Audited Group
Financial Results
for the year ended 30 April 2018 & dividend announcement

Overcoming hurdles

Revenue 12%
EBIT 14%
PBT 34%
Total Comprehensive Income 21%
Final dividend per share (thebe) 23t

Your basket of opportunities
## ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 April 2018</th>
<th>Audited 30 April 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>4 785 500</td>
<td>4 273 011</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(4 490 990)</td>
<td>(3 976 211)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>294 510</td>
<td>296 800</td>
</tr>
<tr>
<td><strong>Other income and gains</strong></td>
<td>46 779</td>
<td>10 081</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>(142 676)</td>
<td>(133 395)</td>
</tr>
<tr>
<td><strong>Earnings before interest, tax and amortisation (EBITA)</strong></td>
<td>198 613</td>
<td>173 486</td>
</tr>
<tr>
<td><strong>Amortisation</strong></td>
<td>(6 380)</td>
<td>(5 775)</td>
</tr>
<tr>
<td><strong>Profit before share of results of associate and joint venture</strong></td>
<td>232 452</td>
<td>172 512</td>
</tr>
<tr>
<td><strong>Share of results of associate</strong></td>
<td>(382)</td>
<td>1 451</td>
</tr>
<tr>
<td><strong>Share of results of joint venture</strong></td>
<td>(361)</td>
<td>(815)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>231 709</td>
<td>173 148</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(54 035)</td>
<td>(44 845)</td>
</tr>
<tr>
<td><strong>PROFIT FOR THE YEAR</strong></td>
<td>177 674</td>
<td>128 303</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Items that will not be reclassified to profit or loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain on revaluation of land and buildings</td>
<td>12 171</td>
<td>15 942</td>
</tr>
<tr>
<td>Gross gain on revaluation of land and buildings</td>
<td>15 275</td>
<td>20 413</td>
</tr>
<tr>
<td>Income tax on gain on revaluation of land and buildings</td>
<td>(3 104)</td>
<td>(4 471)</td>
</tr>
<tr>
<td><strong>Items that may be subsequently reclassified to profit or loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(718)</td>
<td>12 638</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year (net of tax)</strong></td>
<td>11 453</td>
<td>28 580</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</strong></td>
<td>189 127</td>
<td>156 883</td>
</tr>
</tbody>
</table>

## ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 April 2018</th>
<th>Audited 30 April 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NON - CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>617 064</td>
<td>543 765</td>
</tr>
<tr>
<td>Investment property</td>
<td>260 685</td>
<td>262 923</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>145 823</td>
<td>150 332</td>
</tr>
<tr>
<td>Investment in preference shares</td>
<td>198 114</td>
<td>156 883</td>
</tr>
<tr>
<td>Investment in associate</td>
<td>2 616</td>
<td>5 030</td>
</tr>
<tr>
<td>Deferred lease assets</td>
<td>1 314</td>
<td>1 451</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>16 708</td>
<td>13 546</td>
</tr>
<tr>
<td><strong>Total non - current assets</strong></td>
<td>1 242 100</td>
<td>978 943</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>615 791</td>
<td>526 178</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>254 464</td>
<td>190 698</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>5 628</td>
<td>4 049</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>407 835</td>
<td>555 934</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1 283 718</td>
<td>1 275 859</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stated capital</td>
<td>1 679 616</td>
<td>1 565 770</td>
</tr>
<tr>
<td>Other reserves</td>
<td>16 280</td>
<td>4 710</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>11 453</td>
<td>28 580</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1 695 896</td>
<td>1 612 870</td>
</tr>
<tr>
<td><strong>NON - CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>2 244</td>
<td>1 610</td>
</tr>
<tr>
<td>Deferred lease obligations</td>
<td>19 399</td>
<td>15 607</td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>112 103</td>
<td>117 476</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>86 586</td>
<td>81 021</td>
</tr>
<tr>
<td><strong>Total non - current liabilities</strong></td>
<td>220 332</td>
<td>215 714</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>515 393</td>
<td>373 507</td>
</tr>
<tr>
<td>Other reserves</td>
<td>633</td>
<td>592</td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>5 280</td>
<td>3 866</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>4 465</td>
<td>3 762</td>
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<tr>
<td>Bank overdrafts</td>
<td>24 194</td>
<td>1 018</td>
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<tr>
<td>Provisions and accruals</td>
<td>59 625</td>
<td>51 473</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>609 590</td>
<td>434 216</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>2 525 818</td>
<td>2 262 802</td>
</tr>
</tbody>
</table>

## ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 April 2018</th>
<th>Audited 30 April 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash generated from / (utilised in) operating activities</strong></td>
<td>218 306</td>
<td>12 924</td>
</tr>
<tr>
<td><strong>Net cash flows utilised in investment activities</strong></td>
<td>(256 352)</td>
<td>(142 843)</td>
</tr>
<tr>
<td><strong>Dividends paid</strong></td>
<td>(90 270)</td>
<td>(50 582)</td>
</tr>
<tr>
<td><strong>Net cash flows from other financing activities</strong></td>
<td>(3 959)</td>
<td>(391 735)</td>
</tr>
<tr>
<td><strong>Net movement in cash and cash equivalents</strong></td>
<td>(1 058)</td>
<td>175 852</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year (adjusted for exchange movement)</strong></td>
<td>554 916</td>
<td>379 530</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>383 641</td>
<td>554 916</td>
</tr>
</tbody>
</table>

### Dividends per share (thebe)

- **ordinary - interim**: 10.00
- **ordinary - final**: 23.00

### Basic earnings per share (thebe)

- 70.14

### Total comprehensive income per share (thebe)

- 74.71

### ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

- **Net cash generated from / (utilised in) operating activities**: 218 306
- **Net cash flows utilised in investment activities**: (256 352)
- **Dividends paid**: (90 270)
- **Net cash flows from other financing activities**: (3 959)
- **Net movement in cash and cash equivalents**: (1 058)
- **Cash and cash equivalents at beginning of year (adjusted for exchange movement)**: 554 916
- **Cash and cash equivalents at end of year**: 383 641

### Dividends per share (thebe)

- Ordinary - interim: 10.00
- Ordinary - final: 23.00

### Basic earnings per share (thebe)

- 70.14

### Total comprehensive income per share (thebe)

- 74.71
SEGMENT RESULTS

For the year ended 30 April 2018

<table>
<thead>
<tr>
<th></th>
<th>BOTSWANA</th>
<th>ZAMBIA</th>
<th>LESOTHO</th>
<th>NAMIBIA</th>
<th>GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td></td>
<td>2,564,759</td>
<td>130,136</td>
<td>215,814</td>
<td>41,444</td>
<td>4,007</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,466,953)</td>
<td>(108,878)</td>
<td>(170,850)</td>
<td>(376,780)</td>
<td>(1,470,457)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>97,626</td>
<td>21,258</td>
<td>44,964</td>
<td>10,444</td>
<td>1,007</td>
</tr>
<tr>
<td>Other income and gains/(losses)</td>
<td>625</td>
<td>22,053</td>
<td>2,578</td>
<td>25,564</td>
<td>4,155</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(47,415)</td>
<td>(23,094)</td>
<td>(25,476)</td>
<td>(28,162)</td>
<td>(19,122)</td>
</tr>
<tr>
<td>EBITA</td>
<td>50,836</td>
<td>20,217</td>
<td>22,066</td>
<td>38,846</td>
<td>6,837</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(452)</td>
<td>(820)</td>
<td>(4,500)</td>
<td>(5,775)</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>2,381</td>
<td>1,437</td>
<td>444</td>
<td>237</td>
<td>32</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(90)</td>
<td>(19)</td>
<td>(3,000)</td>
<td>(9,492)</td>
<td></td>
</tr>
<tr>
<td>Profit before share of results of associate and joint venture</td>
<td>52,765</td>
<td>21,645</td>
<td>21,096</td>
<td>29,539</td>
<td>6,837</td>
</tr>
<tr>
<td>Share of results of associate</td>
<td>52,765</td>
<td>21,645</td>
<td>21,096</td>
<td>29,539</td>
<td>6,837</td>
</tr>
<tr>
<td>Share of results of joint venture</td>
<td>52,765</td>
<td>21,645</td>
<td>21,096</td>
<td>29,539</td>
<td>6,837</td>
</tr>
<tr>
<td>Profit before tax (PBT)</td>
<td>52,765</td>
<td>21,645</td>
<td>21,096</td>
<td>29,539</td>
<td>6,837</td>
</tr>
</tbody>
</table>

