



SECHABA
2019 ANNUAL
REPORT
CREATING ENVIRONMENTAL SUSTAINABILITY



SECHABA BREWERY
HOLDINGS LIMITED



Creating Environmental sustainability

Recycle

Recycling is very important as waste has a huge negative impact on the natural environment. Harmful chemicals and greenhouse gases are released from rubbish in landfill sites. Recycling helps to reduce the pollution caused by waste. Recycling reduces the need for raw materials so that the rain forests can be preserved.

<http://www.recycling-guide.org.uk/importance.html>

Protect Animals

Recycling reduces the need to grow, harvest or extract new raw materials from the Earth. That in turn lessens the harmful disruption and damage being done to the natural world: fewer forests cut down, rivers diverted, wild animals harmed or displaced, and less pollution of water, soil and air.

<https://homeguides.sfgate.com/recycling-protects-animals-humans-79784.html>

Create New Opportunities

The good news is that the near-term and historical average price for recycled cardboard, paper aluminum and rigid plastics is above the processing cost and therefore profitable to recycle. PET plastic (beverage bottles) would earn a higher profit of per ton.

<https://www.greenbiz.com/article/yes-recycling-still-good-business-if-happens>





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COMPANY PROFILE

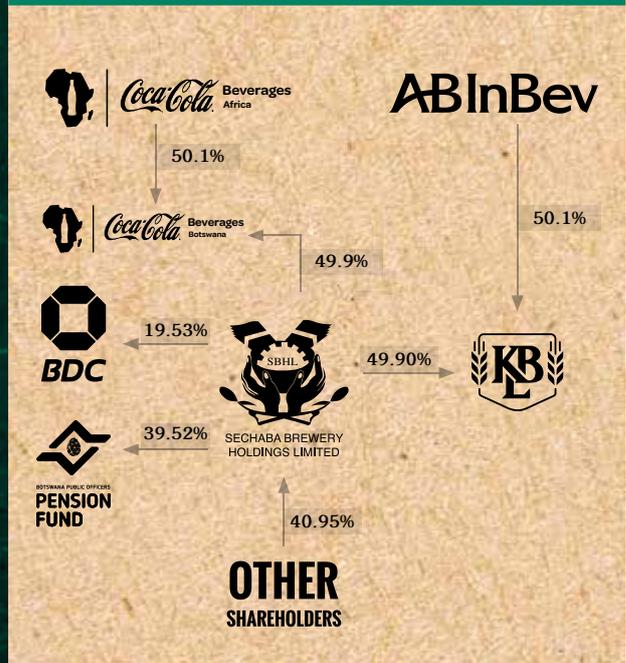


COMPANY PROFILE

Sechaba Brewery Holdings Limited (SBHL) is an investment company listed on Botswana Stock Exchange. Prior to 2018, SBHL's sole investment was in Kgalagadi Breweries Limited (KBL). In this year a decision was made to restructure Kgalagadi Breweries Limited (KBL) by separating out the net assets of its Non-alcoholic ready to drink (NARTD) business which eventually formed the Coca-Cola Beverages (Botswana) (Pty) Ltd (CCBB).

SBHL now holds 49.90% shareholding in KBL, with Anheuser Busch InBev (AB InBev) holding the remaining shares. The SBHL also holds 49.90% in CCBB with Coca-Cola Beverages Africa holding the balance.

Ownership Structure





FRUITFUL PROGRESSION - A TIMELINE

Botswana Breweries (Pty) Ltd is established in Francistown to brew Chibuku, the traditional opaque beer made from sorghum and maize.

 **1960**

Botswana gains independence and becomes the Republic of Botswana.

 **1966**

Sechaba Brewery Holdings Limited (SBHL) is set up by the Botswana Development Corporation (BDC) to hold investments in the beverage sector on behalf of the citizens of Botswana.

 **1970**

OUR PROGRESS THROUGH THE YEARS

 **2004**

Kgalagadi Beverages Trust (KBT) launches youth entrepreneurship project, the first of its kind in Botswana, offering grants to youth owned start-up businesses.

% 2008

Control of Goods (Intoxicating Liquor Levy) also referred to as the "Alcohol levy" introduced in Botswana

 **2013**

Botswana Breweries Ltd, the sorghum brewing arm of the business, is amalgamated in to KBL and they start operating as a single entity. KBL commissions a PET Blow-moulding Plant at its Coca-Cola facility, the first of its kind in Botswana.

Prinz Brau Botswana (Pty) Ltd (name later changed to Kgalagadi Breweries (Proprietary) Limited (KBL)) is incorporated in Botswana.



1973

SABMiller is invited to become the strategic partner by taking a 40% equity stake and management control of KBL. KBL begins bottling Coca-Cola products under an international bottling agreement with the Coca Cola Company.



1977

Sechaba Brewery Holdings Limited (SBHL) is listed on the Botswana Stock Exchange.



1989

A sparkling Soft Drinks Bottling Plant is established in Gaborone



1995



2014

The Coca-Cola Company, SABMiller plc and Gutsche Family Investments agree to create Coca-Cola Beverages Africa to be the largest Coca-Cola bottler in Africa.

ABInBev

2015

AB-Inbev announces historic takeover bid for SABMiller Plc



2016

AB-Inbev announces historic takeover bid for SABMiller Plc. The Coca Cola Company (TCCC) and AB-InBev reached an agreement for the TCCC to acquire AB-Inbev's Interest in the Soft Drinks bottling operations in KBL.



2018

Separation of the non-alcoholic beverages bottling operations under Coca Cola Beverage Botswana (Pty) Ltd (CCBB) from the alcoholic operations under Kgalagadi Breweries (Pt) Ltd (KBL) takes place





CHAIRMAN'S STATEMENT



BAFANA MOLOMO
CHAIRMAN OF THE BOARD

CHAIRMAN'S STATEMENT

A MESSAGE TO OUR SHAREHOLDERS

We have now successfully completed the first full year of operations since the decision in 2018 to separate and sell the non-alcoholic beverages bottling operations of Kgalagadi Breweries (Proprietary) Limited (KBL) in order that it remains with the alcoholic operations, and Coca-Cola Beverages Botswana (Proprietary) Limited (CCBB) with the non-alcoholic beverages bottling operations.

We continue to reap the benefits of this decision.

HIGHLIGHTS

KBL SOLD

↑ **6%**

MORE VOLUME OF
PRODUCT IN 2019

CCBB SOLD

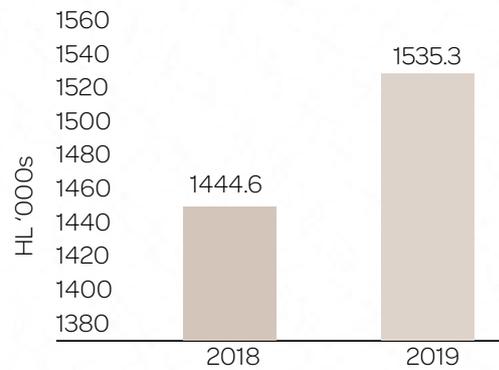
↑ **34%**

NON-ALCOHOLIC
READY TO DRINK
(NARTD)

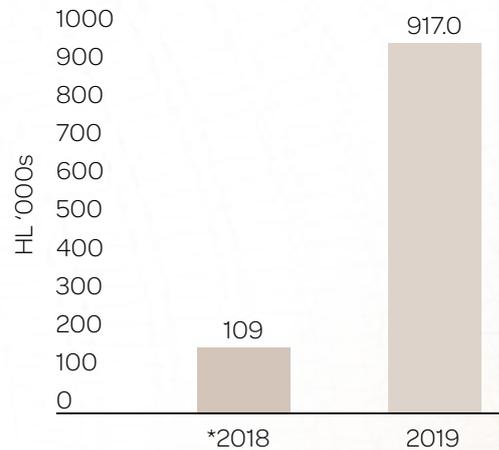
Our performance – A Look Back

KBL sold 6% more volume of product in 2019 totalling 1,535 Hectolitres. Despite 2019 being the first full year of trading as CCBB with the commercial operations commencing 26 November 2018, the Non-Alcoholic Ready To Drink (NARTD) manufacturer still managed to register an impressive growth in volume of 34%¹ over an equivalent full year 2018.

KBL Volume FY19 Performance



CCBB Volume FY19 Performance



1. This figure was provided by the associate and has not been independently audited through the SBHL audit process.

* 2018 CCBB volumes represent the 5 weeks of operations of the standalone entity reported as at 31 December 2018

CHAIRMAN'S STATEMENT

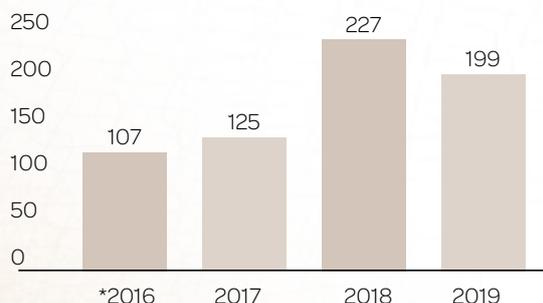
Economic Overview

In his February 2019 budget speech, Botswana's Minister of Finance and Economic Development reported that the Botswana economy was estimated to have grown by 3.6% and that it was projected to grow to 4.4% in 2020. Inflation was between the country's targeted rate of between 3-5% and the Government expressed a desire to pursue its goal of growing employment opportunities and transforming towards a knowledge-based economy.

The advent of the global Covid-19 pandemic has adjusted the outlook for the domestic and international economy. The Minister of Finance and Economic Development has indicated that the economy is now expected to contract by up to 13% in 2020. Efforts to reduce unemployment are also predicted to be negatively impacted. This will impact the business outlook of our associates.

SBHL's share of associates profit after tax declined by 12% over the period under review due to a 6% drop in KBL's profit after tax. This decline was primarily due to the strong performance realised by KBL in 2018 resulting from, in large part to, the levy refund received in that year. Removing the effective of this once-off benefit, KBL profit tax grew at an impressive 41%² in 2019.

