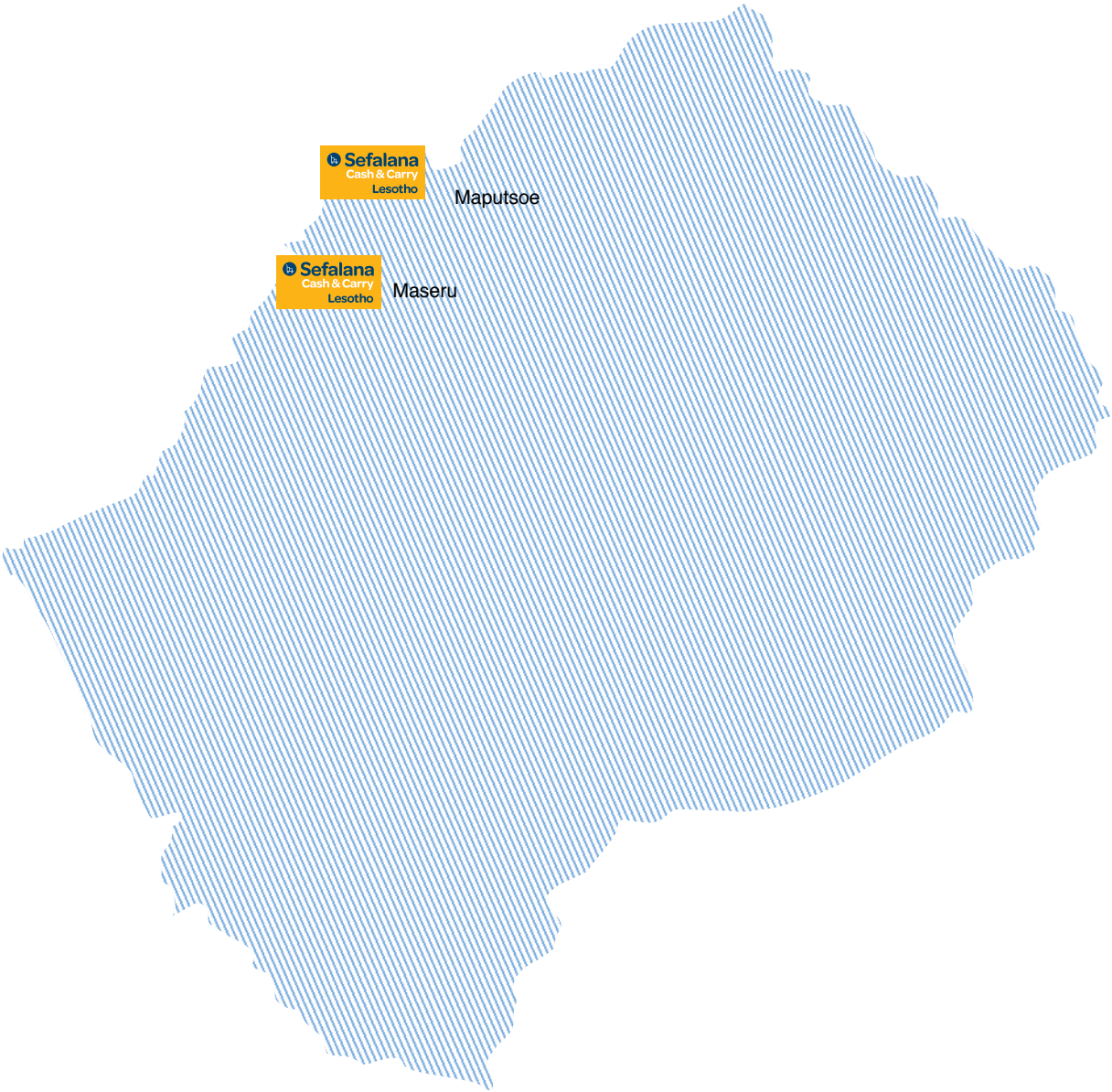
LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE
Head Office - Namibia	Box 1417, Windhoek	11 van der Bijl street, Northern Industrial, Windhoek	084 - 000-2000
Metro Hyper Windhoek	Box 80783 Olympia Windhoek	Cnr Frankie Fredricks & Chasie Str, Klein Kuppe	084-000-2003
Metro Hyper Liquor Store Windhoek	Box 80783 Olympia Windhoek	Cnr Frankie Fredricks & Chasie Str, Klein Kuppe	084-000-2003
Metro Windhoek	Box 5067, Windhoek	Erf 5461 Northern Industrial Windhoek	084-000-2001
Metro Windhoek Liquor	Box 368, Windhoek	Erf 5461 Northern Industrial Windhoek	084-000-2002
Metro Ondangwa	Box 2349 Ondangwa	Main Road, Ondangwa	084-000-2012
Metro Oshakati	Box 15116, Oshakati	Endola Road, Plot 1344, Oshakati	084-000-2013
Metro Rundu	Box 1744, Rundu	Main Road, Rundu	084-000-2014
Metro Tsumeb	Box 470, Tsumeb	Hage Geingob Drive, Tsumeb	084-000-2011