For the year ended 30 April 2017

<table>
<thead>
<tr>
<th></th>
<th>BOTSWANA</th>
<th>ZAMBIA</th>
<th>LESOTHO</th>
<th>NAMIBIA</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td></td>
<td>2,485,810</td>
<td>118,023</td>
<td>228,525</td>
<td>37,999</td>
<td>11,131</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,368,885)</td>
<td>(104,104)</td>
<td>(192,176)</td>
<td>(154,417)</td>
<td>(1,269,887)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>116,925</td>
<td>23,919</td>
<td>36,349</td>
<td>37,999</td>
<td>11,131</td>
</tr>
<tr>
<td>Other income and gains/(losses)</td>
<td>(957)</td>
<td>2,793</td>
<td>794</td>
<td>26,897</td>
<td>(180)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(44,856)</td>
<td>(22,827)</td>
<td>(28,633)</td>
<td>(24,412)</td>
<td>(1,853)</td>
</tr>
<tr>
<td>EBITA</td>
<td>71,112</td>
<td>20,217</td>
<td>8,406</td>
<td>7,999</td>
<td>(136)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(455)</td>
<td>(820)</td>
<td>(3,000)</td>
<td>(9,492)</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>5,042</td>
<td>1,212</td>
<td>369</td>
<td>998</td>
<td>240</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(90)</td>
<td>(19)</td>
<td>(3,000)</td>
<td>(9,492)</td>
<td></td>
</tr>
<tr>
<td>Profit before share of results of associate and joint venture</td>
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<td>21,096</td>
<td>29,539</td>
<td>6,837</td>
</tr>
<tr>
<td>Share of results of joint venture</td>
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<td>21,645</td>
<td>21,096</td>
<td>29,539</td>
<td>6,837</td>
</tr>
<tr>
<td>Profit before tax (PBT)</td>
<td>52,765</td>
<td>21,645</td>
<td>21,096</td>
<td>29,539</td>
<td>6,837</td>
</tr>
</tbody>
</table>

SEGMENT ASSETS AND LIABILITIES

30 April 2018

<table>
<thead>
<tr>
<th></th>
<th>BOTSWANA</th>
<th>ZAMBIA</th>
<th>LESOTHO</th>
<th>NAMIBIA</th>
<th>GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td></td>
<td>524,400</td>
<td>142,578</td>
<td>211,445</td>
<td>569,969</td>
<td>65,690</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(394,000)</td>
<td>(26,400)</td>
<td>(86,174)</td>
<td>(218,283)</td>
<td>(645)</td>
</tr>
</tbody>
</table>

30 April 2017

<table>
<thead>
<tr>
<th></th>
<th>BOTSWANA</th>
<th>ZAMBIA</th>
<th>LESOTHO</th>
<th>NAMIBIA</th>
<th>GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
<tr>
<td></td>
<td>447,197</td>
<td>149,878</td>
<td>246,019</td>
<td>561,345</td>
<td>68,583</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(229,339)</td>
<td>(45,852)</td>
<td>(82,083)</td>
<td>(211,714)</td>
<td>(1,853)</td>
</tr>
</tbody>
</table>
South Africa.

The consortium has been established with experienced players in the Fast Moving Consumer Goods (FMCG) market 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.

Sefalana invested R250 million and will earn a fixed annual return of R50 million over five years, at which point we will have the option to convert this investment into a 30% equity stake in the consortium. The consortium has been established with experienced players in the Fast Moving Consumer Goods (FMCG) market in South Africa.