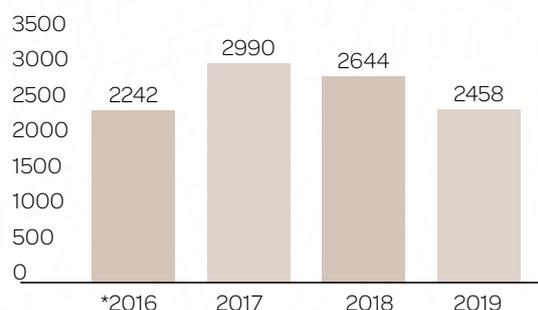
Share of associates profit after tax



* 2016 figure is for the 9 months period ended 31 December 2016

In 2019 SBHL continued to manage administration expenses tightly showing a figure 7% lower than the total reported in the previous year. During this period SBHL administrative duties were transferred from KBL to the Botswana Development Corporation (BDC).

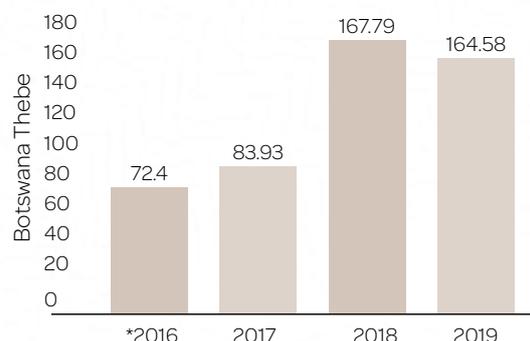
Administration expenses



* 2016 figure is for the 9 months period ended 31 December 2016

Earnings per share for ordinary equity holders stands at 164.58 Thebe, from 167.79 Thebe in the previous year.

Earnings Per Share



2. This figure was provided by the associate and has not been independently audited through the SBHL audit process.

CHAIRMAN'S STATEMENT

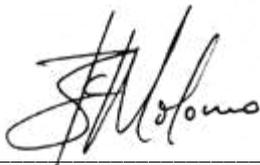
Our performance – Business Outlook and Covid-19

In March 2020, the Botswana Government instituted a number of interventions aimed at minimising the potential adverse impacts of the Covid-19 pandemic in the country. Both interventions will have an impact on the associates, although this impact is expected to be temporary and the businesses will survive. However, it is advised that the situation is changing constantly and that it will be monitored closely.

The Group's associates continue to forecast growth in 2020 notwithstanding the challenges relating to Covid-19. The business environment has been generally positive, and the Group continues to enhance relationships with all stakeholders. The associates continue to manage the performance and business continuity risks.

Acknowledgments

I would like to thank my predecessor, the former Chairman of the Board, Thabo Matthews, as well my co-directors for the support and guidance they continue to provide. I would also like to express my appreciation to the management teams of the associate companies and to also extend my most sincere gratitude to the Government of Botswana, shareholders, wholesalers, retailers and all other strategic partners for their support and backing of our efforts towards this industry. Last but certainly not least, we want to thank the employees of our associate companies for their commitment and dedication, which is reflected in the positive results posted in the past year.



Bafana Molomo

Chairman of the Board

BOARD OF DIRECTORS



BAFANA MOLOMO
Chairman of the Board of Directors

Mr. Molomo is co-founder and Managing Partner at Aleyo Capital, a Botswana-based private equity fund manager. He was previously the Chief Investment Officer at the Botswana Development Corporation (BDC) having joined BDC from Vantage Capital – a leading mezzanine fund manager based in Johannesburg and operating across Sub Saharan Africa. At Vantage Capital, Mr. Molomo was a Senior Associate originating and structuring deals in South Africa, Botswana, Namibia and Mozambique. Prior to that he was with Venture Partners Botswana as a senior investment professional in their private equity team in Botswana and Namibia. Mr Molomo who began his career as an investment analyst and has extensive experience in private equity, corporate finance, strategy and project finance, has held a number of Board roles in Hospitality, Healthcare, ICT, Property, Fast Moving Consumer Goods (FCMG) and Beverage companies. He holds a Bachelor of Commerce (Economics and Finance) and a Master of Business Administration (MBA) both from the University of Cape Town. He also earned a Post-graduate Diploma in Business from the University of Pretoria's Gordon Institute of Business Science.

Ms. Sekgororoane joined the Board on 29 October 2014 as an independent nonexecutive director. Having held senior positions at Cresta Hospitality (Pty) Ltd, Botswana Post, Botswana Tourism Organisation and Fairground Holdings (Pty) Ltd; she currently holds the position of Chief Executive Officer of the Botswana Tourism Organisation. Ms. Sekgororoane also serves as a non-executive director of Lion Park Amusement Centre (Pty) Ltd, Fairground Holdings (Pty) Ltd and as Trustee of the First National Bank of Botswana Foundation. Her professional background is in the Hospitality and Tourism industry as well as having attained several executive management development courses.



MYRA SEKGOROANE
Board Member



MODISE MOKONE
Board Member

Mr Mokone joined the Board as a Non-Executive Director on 12 March 2019. He holds a Bachelor of Commerce (Banking, Finance and Risk Management) and a Chartered Financial Analyst (CFA®) – Level 1. He currently serves as the Investment Principal at the Botswana Development Corporation (BDC) having previously served as the Head of Structured Finance at the Citizen Entrepreneurial Development Agency (CEDA) and has held other senior positions at the CEDA and Stanlib Investment Management Services (SIMS)

BOARD OF DIRECTORS

Mrs. Tau is a seasoned business leader and finance professional with corporate experience spanning a period of 18 years. She is currently the Group Chief Financial Officer of Hollard Botswana having joined Hollard Botswana from First National Bank of Botswana (FNBB), the largest commercial bank in the country. At FNBB she held the roles of Deputy Chief Financial Officer, Senior Manager Finance and Treasury Accountant over a period of ten years as well as a role as Financial Manager at Letshego Holdings Limited, a listed micro lender. In her career she has been instrumental in ensuring sound financial governance and structures in strictly regulated financial services industry as well as leading the transformation of finance; an area she is passionate about. She has also been instrumental and guiding and contributing to the strategic directions of the companies.

Mrs Tau began her career at Deloitte where she attained her intensive training as an auditor and held other roles in the telecommunications industry.

She holds a Bachelor of Commerce degree from the University of Witwatersrand, various management and leadership trainings including a Senior Management Development Program from the University of Stellenbosch. She is currently in the final stage of her Masters in Business Administration (MBA) from Henley Business School.

She is an executive director of Hollard Insurance Botswana and Hollard Life Botswana. She also previously held the role of non-executive director of Botswana Postal Services.



TABUYA TAU
Chairman of the Board FAC & Board Member

Tabuya Tau joined the SBHL board of Directors on 1 January 2020.



THABO MATTHEWS
Managing Director

Mr. Matthews was appointed Managing Director on 01 January 2020. He joined the Board on 6 March 2015 as an independent non-executive director. He was later appointed as Chairman of the Board on 25 September 2015. Mr Matthews holds a BA (Economics and Computer Science, Joint Major). He has held several senior positions in various companies including Barclays Bank of Botswana (Head of Retail), Mascom Wireless (Chief Commercial Officer), Accenture (Senior Manager) and Deloitte (Head of Consulting). In 2014, Mr Matthews left Deloitte to establish himself as an independent contractor providing management consulting services under the brand MConsulting.





GOVERNANCE REPORT

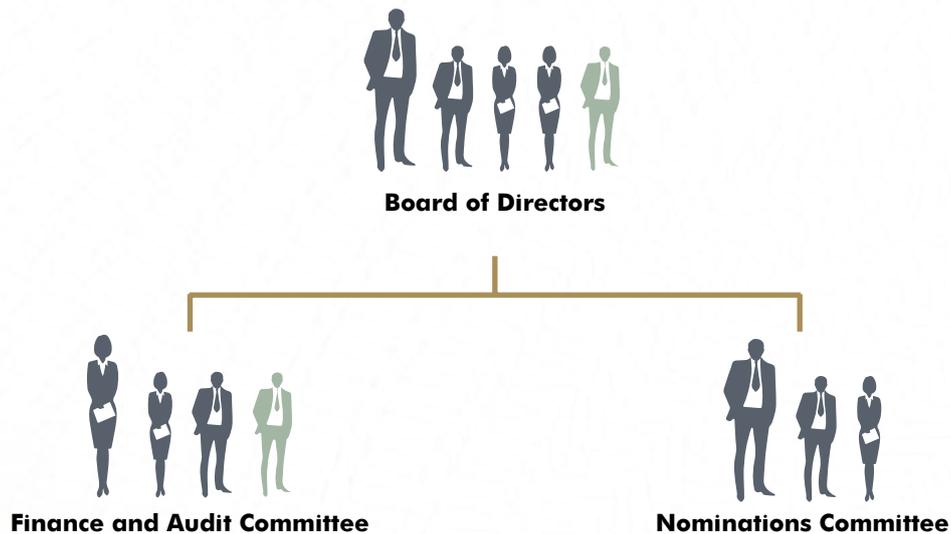
GOVERNANCE REPORT

The Directors provide guidance, leadership and strategic oversight to create a controlled environment for the business that will enhance shareholder value. The Directors of Sechaba Brewery Holdings Limited (SBHL) continue to provide leadership and strategic direction in their quest to deliver improved returns to all shareholders. Directors have a collective responsibility to demonstrate that they are aware of their fiduciary duties towards all stakeholders. The Directors' report outlines the approach to corporate governance.

Statement of Compliance

Sechaba Brewery Holdings Limited and its associates are committed to observing the highest standards of best practice in corporate governance. The Group endeavours to entrench the principles of good governance in all its daily operations.

Board Structure



Colour Key

-  Independent Non-Executive
-  Executive

GOVERNANCE REPORT

Composition and Independence

The Board of Directors is chaired by Mr Bafana Molomo, who joined the Board on the 25th September 2015 but was appointed as Chairman on 01 January 2020. The majority of the Board are independent non-executive directors. The size and composition of the Board is determined by the Company's Articles of Association which stipulates that the number of directors should be not more than twelve and not less than four.