Metro Otjiwarongo	Box 185, Otjiwarongo	1st Av, Otjiwarongo	084-000-2010
Metro Keetmanshoop	Box 715, Keetmanshoop	Erf 86 Stampriet Rd, Keetmanshoop	084-000-2004
Metro Liquor Keetmanshoop	Box 715, Keetmanshoop	Erf 160, Mittel Street, Keetmanshoop	084-000-2005
Metro Mariental	Box 215, Mariental	C/o Mark & Park Street, Mariental	084-000-2006
Metro Gobabis	Box 400, Gobabis	Kalahari Highway, Gobabis	084-000-2007
Metro Swakopmund	Box 993, Swakopmund	McHugh Street, Industrial Area Swakopmund	084-000-2020
Metro Mega Store Swakopmund	Box 993, Swakopmund	Erf 3935, c/o Hidipo Hamutenya & Watt Street	084-000-2009
Metro Walvis Bay	Box 511, Walvis Bay	Circumferential, Walvis Bay	084-000-2008
Sefalana Cash and Carry Katima Mulilo	Box 1952, Ngweze, Katima Mulilo	Lifasi Street, Katima Mulilo	084-000-2016
Metro Divundu	Box 1417, Windhoek	Erf 298, Divundu	084-000-2015
Metro Eenhana	Box 1417, Windhoek	Unit 25, Greenwell Complex, Eenhana	084-000-2017