The aim of the consortium is to acquire a number of existing chains and grow the store compliment such that this is a significant business within a ten year period. We had been working on this transaction for over 18 months and had to ensure it was structured in a manner suitable for us. This structure allows us a five year period to determine our appetite for the South African market and during that time provides us with a solid guaranteed return.

We are pleased to report that this consortium is performing well and that almost one year into its operations, the future prospects remain very positive. The reported results therefore include P33 million of income pertaining to this investment representing 10 months return since 1 July 2017. This has been recorded under “investment income” within the inter-segment category.

**Namibia**

There appears to be some strain in the Namibian economy, and indeed we have noted less growth in the FMCG sector than in previous years. Despite these macro economic indicators, we continue to grow in Namibia through providing our customer base with an on-going enhanced product offering. We have established a strong name for ourselves and a reputation for being the leader in the country. We now have 16 stores across Namibia and have a number of additional potential stores in the pipeline as we look to expand our presence further in the area. In late 2017 one of our stores in Swakopmund burned down. We are fully insured and protected against this event.

**Lesotho**

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

**The Botswana environment**

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

In the meantime we have embarked on an overhead cost reduction program, streamlined processes where possible and re-negotiated input prices with service providers.

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

Our manufacturing businesses are heavily dependent on Government tenders, and to the extent that there have been delays in the awards of the annual tenders,
Our investment into the South African consortium generated P33 million of income representing 10 months return from 1 July 2017. Our future prospects remain very positive, as we enter the second year of our initial five year investment period.
This year we generated our best ever profit since inception. We are proud of our growth over the last 44 years.
this has adversely impacted us. We have however, managed to maintain a good level of profitability at both our Foods Botswana Miling and Beverages operations through focusing on growing our house brand product range.

**Financial highlights**

For the year to 30 April 2018, the Group’s:
- Revenue was P4.8 billion – up 12% on prior year;
- Earnings before interest, tax and amortization ("EBITDA") was P199 million, up 14% on prior year;
- Profit before tax was P232 million – up 34% on the prior year;
- Total comprehensive income for the year was P189 million, up 21% on the prior year; and
- A final dividend of 23 thebe is to be paid to our shareholders.

**Segmental Reporting**

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

**Review of operations**

**Trading – consumer goods**

Botswana operations

Sefalana Cash & Carry Limited contributed 54% and 23% of the Group’s revenue and profit before tax for the year, respectively. Turnover amounted to P2.6 billion, which was 14% higher than the previous year. We experienced increased pressure on margins both in our wholesale and retail operations as we strive to remain competitive. Overall profitability for this division fell significantly. Efforts are being made to limit the impact of these pressures as we anticipate restored market conditions and improved results in the ensuing year.

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

We have taken a cautious approach to new store openings over the last three years as we recognise the saturation levels in the market, and have tried to avoid increasing our overhead costs in any particular area where the market size remains unchanged.

Where we are present, we strive to work towards offering our customers a one-stop-shop experience and pride ourselves on being first to market with a number of initiatives. An update on some of these initiatives is as follows:

**Botswana Post Kiosks in-store**

In the previous year we broadened our relationship with Botswana Post, offering Post Office kiosks within our stores. This allows our customers the benefit of collecting pensions, transferring money, vehicle licence renewals and payment of bills, all at the convenience of shopping in our stores. At the start of the current financial year, four of our main stores in Gaborone provided this service. During the year, we extended this service to additional stores and now have a total of 14 stores throughout the country offering this service. Feedback from our customers has been positive and we have observed an increased use of this facility. We look to increase this offering to 20 stores within the next 12 months.

**Sefalana Mobile App**

We noted that the online shopping site was accessible to those with computers but that there were a number of customers who preferred to use their phones to transact. This has been an emerging trend in other parts of the world too. We therefore were very pleased to once again be first to market with our very own phone app that is available to both Apple and Android users.

The App can be downloaded for free. Over 32 000 products are available on this application and all in-store specials are accessible too. The App is easy to navigate and provides customers with another convenient way to shop with us. Botswana Post continues to be our partner in both these services ensuring delivery within 24 hours of placing an order. FNB provides the safe and secure platform so our customers can transact resting assured that their personal details are protected.