Membership of the Board of Directors as at 31 December 2019

#	Name	Designation	Status	Appointment Date
1	Bafana Molomo	Director	Non-Executive, Independent	25 September 2015
2	Myra Sekgororoane	Director	Non-Executive, Independent	29 October 2013
3	Thabo Matthews	Director	Non-Executive, Independent	06 May 2015
4	Modise Mokone	Director	Non-Executive, Non-Independent	12 February 2019

Composition of the Board

Non-Executive	4
Executive	1

Independence of Non-Executives

Independent	3
Non-Independent	2

1. Thabo Matthews was Chairman of the Board of Directors until 31 December 2019. He was appointed as the Managing Director on 1 January 2020.
2. Bafana Molomo was thereafter appointed as Chairman of the Board of Directors on 1 January 2020.
3. Tabuya Tau was appointed to the Board of Directors on 1 January 2020, making her the 5th member of the board.

Resignations during the year ended 31 December 2019

#	Name	Designation	Resignation Date
1	Renaud Beauchamp	Director	12 February 2019
2	Boitumelo Carolyn Paya	Finance Director	12 February 2019
3	Kate Maphage	Director	12 February 2019
4	Villarreal Espinosa	Director	12 February 2019
5	Martin Brunnock	Director	12 February 2019

GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Meetings and Attendance

During the year under review, the Board met for all its scheduled meetings. The attendance register is shown below:

Attendance Record

	26 March 2019	23 September 2019	10 December 2019	Overall Attendance
Bafana Molomo	✓	✓	✓	100%
Thabo Matthews	✓	✓	✓	100%
Modise Mokone	✓	✓	✓	100%
Myra Sekgororoane	✓	✓	X	67%

Matters Reserved for the Board

The Board has a schedule of matters reserved for its attention and these are dealt with at each meeting. These include, but are not limited to, the approval of budgets and profit forecasts, annual financial statements and capital expenditure budgets. Management provides regular reports to the Board on the operating and financial performance of the Company and its associates. The Board is also informed of changes in relevant laws and any new legislation that may affect the business.

Board Induction

An induction programme is in place to acquaint incoming Directors with their responsibilities. This induction programme consists of documentation provided to members on constitutional and other matters, and minutes of the previous meetings and visits to KBL and CCBB production sites. A presentation is made on various policies such as the Treasury, Safety, Health and Environment and Dividend policy. Directors are also made aware of their fiduciary duties as per the Company's Act.

Retirement of Directors

New Directors are subject to election at the first annual general meeting following their appointment, and directors are subject to retirement and re-election by shareholders every three years.

GOVERNANCE REPORT

BOARD SUB-COMMITTEES

Finance and Audit Committee



TABUYA TAU
Finance and Audit Committee
Chairman



MYRA SEKGOROROANE
Finance and Audit Committee
Member



MODISE MOKONE
Finance and Audit Committee
Member



THABO MATTHEWS
Managing Director

Composition

The Finance and Audit Committee (FAC) comprises four (4) Members, all four of whom are also members of the main Board. In 2019 Gosego January was also an external and independent member of the Board FAC but resigned in January 2020.

Attendance

The Committee met three times during the year under review, and Members duly attended as illustrated below:

	26 March 2019	10 September 2019	9 December 2019	Overall Attendance
Myra Sekgororoane	✓	✓	✓	100%
Gosego January	X	X	X	0%
Bafana Molomo	✓	✓	✓	100%
Modise Mokone		X	✓	50%

Nominations Committee



BAFANA MOLOMO
Nominations Committee
Chairman



MYRA SEKGOROROANE
Nominations Committee
Member



MODISE MOKONE
Nominations Committee
Member

Composition

The Nominations Committee consists of three Members. The Committee meet as when required, and continuously reviews the composition of the Board and its Committees, evaluates the balance of skills, knowledge and experience and makes recommendations to the Board.

Attendance

The Committee met once during the year under review, and Members duly attended as illustrated below:

	5 November 2019	Overall Attendance
Bafana Molomo	✓	100%
Modise Mokone	✓	100%
Myra Sekgororoane	X	N/A

GOVERNANCE REPORT

Director Sitting Allowances for the Year

The remuneration (sitting allowance) paid to Board Members during the year is tabulated below. Executive directors are not paid sitting allowances for their attendance.

Director Sitting Allowances (main Board and Sub-Committees) for the Year (SBHL and Associate Boards)

Thabo Matthews	P90,500
Bafana Molomo	P94,125
Modise Mokone	P80,125
Myra Sekgororane	P52,125
*Oteng Keabetswe	P20,125

*Oteng Keabetswe is a member of the CCBB Board of Directors and CCBB Finance and Audit Committee

Directors Declaration of Interests

Directors declared their interests at every meeting throughout the year.

Company Secretary

The Company Secretary is responsible for ensuring Board compliance to all statutes, procedures and regulations necessary for the business of the Company. The Company Secretary acted as secretary of the Board and its committees and attended all meetings during the year under review. The Company Secretary is also responsible for Director training and ensures continuous enhancement of skills and understanding of Sechaba's business operations.

GOVERNANCE REPORT

TERMS OF REFERENCE

The Country Director, Finance Director, Internal Auditor Manager of the associate companies and the External Auditors are invited as and when deemed necessary. The Finance and Audit Committee performed the following duties:



a. Monitored the integrity of the financial statements of the Company and any announcements of the Company's financial performance, reviewing significant financial reporting judgments contained in them, review and recommend for board and shareholders' approval quarterly and annual statements;



b. Reviewed the Company's internal control, internal audit, compliance and risk management systems;



c. Made recommendations to the board, for it to put to the shareholders for their approval in the General Shareholders Meeting (GSM), on the election of the external auditor, their proposed remuneration and the terms of engagement, subject to final approval by the shareholders;



d. Received and discussed the external auditors report including any issues and recommendations raised by the external auditor on internal control weaknesses;



e. Reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant national professional and regulatory requirements;



f. Invited external auditors to appropriate Finance and Audit Committee meetings and discussed audit related issues;



g. Reviewed the effectiveness of the system for monitoring compliance with laws and regulations;



h. Reviewed both operating entities' work towards delivering zero harm to the health and safety of employees and the general public and to the environment.

GOVERNANCE REPORT

OUR MANAGEMENT TEAM

SBHL has only one employee, Thabo Matthews who is engaged as the Managing Director for the Company from 01 January 2020. Mr. Matthews is supported by the Botswana Development Corporation which is currently engaged as the Financial Administrator for SBHL.

MANAGING DIRECTOR



THABO MATTHEWS

Key responsibilities

- oversees Company affairs on a part time basis ensuring compliance with governance and regulatory requirements;
- in conjunction with the Financial Administrator, manages the day-to-day needs of the Company
- acts as the primary contact person with board, shareholders and the regulator.

ADMINISTRATOR



Key responsibilities

- Ad-hoc financial transaction processing i.e. capturing of receipts and payments in the cashbook
- Facilitation of budgeting process with the Board of directors
- Maintenance of the General ledger and preparation of management accounts
- Liaison with stakeholders, shareholders and regulators
- procurement of professional services providers;
- in conjunction with the Corporate Secretary, coordinate meetings of the Company
- Provision of hosting facilities

A team of individuals provides Financial Administration services to SBHL. On a day-to-day basis, this team is led by Ms. Benedicta Abosi. Ms. Abosi is the full-time Chief Financial Officer for BDC and is an Associate Member of the Institute of Chartered Accountants of England and Wales (ICAEW), a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Certified Internal Auditor of the Institute of Internal Auditors (IIA) and a fellow member of the Botswana Institute of Chartered Accountants.

GOVERNANCE REPORT

KING III COMPLIANCE

The following abridged checklist has been prepared in terms of King Report on Governance (King III). The checklist outlines SBHL's application of King III principles on the various areas of governance.

KEY:

✓ - Compliant | U - Under review | X - Not compliant | P- Partially compliant | N/A - Not applicable

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The board should provide effective leadership based on an ethical foundation.	✓	
The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	
The board should ensure that the company's ethics are managed effectively.	✓	

BOARD AND DIRECTORS

The board should act as the focal point for and custodian of corporate governance	✓	
The board should appreciate that the strategy, risk performance and sustainability are inseparable	✓	
The board should provide effective leadership based on ethical foundation	✓	
The board should ensure that the company is and is seen to be a responsible corporate citizen	✓	
The board should ensure that the company's ethics are managed effectively	✓	
The board should ensure that the company has an effective and independent audit committee	✓	
The board should be responsible for the governance risk	✓	
The board should be responsible for information technology (IT) governance	N/A	Note 1
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	
The board should ensure that there is an effective risk -based internal audit	N/A	Note 1
The board should appreciate that stakeholder's perceptions affect the company's reputation	✓	
The board should ensure the integrity of the company's integrated annual report	✓	
The board should report on the effectiveness of the company's system of internal controls	✓	
The board and its directors should act in the best interest of the company	✓	
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the act	✓	
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	✓	
The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓	
The board should compromise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓	
Directors should be appointed through a formal process	P	Note 2
The induction of and ongoing training and development of directors should be conducted through formal processes	P	
The board should be assisted by a competent, suitably qualified and experienced company secretary	✓	
The evaluation of the board, its committees and the individual directors should be performed every year	X	Note 2

GOVERNANCE REPORT

KING III COMPLIANCE

The board should delegate certain functions to well- structured committees but without abdicating its own responsibilities	✓	
A governance framework should be agreed between the group and its subsidiary boards	✓	
Companies should remunerate directors and executives fairly and responsibly	✓	
Companies should disclose the remuneration of each individual director and certain senior executives	✓	
Shareholders should approve the company's remuneration policy	✓	

AUDIT COMMITTEE

The board should ensure that the company has an effective and independent audit committee	✓	
Audit committee members should be suitably skilled and experienced independent non-executive directors	✓	
The audit committee should be chaired by an independent non-executive director	✓	
The audit committee should oversee integrated reporting	✓	
The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	✓	
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓	
The audit committee should be responsible for overseeing of internal audit	N/A	Note 1
The audit committee should be an integral component of the risk management process	U	Note 3
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓	
The audit committee should report to the board and shareholders on how it has discharged its duties	✓	

THE GOVERNANCE OF RISK

The board should be responsible for the governance risk	✓	
The board should determine the levels of risk tolerance	✓	
The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓	
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓	
The board should ensure that risk assessments are performed on a continual basis. Board and audit committee are responsible for risks	U	Note 3
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating risks	U	
The board should ensure that management considers and implements appropriate risk responses	✓	
The board should ensure continual risk monitoring by management	U	Note 3
The board should receive assurance regarding the effectiveness of the risk management process	U	
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	U	