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Lesotho

SEFALANA LESOTHO STORE CONTACT DETAILS			
LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE
Sefalana Trading (Pty) Limited	P.O. Box 0436, Maseru West, Maseru 100, Lesotho	2 Lioli Road, Maseru West, Station Area, Lesotho	(00266) 2232 6223
Sefalana Liquor	P.O. Box 0436, Maseru West, Maseru 100, Lesotho	Plot 12774 - 011, Corner of Makoanyane & Motsoene Roads, Industrial Area, Maseru, Lesotho	(00266) 2231 6714
Sefalana Cash & Carry Maputsoe	P.O. Box 772, Maputsoe, Lesotho	A1 Road, Site #23134 - 017 Ha Nyenye Maputsoe Urban	(00266) 2232 6223
Sefalana Liquor Maputsoe	P.O. Box 772, Maputsoe, Lesotho	A1 Road, Site #23134 - 017 Ha Nyenye Maputsoe Urban	(00266) 2232 6223



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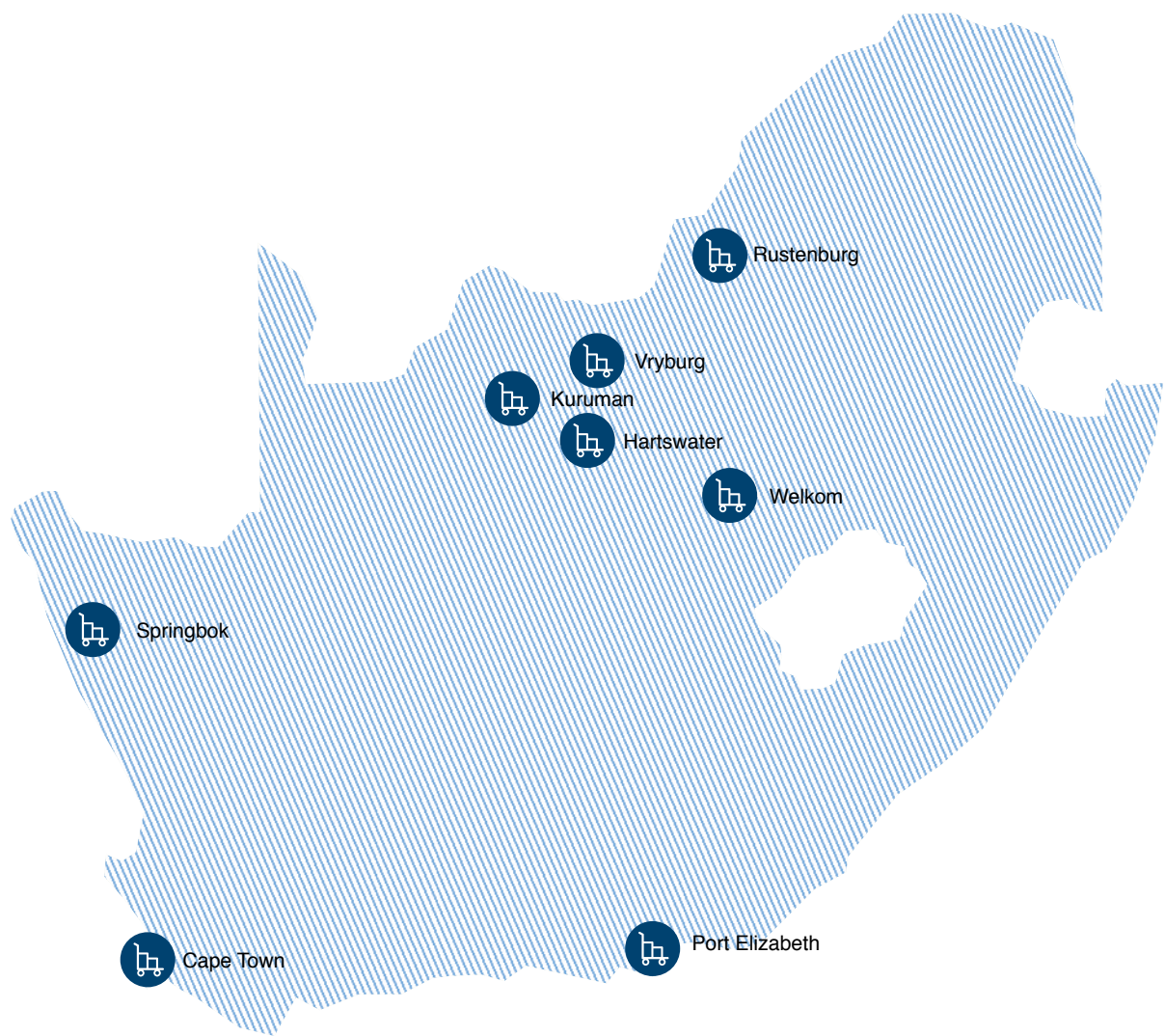
Australia

AUSTRALIA STORE CONTACT DETAILS			
LOCATION / STORE NAME	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE
Seasons Redcliffe IGA	82-89 Anzac Ave, Redcliffe, Queensland (4020)	82-89 Anzac Ave, Redcliffe, Queensland (4020)	0732833566
Seasons Clontarf IGA	105 Elizabeth Avenue, Clontarf, Queensland (4019)	105 Elizabeth Avenue, Clontarf, Queensland (4019)	0732844644
Seasons Greenslopes IGA	3 Chatsworth Road, Greenslopes, Queensland (4120)	3 Chatsworth Road, Greenslopes, Queensland (4120)	0734571900
Seasons Cleveland IGA	Cnr Shore Street / Wellington Street, Cleveland, Queensland (4163)	Cnr Shore Street / Wellington Street, Cleveland, Queensland (4163)	0734881988
Seasons East Brisbane IGA	33 Lyntton Road, East Brisbane, Queensland (4169)	33 Lyntton Road, East Brisbane, Queensland (4169)	0733932344
Seasons Caloundra IGA	1 Bingera Terrace, Caloundra, Queensland (4551)	1 Bingera Terrace, Caloundra, Queensland (4551)	0754914966
Seasons Noosa IGA	Sunshine Beach Road, Noosa Heads, Queensland (4567)	Sunshine Beach Road, Noosa Heads, Queensland (4567)	0754472777



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South Africa



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