RCS credit facilities

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

Sefalana Rewards

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

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

**“Sefalana Trading” - our Facebook page**

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

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

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

**Metro (Sefalana) Namibia**

Metro Namibia contributed 32% and 23% of revenue and profit before tax for the year, respectively. Turnover amounted to P1.5 billion, a growth of 15% on the prior year. Profit before tax amounted to P54 million, up 19% from the prior year. Our operations in Namibia continue to grow from strength to strength, making a larger contribution to overall Group results each year, as we enhance our customer engagement and offering.

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

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

The Swakopmund store that burned down during the year is being restored in the coming year. We continue to evaluate additional locations for store openings as we work towards our medium-term target of 20 stores.

We are pleased with our accomplishments in the country over the last 4 years and look back at this investment as a very successful one.

**Sefalana Lesotho**

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

The segment achieved an EBITA of P5.5 million for the year, and a profit before tax of P21 million after taking into account finance charges. This is a significant improvement on the loss of P5.6 million experienced in the first six months of trading since acquisition. We operate in a very low margin environment in Lesotho and therefore look to improve the profitability of this business through top line growth and by offering our customers an excellent service.

We opened our first liquor store in Lesotho in early 2018 and will continue to identify and evaluate suitable locations for further store openings.

**Trading – others**

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

**Commentary (continued)**
Commentary (continued)

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

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

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

The focus is now on the supply of equipment to Botswana Railways and the supply of wholesale farming and electrical equipment rather than on walk-in retail trade. This is in line with the Group’s strategy to focus on the core activities of operation and to downscale less profitable areas of the business.

An agreement was entered into in 2016 with Botswana Railways to supply eight locomotives. We are pleased to report that these were supplied during the year and the margin generated on this transaction has contributed to the improved performance of this segment. We continue to support the operations of Botswana Railways through the management of tools and spares required for the locomotives.

During the year, the Group acquired the minority shareholding of the MF Group which is now a wholly owned subsidiary.

Manufacturing

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

Milling Division

During the year FB completed the supply of the previous year’s Government tender and commenced the supply of another short term interim order whilst the annual tender evaluation procedures were being completed. Due to the timing of the orders being placed, FB only manufactured and supplied the Government for 8 of the 12 month period. Nonetheless, through a focus on private branded products, we were able to generate a respectable level of profit for the year.

After the year-end, a four month supply contract was awarded to FB as we await the invitation to tender for the 2018/19 contract. We hope that our track record for delivery of a quality product in accordance with the required quantities and timeframe of the tender will place us in a good position for the forthcoming award. We have procured the required grain and other raw materials to be able to deliver the full tender quantities should this be awarded to us.

Beverages Division

FB was awarded the Government milk tender during the year and manufactured and supplied for 10 of the 12 months period. Supply continued to the end of April 2018. An additional two month contract was awarded to us in May 2018.

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

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

Properties

Botswana property portfolio

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

Zambia property

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

Namibia property portfolio

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

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

Prospects

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

We have made a success of our entry into Namibia and Lesotho. Our expansion into South Africa is already elevating the Group’s profitability. We are optimistic about this new territory and look to continued success in our Regional expansion strategy.

We are proud to be leaders in Cash & Carry in Botswana, Namibia and Lesotho and will continue to ensure we provide the market with the best possible offering. We are also growing our Retail business and establishing a strong presence in the local market as Sefalana Shopper now increasingly becomes a store of choice for the Botswana market.

Directors

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

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

Dividends

On 26 July 2018, the Board of Directors of Sefalana Holding Company Limited declared a final gross dividend of 23 (twenty three) thebe per ordinary share.

The final dividend will be paid net of applicable withholding taxes as required under the Income Tax Act of Botswana, on or about Friday 31 August 2018 to all Shareholders registered in the books of the Company at the last date to register, being close of business on Friday 17 August 2018.

By order of the Board

PHK Kedikilewe (Chairman)

CD Chauhan (Group Managing Director)

26 July 2018, Gaborone, Botswana