GOVERNANCE REPORT

KING III COMPLIANCE

 COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS		
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	
The board and its individual directors should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓	
Compliance risk should form an integral part of the company's risk management process	U	Note 3
The board should delegate to management the implementation of an effective compliance framework and process	U	

 INTERNAL AUDIT		
The board should ensure that there is an effective risk-based internal audit	N/A	Note 1
The board should follow a risk-based approach to its plan	N/A	
Internal audit should provide a written assessment of the effectiveness of the company's system of control and risk management	N/A	
The audit committee should be responsible for overseeing internal audit	N/A	
Internal audit should be strategically positioned to achieve its objectives	N/A	

 GOVERNING STAKEHOLDER RELATIONSHIPS		
The board should appreciate that stakeholder perceptions affect a company's reputation	✓	
The board should delegate to management to proactively deal with stakeholder relationships, stakeholders and the outcomes of these dealings	✓	
The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the interests of the company	✓	
Companies should ensure the equitable treatment of shareholders	✓	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓	
The board should ensure that disputes are resolved as efficiently and expeditiously as possible	✓	

 INTEGRATED REPORTING AND DISCLOSURE		
The board should ensure the integrity of the company's integrated annual report	✓	
Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓	Note 4
Sustainability reporting and disclosure should be independently assured	✓	

Notes:

- Note 1:** The processes and practises in place in relation to this governance principle are managed at associate level
- Note 2:** The process of recruiting members to the Board is being enhanced and formalised including processes of induction as well as on-going training for new and existing members. Although no board evaluation was performed in 2019, the Board will endeavour to have in place appropriate evaluation interventions for 2020 and going forward.
- Note 3:** The Board is currently reviewing its role in terms of risk management and will ensure all appropriate risk management policies and processes are in place in 2020.
- Note 4:** Sustainability reporting and disclosure is reported at associate level.



Coca-Cola



Coca-Cola

041

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OPERATIONS & SUSTAINABILITY REPORTS



OPERATIONS REPORT

COCA-COLA BEVERAGES BOTSWANA

2019 was the first full year of trading as Coca-Cola Beverages Botswana (CCBB) with the commercial operations commencing 26 November 2018. CCBB had a very successful 2019 with volume growing by 34.2% over an equivalent full year 2018. Being the first full year of operations the financial performance is only measured against a shortened period of trading in 2018, however, CCBB delivered Revenue of 8.6% above plan, while maintaining a tight rein on the costs of the business in the first year of operations, CCBB delivered Earnings Before Interest and Taxes of 31% above plan.

CCBB delivered this performance through focusing on key areas of establishing a lean Organizational Design with motivated employees and establishing the Coca-Cola Beverages Africa (CCBA) ways of working, developing our capability to ensure a constant portfolio supply across the country, building our share of visible inventory and support of our brands with promotional activities and building brand awareness.

In October 2019 CCBB recommissioned its canning line to great success with the Can already making up 20% of our pack mix. The can line has allowed for great penetration into the on premise channel and has proved to be very popular with the consumers in a very short time. Can volume grew 49% as a result of being able to augment the imported volume previously only available to Botswana.

CCBB is very proud of its achievements and the passion shown by its staff in delivering great products to every corner of Botswana. The company looks forward to growing on the base set in 2020.

Categories:

Sparkling Soft Drinks

Sparkling Soft Drinks (SSD) grew by 48% with Brand Coke leading the category at 85% of the mix. CCBB launched Coke without sugar in various pack sizes to offer the consumer a choice across the pack range. The

330ml Polyethylene Terephthalate (PET) Coke without Sugar in particular has proven very popular, with a low price to allow the entire population to taste this key product.

Water:

Source water, the only BOBS certified water in Botswana, grew 33% on 2018 volumes. The company's ability to supply was constrained by the demand across all categories, however, this provided a clear indication of the demand and love for the Source Water Brand.

CCBB is working on ensuring Source Water is more readily available in 2020 through initiatives in meeting customer demand. The company is looking forward to growing this category significantly in 2020 and beyond.

Cordial:

Mazoe grew 27% over 2018, but was also constrained by supply limitations. The demand for Mazoe has given us much confidence in the potential of the brand and category. Going forward CCBB are working on a constant supply for both Mazoe flavours, orange and blackcurrant. The company believes Mazoe will be established as one of the leading cordial brands in Botswana in 2020.

Juice:

Botswana transitioned from Just Juice to Minute Maid in 2019. The product performance was flat in 2018 with the focus on establishing shelf space in outlets and growing brand awareness for the consumer.

Energy:

CCBB relaunched Monster Energy in Botswana in July 2019. Within 6 months CCBB had surpassed the full 2018 volume sales. Predator, a brand under the Monster umbrella, was launched in August 2019 to the market in the affordable price segment. The company believes this is a high growth category, and with support from Monster and through greater public awareness campaigns, CCBB can deliver great results in 2020.

SUSTAINABILITY REPORT

COCA-COLA BEVERAGES BOTSWANA

OUR EVOLUTION TOWARDS A TOTAL BEVERAGE COMPANY-CCBB

People everywhere want new beverages and experiences throughout their day and, as a franchised bottler of The Coca-Cola Company, Coca-Cola Beverages Botswana (CCBB) is innovating to give people more of what they want while actively encouraging informed choices and balanced lifestyles. In some cases, that means adding vitamins and minerals or rethinking our recipes to reduce sugar while keeping the great tastes people love.

We know that what we put in our bottles is only half of the story. We have to go beyond what's inside the bottle to make a real difference. People today expect to have more information and more control over what they eat and drink. That's why we provide smaller, more convenient packages, making it easier to control sugar intake. And we voluntarily offer clear, easy-to-find calorie information on our packaging, so people can make informed choices.

INSIDE THE BOTTLE



Reducing sugar

Around the world, eating and drinking less sugar is an increasingly important issue for many people, so we're acting to help them drink less sugar. We support the current recommendation by the World Health Organisation, that people should limit their intake of added sugar to no more than 10% of their total energy consumption. We've begun a journey toward this goal.

We're rethinking many of our recipes to reduce sugar, because while sugar in moderation is fine, too much of it isn't good for anyone. We're making low and no-sugar versions of the drinks people love easier to find in more places. We're shifting some of our marketing budget to make people more aware of these low and no-sugar options. We're exploring and bringing to market new sugar alternatives that help us keep the great tastes people love, but with less sugar and fewer calories.

No matter what, we are fully committed to helping consumers better control the amount of sugar they get from our drinks without giving up the great tastes they know and love.

Evolving recipes

We're looking for ways to make many of our beverages better and more nutritious whenever we can by providing vitamins, minerals, and electrolytes that help fuel active bodies. We're also adding new, sophisticated flavours to help us keep up with consumers' rapidly evolving taste preferences.

Providing different drinks

We realize that everyone doesn't drink sparkling soft drinks, so we're also producing Source Water which is also very much appreciated by our consumer.

SUSTAINABILITY REPORT

COCA-COLA BEVERAGES BOTSWANA

OUTSIDE THE BOTTLE



Providing convenient, smaller packages

We're providing smaller, more convenient packages, making it easier to control sugar intake.



Increasing accessible information

People want straightforward, accessible information about what they are drinking. We voluntarily display clear, easy-to-find calorie information on our products enabling consumers to make informed choices.



Not targeting children under 12 with advertisements

We're diligently following our longstanding policy not to target advertising to children under age 12. While we cannot control everything every child sees, we will consistently and proactively push the industry to advertise responsibly by being careful and thoughtful about any media placement where children are a significant percentage of the audience.



Doing Business, the Right Way

At CCBB, we are a proud industry leader in developing increasingly sustainable ways to manufacture, distribute and sell our products. Our aim is to create greater shared opportunity for the business and the communities we serve across the value-chain. Opportunity is more than just money, it's about a better future for people and their communities everywhere on the African continent.

People matter. Our planet matters. We believe in doing business the right way by following our values and

working toward solutions that benefit us all. When we grow our business the right way, not just the easy way, we help create opportunity for our communities, our customers, our employees and our shareholders.

Part of our commitment is to help recycle a can or bottle for everyone we produce as we aim to lead industry to create a World Without Waste. We have created partnership with the community in Kopong village and have clean-up campaigns where we sensitize the community on the importance of a clean environment while also targeting PET collection.



Human Rights

Respect for human rights is fundamental to the sustainability of The Coca-Cola Company and the communities in which we operate. In our Company and across our system, we are committed to ensuring that people are treated with dignity and respect. The Coca-Cola Company's Human Rights Policy is guided by international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.

The Human Rights Policy applies to The Coca-Cola Company, the entities that it owns, the entities in which it holds a majority interest, and the facilities that it manages. The Company is committed to working with and encouraging our bottling partners to uphold the principles in this Policy and to adopt similar policies within their businesses. The Supplier Guiding Principles apply to our bottling partners and our suppliers and are aligned with the expectations and commitments of this Policy.

SUSTAINABILITY REPORT

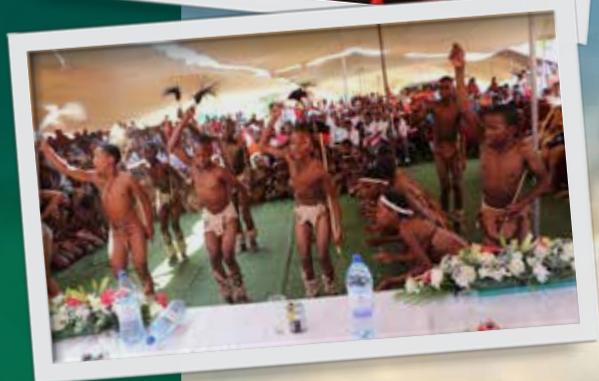
COCA-COLA BEVERAGES BOTSWANA

BOTSWANA COPA COCA-COLA SCHOOLS-PET WINNERS REWARDED

Ten Schools from Gaborone were all smiles as they received various sporting prizes that ranged from cash, soccer kits and sports equipment in the 2019 COPA Coca-Cola PET Recycling programme recently. Almost six tonnes of PET was collected by 22 Secondary schools in the greater Gaborone area in the inaugural COPA Coca-Cola PET recycling programme, with the winner Ledumadumane Junior Secondary School collecting over 2 tonnes (35%) to winning US\$4000 and soccer balls. The collection coincided with the 2019 COPA Coca-Cola soccer tournament.

The Mayor of Gaborone was the Guest of Honour at the event that also had the collection partner Somarela Tikologo, Botswana Integrated Sports Association, the area Chief and Coca-Cola system members among school's officials and representatives, that took place at the winning school, who celebrated it in traditional and contemporary song and dance. The other winners were Gaborone West JSS, Mogoditshane JSS, Naledi SSS, Maoka SSS, Bokamoso JSS, Nanogang JSS, Ledumang SSS, Moselewapula JSS, and Marang JSS.

*JSS - Junior Secondary School
SSS - Senior Secondary School



OPERATIONS REPORT

KGALAGADI BREWERIES LIMITED

Kgalagadi Breweries Limited (KBL) delivered a strong overall volume growth increasing total volumes by 6% when compared with the prior year. The overall growth was spurred by the significant growth in clear beer volumes by 16%, complemented by renewed growth of St Louis Lager which was the star performer. Other categories were subdued, declining when compared with prior year due to the tough competitive environment for the Alcoholic Fruit Beverages (AFBs) with new entrants in the market during the year under review. Traditional African Beer was impacted by the restructuring in the route to market with benefits only accruing towards the end of the year.



Clear Beer Category

As the saying goes, “WE ARE HERE FOR THE BEER” 2019 was a year with many growth opportunities for the clear beer category. The year was aligned with the usual peak periods namely Easter, President’s Day, Independence and December holidays, assisted by the benefit of 2019 elections long weekend. This presented more occasions to celebrate and share great moments with friends and family. The clear beer category grew 16% versus prior year, with our very own homegrown St Louis growing at a staggering 56% over prior year driving the positive trajectory of clear beer. Carling Black Label followed by bolstering the growth for clear beer growing by 13% versus prior year. The high-end brands are also growing rapidly from a low base making impact on the portfolio.

Alcoholic Fruit Beverages

The AFB category has shown many gaps within the offering, ending the year 24% lower than the prior year, consequently leading to loss of market share. KBL have strengthened to index up this category by driving growth with Flying Fish and Redds Vodka Lemon brands to reverse the material loss in the prior year.



OPERATIONS REPORT

KGALAGADI BREWERIES LIMITED

Traditional African Beer

Chibuku has been under pressure declining by 2% when compared with prior year mainly impacted by delayed benefits of the restructuring activities. Programs such as owner-driver and outsourcing were launched to fix the route to market. The process experienced challenges initially, but the future benefits will be better service to consumers with the right focus leading to growth in the category.



Marketing Activities

The year under review was a spectacular year coupled with a great growth strategy in the clear beer category.

The most immediate substantial growth opportunity for the business is through premiumisation. As a subsidiary of AB InBev, KBL recognise this as a global trend, and beer as a category significantly under indexes in premium share versus other categories. The growth in premium can only be achieved by having a strong portfolio strategy. Today KBL has a robust portfolio of brands to drive the premium segment.

Our bread and butter brand Carling Black Label (CBL) which currently contributes 54% to our clear beer portfolio, also exhibited growth of 13% with the 500ml

convenience pack showing growth of 39% by end of year mainly due to the great execution of the prominent Carling Black Label Cup.

St Louis Lager was a brand that saw great innovation with a pack and claim reposition. This allowed Botswana to proudly express the beer in their way, with a claim that solidifies that brand as Botswana's Refreshing Lager, allowing the 3.5% Alcohol By Volume (ABV) beer accelerating to an impressive 56% growth with market share benefit. We anticipate great growth for Botswana's heritage brand in the year 2020.

SUSTAINABILITY REPORT

KGALAGADI BREWERIES LIMITED



BRINGING PEOPLE TOGETHER FOR A BETTER WORLD

At KBL we are determined to build a company to last, but we know we can only do that with a healthy environment and thriving communities. As Botswana's only local and leading brewer, we remain firmly committed to creating a better world for all our stakeholders, while also creating value for our business.

Brewing the highest quality beers is reliant on ingredients from a healthy natural environment and thriving communities. We are committed to improving lives in the communities we are part of and playing a positive role within them. Sustainability is not just related to our business, it is our business.

We have selected thematic areas that we believe are relevant and aligned to our market. These relate to our environmental, socio-economic and alcohol responsibility efforts that we believe will allow us to make a positive impact in the communities in which we operate. Using the scale of our operations, resources and passion of our colleagues, KBL is working to bring this vision to life.

ENTREPRENEURIAL DEVELOPMENT

Youth Empowerment

During the year under review, 15 Botswana youth received grants totaling P1.750 million (each entrepreneur walking away with up to P200, 000)

and 12-months intensive mentorship program under the Kickstart program. The flagship program was relaunched in 2019 after being suspended in 2015 due to financial constraints.

As at end 2019, Kickstart had trained 350 individuals in Business Skills and funded 85 entrepreneurs, 70% of which are still operational and growing. The programme is intended to assist the Government of Botswana to address pertinent issues such as youth unemployment, poverty eradication and diversification of the economy. KBL received more than 5000 online applications, majority fell within a variety of thematic areas such as Tourism, Agriculture (Horticulture & Animal Production), Agro processing, Professional Services, ICT/ Technology, Confectionaries and Food/Restaurants. These entrepreneurs had gone through the Business and Life Skills training, which is an essential component of the programme as it equips them with business planning tools and techniques including how to construct a comprehensive business plan.

SUSTAINABILITY REPORT

KGALAGADI BREWERIES LIMITED



As at end 2019, Kickstart had trained 350 individuals in Business Skills and funded 85 entrepreneurs,

70% of which are still operational and growing.

Kickstart seeks to inculcate a culture of entrepreneurship amongst young and innovative Batswana aged between 18 and 35. The programme that was initially launched in 2004 is aimed at those who want to either start (Greenfields) or expand (Brownfields) their existing businesses. Over the years, Kickstart has become one of the largest entrepreneurship development projects run by a private sector company in Botswana.

Empowering entrepreneurial small businesses to grow and thrive

As part of our commitment to help communities thrive, we have a responsibility to help the small businesses in our supply chain. From the suppliers that help power our production to the retailers that connect with our consumers everyday, small businesses play a vital role as an engine of economic growth and employment. Our Retailer Development Program (RDP) is a tailor-made program that aims to build and enhance business skills to grow trader profitability and business sustainability. It is aimed at fostering self-regulation and grow sustainable businesses, empowering retailers in our value chain to become better business people, with the benefits being three-fold; not for KBL only but also the retailer, their families and the community at large.

ENVIRONMENT

Waste collection and recycling

KBL has made great strides in improving waste separation in order to enable more recycling of the waste generated. These include glass, paper, cans and plastic waste streams, which are separated at

source so that they can be channelled to various recycling initiatives through various local companies. The benefit here is avoiding negative impact on the environment by reducing the tonnage of waste that would have been otherwise dumped at the landfills or worse still left lying around polluting the environment. Additionally, this allows KBL to create employment for local companies and generate revenue through the sale of the waste.

Furthermore, KBL has partnered with Somarelang Tikologo, a local Non-Governmental Organization (NGO), to run a pilot program intended to create wealth from the collection of solid waste through post-consumer waste management incentivisation scheme. The project is in line with the Government's determination to achieve the United Nations Sustainable Development Goals and the initiative to keep Botswana clean. Additionally, KBL has initiated a project to recycle crates that would otherwise negatively impact the environment. Another project is the on-site repair of wooden pallets that KBL uses to carry crates of stock, creating employment for the youth. This project is also a revenue generator for KBL.

Increasing water efficiency and availability

Water quality and availability are critical to brewing. Without water, there is no beer. We must also be responsible stewards of water supplies for the communities where we operate.

During 2019, KBL had projects to create efficiencies in on-site water usage as well as improving usage of recycled water in the brewing and production processes. Therefore, KBL will continue to scan the environment for water-related risks that can impact quality or security of water supply. This will include a number of project targeted at further usage reduction and increasing the use of recycled water. These are set to have an impact on conserving water at our plants. We have focused on managing our water-related risks, protecting local watersheds and engaging our colleagues in our efforts.

SUSTAINABILITY REPORT

KGALAGADI BREWERIES LIMITED

Conserving energy and lowering our carbon footprint

Climate change has far-reaching consequences for our business and for the communities where we live and work. Believing we can make a difference through our reach and scale in Botswana and we will continue to working on improving our energy efficiency. We are also switching to more environmentally friendly refrigerants, thereby increasing the efficiency of our coolers.

Rethinking packaging

Packaging is one of the most significant components of our beer's carbon footprint. We are constantly looking for ways to increase the recycled material in our packaging, support recovery and re-use of bottles and reduce the amount of material in our packaging through actions such as light-weighting our containers. Part of our commitment to the environment is reducing waste. We use a lot of glass and aluminum and we have a responsibility to promote circular packaging methods of these materials.

Beyond our packaging, we seek to minimize the amount of waste we send to the landfill from our brewery, through recycling initiatives. KBL has upped its recycling initiatives thereby tremendously reducing the amount of waste sent to landfill. Currently KBL recycles 83% of total waste generated on its sites. We have also partnered with local NGOs to develop some recovery and recycling solutions.

SMART DRINKING



Promoting smart drinking

We want every experience with beer to be a positive one. We believe the harmful use of alcohol is bad, not only for our consumers, our colleagues, our families and our communities, but also for our business.

Through Ikgalemele – KBL's Smart Drinking initiative, we aim to reduce the harmful use of alcohol and foster a culture of smart drinking and road safety.

Alcohol adds to the enjoyment of life for the overwhelming majority of consumers when consumed in moderation. However, excessive or irresponsible consumption of alcohol is associated with various diseases, health conditions and negative social consequences. Being sensitive to these concerns about excessive intake and alcohol abuse because of the impact they have on society, KBL conceptualised the Ikgalemele Alcohol Responsibility program. It became the call to alcohol retailers, consumers, drivers, parents, and the youth to assume and exercise personal responsibility when it comes to alcohol consumption, attitude, and behaviours whilst or following imbibing. The core message is intended to inculcate an ethos of conscience and accountability.

In 2019, KBL hosted the Smart Drinking Day where most KBL employees in all the various sites around the country participated in an initiative to drive awareness around Smart Drinking. Employees put up Ikgalemele posters in mainstream, modern in-trade outlets to raise awareness on smart drinking. One of the main objectives was for outlet owners & consumers to make pledges from one of the four (4) themes, that is, Excessive Consumption, Underage Drinking, Drinking and Driving and Alcohol and Pregnancy (Foetal Alcohol Syndrome).

Self-Regulation

We believe the way we market our beers matters and must be responsible. All of our marketing and communications are subject to both industry codes of conduct and our own Responsible Marketing and Communications Code. KBL has an internal Sales and Marketing Compliance Committee, chaired by Corporate Affairs that considers all marketing activations before being published and implemented.

SUSTAINABILITY REPORT

KGALAGADI BREWERIES LIMITED

We recognise and value the rich diversity, deep local cultural roots, beliefs and practices, laws and regulations that makes Botswana unique. This is because we hold ourselves to the highest account and continue to build the reputation of our business by self-regulating.



Developing new NABLAB choices

Reducing the alcohol content in beverages has been advocated by researchers as one of the viable mechanisms of reducing harmful alcohol use. These beers provide alternatives to consumers who want light, refreshing beers that are in line with a balanced lifestyle. As a result, we have introduced the No- and Low-alcohol (NABLAB) to our portfolio of beers we sell as an option where our technology removes alcohol from beer after the brewing process to create non-alcoholic beer options without compromising taste. We define No-Alcohol products as having an alcohol by volume (ABV) of 0.0% – 0.5% and Lower-Alcohol products as having an ABV between 0.51% and 3.5%. Our very own St. Louis Lager meets this requirement of Lower-Alcohol product with ABV of 3.5%. During the year under review, we introduced a new option of No-Alcohol product called Castle Free which falls under the 0.0% – 0.5% category.

Labeling & Alcohol Health Literacy

We believe in transparency and consumer choice. We want to help our consumers understand why and how alcohol should be consumed within limits, and are working to increase alcohol literacy among them, sometimes beyond regulatory requirements.

Extending our reach through partnerships

As our approach matures and our understanding and capability grows, we have developed valuable partnerships with organizations that can provide us with the expertise and insights required for tackling our priority issues. Such partnerships include the Botswana Police Service, Botswana Alcohol Industry Association (BAIA), Motor Vehicle Accident Fund (MVA) and other complementary organizations. This enables us to extend our reach into local communities in a way that makes the most difference to them whilst also generating the greatest impact for our business. Partners include government, NGOs, academic institutions and suppliers.



KBL recycles
83%
of total waste
generated on
its sites.

SUSTAINABILITY REPORT

KGALAGADI BREWERIES LIMITED



BUSINESS ETHICS

Our leaders set the tone for our company. We expect our colleagues to deliver results and to inspire each other through our passion for brewing and a sense of ownership. Most importantly, we never take shortcuts. Integrity, hard work, quality and responsibility are essential to our growth.

Preventing corruption and bribery

KBL is supported by a global team that oversees policy implementation, investigations, operational dashboards, and organizational change across all Zones as well as manage our anti-corruption compliance program. Compliance officers are available around the clock to advise employees on specific issues. Colleagues can ask questions or raise concerns in person, via a mobile app or website, or anonymously through a global compliance hotline. Since launching the toll-free whistle-blowing hotline, employees are regularly encouraged to report unethical behavior or unlawful activity anonymously to the secure and confidential whistleblowers hotline or make a report online.

During the year under review, KBL's annual training on the Global Code of Business Conduct and Global Anti-Corruption Policy continued. The Policies defines our colleagues' responsibilities and expected behavior, and strictly prohibits our colleagues from offering or giving anything of value to someone with the aim of obtaining or retaining business or influencing decision-making in connection with our commercial activities.

Supporting human rights

We believe in treating people with respect and dignity and providing safe working conditions. Our commitment to upholding human rights extends to our supply chain. We require our suppliers to commit to our Global Responsible Sourcing Policy through our contracting process. This policy sets out our standards, general expectations, and commitments with respect to key areas of corporate responsibility. This is because we are committed to upholding high standards of responsible behaviour in our operations and we encourage a similar commitment amongst our business partners.

SUSTAINABILITY REPORT

KGALAGADI BREWERIES LIMITED



THE ESSENCE OF WORKPLACE SAFETY

Safety ranks before results and targets. That is, before anything else. It is at the heart of our culture. It is woven in our DNAs. Nothing should compromise the safety of our colleagues, consumers and stakeholders. We are committed to doing everything possible to create a safe work environment.

Safety forms the prerequisite in our pursuit to achieve set targets; we will never take short cuts in our endeavour to achieve results. Our commitment to safety extends beyond our distribution centres into the community we service through continuous risk assessments of all areas we deliver our products to.

Our safety management processes are focused on achieving and maintaining zero injuries in all our operations. We are progressing well in this regard and will continue to invest into improving both working conditions and employee/contract behaviour to achieve this goal. These programs were implemented and exerted to intense external audits to ensure compliance during the year under review. These are as follows:

Distribution Process Optimization (DPO)

The year 2019 has seen our safety standards and ratings challenged albeit a mid-year safety qualification. A rigorous implementation of the safety fundamentals delivered a safety pillar qualification of 73%.

A safety culture requires constant reinforcement on a regular basis. This principle has been constantly applied during the course of the year. We ensured that the leaders of the operations drove safe working behaviours through their actions and activities.

The C.A.R.E campaign was launched during our highest volume peak season, December, in partnership with local enforcement agencies. The campaign's objective was to heighten road safety awareness, emphasizing our pledge to zero fatalities. In our pursuit to execute these safety requirements to a needlepoint of perfection, we had set backs. The year 2019 saw an unprecedented Lost Time Injuries (LTI). Three (3) employees were injured in the line duty and as a result had to miss some amount of time off work. Keeping the spirit of principle number 04, we have set ourselves a target of zero LTIs for 2020.

Voyager Plant Optimization (VPO)

VPO on the other hand is at the heart of our efforts to create a better world in our global management system within our breweries. This system is used to manage every aspect of our brewery operations, including environmental performance. It is the centralized framework we use to benchmark our water and energy use, quantify performance gaps, identify and disseminate best practices in order to better monitor our continuous improvement efforts. Through this program, we are increasing our focus on sustainable development by further reducing our water and energy usage.





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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Sechaba Brewery Holdings Limited

GENERAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

Country of incorporation and domicile	Botswana
Nature of business and principal activities	<p>Sechaba Brewery Holdings Limited (the "Company") is an investment holding company with interests in Kgalagadi Breweries (Proprietary) Limited ("KBL"), and Coca-Cola Beverages (Botswana) (Proprietary) Limited ("CCBB").</p>
Directors	<p>T K Matthews B Molomo M Sekgororoane M Mokone (Appointed on 12 February 2019) K Maphage (Resigned on 12 February 2019) B C Paya (Resigned on 12 February 2019) R Beauchamp (Resigned on 12 February 2019) V J C Espinosa (Resigned on 12 February 2019) M D Brunnock (Resigned on 12 February 2019)</p>
Business address	<p>Fairscape Precinct Plot 70667 Fairgrounds Office Park Gaborone Botswana</p>
Bankers	Standard Chartered Bank Botswana Limited
Auditors	<p>PricewaterhouseCoopers Plot 50371 Fairgrounds Office Park P O Box 294 Gaborone Botswana</p>
Secretary	Grant Thornton Business Services (Proprietary) Limited
Transfer Secretaries	Corpserve Botswana (Pty) Ltd
Sponsoring Brokers	Imara Capital Securities (Proprietary) Limited
Functional currency	Botswana Pula

Sechaba Brewery Holdings Limited

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL

FOR THE YEAR ENDED 31 DECEMBER 2019

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

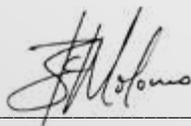
The Company maintains systems of internal control which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of the Company assets. The directors are also responsible for the design, implementation,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

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

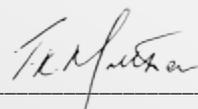
The auditor is responsible for reporting on whether the Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Financial Statements:

The Financial Statements of Sechaba Brewery Holdings Limited, as identified in the first paragraph, were approved by the directors on 24th March 2020 and are signed on their behalf by:



Director



Director

Sechaba Brewery Holdings Limited

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019



Independent auditor's report To the members of Sechaba Brewery Holdings Limited

Our opinion

In our opinion, the economic interest financial statements give a true and fair view of the financial position of Sechaba Brewery Holdings Limited (the "Company") as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Sechaba Brewery Holdings Limited's financial statements set out on pages 52 to 74 comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

Our audit approach

Overview



Overall materiality

P9,850,250, which represents 5% of profit before tax for the year.

Audit scope

Our engagement comprised full scope audits of Sechaba Brewery Holdings Limited and its associates, Kgalagadi Breweries (Proprietary) Limited ("KBL") and Coca Cola Beverages (Proprietary) Limited ("CCBB").

Key audit matter

No key audit matter

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana, T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, S K Wijesena

Sechaba Brewery Holdings Limited
INDEPENDENT AUDITOR'S REPORT
 FOR THE YEAR ENDED 31 DECEMBER 2019

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

Materiality

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

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

<i>Overall materiality</i>	<i>P9,850,250</i>
<i>How we determined it</i>	<i>5% of profit before tax</i>
<i>Rationale for the materiality benchmark applied</i>	<i>We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5%, which is consistent with the quantitative materiality thresholds used for profit-oriented companies in this sector.</i>

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

In doing so, we performed full scope audits for the Company and its associates as the financial results of the associates have a material impact on the financial statements of the Company.

Key audit matters

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

We have determined that there are no key audit matters to communicate in our report with regard to the audit of the financial statements of the Company of the current period.

Sechaba Brewery Holdings Limited

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Other information

The directors are responsible for the other information. The other information comprises the information included in the in the document titled "Sechaba Brewery Holdings Limited Annual Financial Statements for the year ended 31 December 2019", which we obtained prior to the date of this auditor's report, and the Sechaba Brewery Holdings Limited 2019 Annual Report which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Sechaba Brewery Holdings Limited
INDEPENDENT AUDITOR'S REPORT

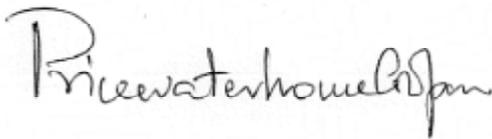
FOR THE YEAR ENDED 31 DECEMBER 2019

- 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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



Individual practicing member: Lalithkumar Mahesan
Registration number: 20030046

Gaborone
26 March 2020

Sechaba Brewery Holdings Limited
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Note</i>	2019 P'000	2018 P'000
Share of profits after tax of associate companies	5	199 363	227 265
Interest income	6	98	4
Administration and other expenses	7	(2 458)	(2 644)
Profit before taxation		197 003	224 625
Taxation	8	(14 951)	(4 569)
Profit after taxation for the year		182 052	220 056
Other comprehensive income		-	(1 922)
Total comprehensive income for the year		<u>182 052</u>	<u>218 134</u>
Earnings per share information			
Basic and diluted earnings per share (thebe)	10	<u>164.58</u>	<u>167.79</u>

The notes on pages 56 to 74 form an integral part of the financial statements.

Sechaba Brewery Holdings Limited
STATEMENT OF FINANCIAL POSITION
 AT 31 DECEMBER 2019

	<i>Note</i>	2019 P'000	2019 P'000
Assets			
Non-current assets			
Investment in associates	12	652 755	635 754
Current assets			
Trade and other receivables	14	12 089	2 793
Cash and cash equivalents	15	12	1
		12 077	2 792
Total assets		<u>664 844</u>	<u>638 547</u>
Equity and liabilities			
Capital and reserves			
Stated capital	16	630 298	605 322
Hedging reserves		194 548	194 548
Retained earnings		388	388
		435 362	410 386
Non-current liabilities			
Deferred taxation	13	27 091	25 816
Current liabilities			
Trade and other payables	17	7 455	7 409
Dividend payable	11	-	357
Current taxation payable	9	7 448	7 048
		7	7
Total equity and liabilities		<u>664 844</u>	<u>638 547</u>

The notes on pages 56 to 74 form an integral part of the financial statements.

Sechaba Brewery Holdings Limited
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Note</i>	2019 P'000	2019 P'000
Cash flow from operating activities			
Net cash utilised in operations	18	(2 826)	(2 550)
Income taxation paid	9	(13 676)	(5 900)
Net cash utilised in operating activities		(16 502)	(8 450)
Cash flow from investing activities			
Dividends received		182 362	78 600
Interest received	6	98	4
Net cash generated from investing activities		182 460	78 604
Cash flow from financing activities			
Dividends paid to shareholders	11	(156 673)	(71 747)
Cash utilised in financing activities		(156 673)	(71 747)
Net movement in cash and cash equivalents for the year			
Cash and cash equivalents at the beginning of the year		2 792	4 385
Cash and cash equivalents at end of the year	15	12 077	2 792

The notes on pages 56 to 74 form an integral part of the financial statements.

Sechaba Brewery Holdings Limited
STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Company			
	Stated capital P'000	Hedging reserves P'000	Retained earnings P'000	Total P'000
Balance at 01 January 2018	233 941	2 310	327 145	563 396
Profit for the period	-	-	220 054	220 054
Other comprehensive income	-	(1 922)	-	(1 922)
Total comprehensive income	-	(1 922)	220 054	218 132
Capital reorganisation (note 13)	(39 393)	-	(64 985)	(104 378)
Dividends	-	-	(71 828)	(71 828)
Total transactions with shareholders	(39 393)	-	(136 813)	(176 206)
Balance at 31 December 2018	194 548	388	410 386	605 322
Profit for the period	-	-	182 052	182 052
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	182 052	182 052
Dividends	-	-	(157 076)	(157 076)
Total transactions with shareholders	-	-	(157 076)	(157 076)
Balance at 31 December 2019	194 548	388	435 362	630 298

The notes on pages 56 to 74 form an integral part of the financial statements.

Sechaba Brewery Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Corporate information

Sechaba Brewery Holdings Limited is an investment holding company with interests in Kgalagadi Breweries (Proprietary) Limited (KBL) and Coca Cola Beverages (Botswana) (Proprietary) Limited (CCBB). The financial statements have been approved by the Board of Directors on 24 March 2020.

The Company is a public limited company, which is listed on the Botswana Stock Exchange and incorporated and domiciled in Botswana. The address of its registered office is Plot 70667, Fairscape Precinct, Gaborone.

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention. These financial statements are the economic interest financial statements of the Company which includes the equity accounted results of its associates.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in the "Significant judgements and sources of estimation uncertainty" section.

All amounts in the notes are shown in Pula, unless otherwise stated. All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

1.2 Investments in associates

Associates are all entities over which the Company has 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. Under this method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

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

The Company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equal or exceeds its interest in the associates, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the statement of comprehensive income.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.2 Investments in associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Company and its associates are recognised profit or loss and other comprehensive income in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognised in the statement of profit or loss and other comprehensive income.

1.3 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Given the nature of the Company's operations, there are no key sources of estimation uncertainty at year end.

1.4 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved and declared by the Company's directors.

1.5 Impairment of non-financial assets

Assets that have an indefinite useful life 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.6 Financial instruments

Financial instruments held by the Company are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Company, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.6 Financial instruments (continued)

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

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.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 15).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest rate method and is included in profit or loss.

The application of the effective interest rate method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit impaired.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.6 Financial instruments (continued)

Application of the effective interest method (continued)

- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Write off policy

The Company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Company recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in risk management note (note 3).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost.

Trade and other payables

Classification

Trade and other payables (note 18), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate 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 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. Trade and other payables expose the Company to liquidity risk and possibly to interest rate risk.

Refer to note 3 for details of risk exposure and management thereof.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.6 Financial instruments (continued)

Derecognition

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The Company 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 party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The Company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.7 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, if any.

1.8 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.9 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.

1.10 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.11 Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

1.12 Related parties

Related parties comprise directors of the Company, its associates and companies with common control or significant influence. Transactions with related parties are in the normal course of business and on normal commercial terms.

1.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises 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. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax liabilities arising from taxable temporary differences between the tax bases and carrying amounts of investments in associates are recognised, except to the extent that the Company can control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

1.14 Segmental reporting

The Company operates as an investment holding Company, currently holding two investment companies. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers.

The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. In this capacity, the Board monitors the overall financial results and financial positions of the associates, and its ability to pay dividends to the Company.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.14 Segmental reporting (continued)

The key financial indicators and performance of this investment as monitored by the Board of Directors are clearly presented in the annual financial statements of the Company, specifically through disclosures of dividend income and detailed disclosures of the summarised statement of profit or loss and other comprehensive income and statement of financial position of the associates in note 13.

1.15 Earnings per ordinary share

Earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the net profit attributable to ordinary shareholders.

1.16 Employee benefits

The Company is an investment holding company and has no staff of its own and as such, the Company does not operate any employee pension schemes. The qualifying members of the staff of its associates contribute to a defined contribution plan.

1.16 Capital reorganisation accounting

In the prior year, on 26 November 2018, the Company was part of a capital restructure. As part of this, Kgalagadi Breweries (Pty) Ltd ("KBL") transferred the net assets of its Non-alcoholic ready to drink ("NARTD") business into a wholly owned subsidiary, Coca Cola Beverages (Botswana) (Pty) Ltd ("CCBB"), formerly known as Beverage Manufacturers Botswana (Pty) Ltd. KBL then sold its investment in CCBB to its shareholders at cost. Through a share buyback arrangement, AB InBev, the controlling shareholder of KBL converted its indirect holding in KBL to a direct holding.

Prior to this restructure the AB InBev held 40% directly and 10.1% indirectly (via the Company) in KBL and CCBB, while the remaining shareholders of Sechaba held 49.9% in KBL and CCBB. As part of the restructure, AB InBev surrendered its 16.84% holding in the Company in exchange for 10.1% of the Company's holding in KBL. Post restructure, AB InBev holds 50.1% in KBL and CCBB while the Company (in which AB InBev is no longer a shareholder) holds the remaining 49.9%.

Before restructure, the Company's interest in the net assets of the beverage business was represented by its investment in KBL. Post restructure, the Company's investment is represented by investments in KBL and CCBB. Before and after the transaction, KBL and CCBB were ultimately held by the same parent.

There is no guidance in IFRS on the accounting treatment for combinations among entities under common control and IAS 8 requires management to develop a policy that is relevant to the decision-making needs of users and that is reliable. Management are of the view that capital reorganisation accounting is considered to be the most appropriate treatment for this transaction.

In carrying out this restructure, the net assets transfer from KBL to CCBB was done at carrying values and any gain or loss was recorded in equity of KBL and CCBB. In the Company's records, the investment in CCBB was increased and the investment in KBL was decreased by the value of the equity accounted amounts transferred out of KBL into CCBB.

On the share buyback, the stated capital was proportionately reduced by the value of shares cancelled and the Company reduced its share of net assets in KBL for the value of shareholding given up and any gain or loss arising on was recorded in equity.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2020 or later periods:

Definition of a business - Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a process and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Company expects to adopt the amendment for the first time in the 2020 company financial statements. However, it is unlikely that the amendment will have a material impact on the company financial statements.

Presentation of Financial Statements: Disclosure initiative

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Company expects to adopt the amendment for the first time in the 2020 company financial statements. However, it is unlikely that the amendment will have a material impact on the company financial statements.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Company expects to adopt the amendment for the first time in the 2020 company financial statements. However, it is unlikely that the amendment will have a material impact on the company financial statements.

2.2 New and amended standards adopted by the Company

The company financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards:

Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. New Standards and Interpretations (continued)

2.2 New and amended standards adopted by the Company (continued)

Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that if a party participates in, but does not have joint control of, a joint operation and subsequently obtains joint control of the joint operation (which constitutes a business as defined in IFRS 3) that, in such cases, previously held interests in the joint operation are not remeasured.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured based on probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.

The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

The adoption of these standards and interpretations did not have any impact on the company financial statements.

3. Risk management

Financial risk management

Market risk

Financial risk factors

The Statement of financial position includes assets and liabilities which are subject to market risks, credit and liquidity risks. Details of these assets and liabilities are set out in the notes to the financial statements. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

3. Risk management (continued)

Financial risk management (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Total capital employed is calculated as equity.

There are no externally imposed capital requirements other than to meet solvency requirements per Section 58 of the Companies Act prior to declaration of dividends. This has been met.

Foreign exchange risk

In the normal course of business, the Company may enter into transactions denominated in foreign currencies. During the year, the Company did not have foreign currency assets and liabilities and therefore was not exposed to foreign currency risk.

Price risk

The Company's financial results and position are not exposed to equity, security or commodity price risks. Due to the nature of their operations, the Company's associates are exposed to significant commodity price risks through their procurement of raw materials on international commodities markets. These are managed and monitored by the associates.

Cash flow and fair value interest rate risk

The Company may from time-to-time have interest-bearing assets and liabilities. The Company management ensures that cash resources are placed with financial institutions giving the best interest rates to mitigate any significant changes in interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. There were no significant interest-bearing assets or liabilities during the financial period.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions including outstanding receivables and committed transactions. For banks and financial institutions, only reputable parties are accepted.

The table below shows cash and cash equivalents and other receivables at their carrying value respectively as at the reporting date:

	Fully performing P'000	Past Due P'000	Total
31 December 2019			
Other receivables	8	-	8
Cash and cash equivalents	12 077	-	12 077
	12 085	-	12 085
31 December 2018			
Other receivables	1	-	1
Cash and cash equivalents	2 792	-	2 792
	2 793	-	2 793

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

3. Risk management (continued)

Credit risk (continued)

There were no assets at fair value through the profit and loss, liabilities at fair value through the profit and loss, derivatives used for hedging or available for sale financial instruments as at period end. None of the financial assets that are fully performing have been renegotiated during the period.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises cash and cash equivalents) based on expected cash flows to ensure that the Company has sufficient reserves available to meet its obligations as those arise in the ordinary course of business.

Surplus cash balances are required for working capital management and is invested in interest bearing current and time deposits accounts, choosing instruments to provide sufficient headroom as determined by the above-mentioned forecasts.

At the reporting date, the Company held liquid cash assets of P12 million (31 December 2018: P 2.8 million) for managing liquidity risk. In addition, cash for expansion or dividends pay-outs to shareholders is fully funded through dividends receipts from the associates.

Maturity analysis based on contractually undiscounted amounts

The table below analyses the Company's liabilities that will be settled on gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year P'000s	Total P'000s
31 December 2019		
Other payables	-	-
31 December 2018		
Other payables	357	357

4. Categories of financial instruments

Note 1.6 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Financial assets at amortised cost P'000s	Financial liabilities at amortised cost P'000s	Total P'000s
Categories of financial assets 31 December 2019			
Other receivables	8	-	8
Cash and cash equivalents	12 077	-	12 077
	12 085	-	12 085

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

4. Categories of financial instruments (continued)

	Financial assets at amortised cost P'000s	Financial liabilities at amortised cost P'000s	Total P'000s
Categories of financial liabilities 31 December 2019			
Dividends payables	-	7 448	7 448

The financial instrument classifications in the prior period are in accordance with IAS 39 as follows:

	Loans and receivables (amortised cost) P'000s	Financial liabilities at amortised cost P'000s	Total P'000s
Categories of financial assets 31 December 2018			
Other receivables	1	-	1
Cash and cash equivalents	2 792	-	2 792
	2 793	-	2 793

	Financial assets at amortised cost P'000s	Financial liabilities at amortised cost P'000s	Total P'000s
Categories of financial liabilities 31 December 2018			
Dividend payables	-	7 048	7 048
Other payables	-	357	357
	-	7 405	7 405

5. Share of results of associate companies

Share of profits

	2019 P'000	2018 P'000
Kgalagadi Breweries (Proprietary) Limited	146 743	224 469
Coca cola Beverages (Botswana) (Proprietary) Limited	52 620	2 796
	199 363	227 265

Share of other comprehensive income

	2019 P'000	2018 P'000
Kgalagadi Breweries (Proprietary) Limited	-	(1,922)
Coca cola Beverages (Botswana) (Proprietary) Limited	-	-
	-	(1,922)

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 P'000	2018 P'000
6. Interest income		
Interest income on investments and short-term deposits		
Interest on call deposits	98	4
7. Administrative Expenses		
Advertising	(112)	(98)
Audit Committee Fees	-	(50)
Audit fees	(235)	(135)
Bank Charges	(13)	-
Board Expenses	(3)	(34)
Directors' Fees	(337)	(213)
Insurance	(12)	(18)
Management fees	(917)	(1 390)
Other expenses	-	102
Professional fees	(144)	(25)
Publish Annual Report	(201)	(201)
Stock Exchange Fees	(188)	(186)
Transfer Costs	(296)	(395)
	<u>(2 458)</u>	<u>(2 644)</u>
8. Taxation		
Current		
Botswana Company tax	-	1
Withholding tax on dividends received	(13 676)	(5 894)
	<u>(13 676)</u>	<u>(5 893)</u>
Deferred		
Outside basis deferred tax on investment in associates	(1 275)	1 324
	<u>(14 951)</u>	<u>(4 569)</u>

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 P'000	2018 P'000
9. Taxation paid		
Balance at the beginning of the period	(7)	(12)
Current taxation for the period recognised in profit or loss	(13 676)	(5 895)
Balance at the end of the period	7	7
	<u>(13 676)</u>	<u>(5 900)</u>
10. Earnings per share		
Basic and diluted earnings per share		
Basic and diluted earnings per share (thebe)	165.58	167.79
Reconciliation of profit for the period to basic earnings		
Net profit attributable to shareholders (P'000)	182 052	220 056
Weighted average number of ordinary shares in issue (thousands)	110 617	131 148
11. Dividends paid		
Opening dividends balance	(7 045)	(6 964)
Dividends for the year	(157 076)	(71 828)
Closing dividends balance	7 448	7 045
Dividends paid	<u>(156 673)</u>	<u>(71 747)</u>

12. Investments in associates

Material associates

The following table lists all material associates to the Company

	Country of incorporation	Method	% ownership interest	
			2019	2018
Coca Cola Beverages (Botswana) (Pty) Ltd ("CCBB")	Botswana	Equity	49.90%	49.90%
Kgalagadi Breweries Limited (Pty) Ltd ("KBL")	Botswana	Equity	49.90%	49.90%

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

12. Investment in associates (continued)

Material associates (continued)

For the period ended 31 December 2018, the Company was party to a capital restructure exercise. As part of this,

- Kgalagadi Breweries (Pty) Ltd ("KBL") transferred its Non-alcoholic ready to drink ("NARTD") business into a wholly owned subsidiary, Coca Cola Beverages (Botswana) (Pty) Ltd ("CCBB"), formerly known as Beverage Manufacturers Botswana (Pty) Ltd. Thereafter CCBB was transferred out of KBL to be held directly by its shareholders in the same proportion (Sechaba 60% and ABInbev 40%).
- Through a share buy-back arrangement, ABInbev (the controlling shareholder) converted its indirect holding in KBL and CCBB into a direct holding in these entities. Prior to the transfer, ABInbev (directly and indirectly via its shareholding in Sechaba) held 50.1% of the issued capital in KBL and CCBB. Post the share buy-back transaction, ABInbev directly held 50.1% in KBL and CCBB whilst the other shareholders of Sechaba held 49.9% of KBL and CCBB.

Prior to this restructure, the Company's investment in the beverage business was wholly represented by its investment in KBL. Post restructure, the Company's investment is represented by investments in KBL and CCBB. In accordance with available guidance under International Financial Reporting Standards, any gain or loss arising from the share buy-back is recognised in equity.

The Company adopted the accounting policy as illustrated in Note 1.16 to account for this restructure.

As part of the share buy-back, the total value of shares surrendered by ABInbev at market value of P20 per share is P447.96Mn and the total equity value of investment given up by Sechaba in its associates is P 104.38Mn.

This was accounted for as follows:

Against stated capital	P39.39Mn
Against investment in associates	P104.28Mn
Against reserves	P66.99Mn

Movement in investment in associates is as follows:

	KBL P'000	CCBB P'000	Total P'000
Opening cost of investment as at 01 January 2019	542 501	93 253	635 754
Equity accounted share of profit	146 743	52 620	199 363
Share of dividend received	(162 675)	(19 687)	(182 362)
Closing cost of investment as at 31 December 2019	<u>526 569</u>	<u>126 186</u>	<u>652 755</u>
Opening cost of investment as at 01 January 2018	398 560	90 457	489 017
Equity accounted share of profit	222 541	2 796	225 337
Share of dividend received	(78 600)	-	(78 600)
Closing cost of investment as at 31 December 2018	<u>542 501</u>	<u>93 253</u>	<u>635 754</u>

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

12. Investment in associates (continued)

	Coca cola Beverages (Botswana) (Pty) Ltd*		Kgalagadi Breweries Limited (Pty) Ltd	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Summarised Statement of Profit or Loss or Other Comprehensive income as at 31 December				
Revenue	747 117	80 140	1 947 714	1 712 941
Income and other expenses	(611 807)	(73 137)	(1 586 852)	(1 319 270)
Profit before tax	135 310	7 003	360 862	393 671
Tax expense	(29 860)	(1 400)	(68 455)	(50 814)
Profit from continuing operations	105 450	5 603	292 407	342 857
Profit after tax from discontinued operations	-	-	-	40 951
Other comprehensive income	-	-	-	(3 851)
Total comprehensive income	105 450	5 603	292 407	379 957
Summarised Statement of Financial position as at 31 December				
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Assets				
Non-current	203 991	142 876	783 749	826 951
Current	228 275	121 716	562 457	660 427
Total assets	432 266	264 592	1 346 206	1 487 378
Liabilities				
Non-current	12 624	1 400	57 327	53 154
Current	166 766	76 313	415 393	527 143
Total liabilities	179 390	77 713	472 720	580 297
Total net assets	252 876	186 879	873 486	907 081

*Financial results for Coca-Cola Beverages Botswana (Pty) Ltd are for the 5 weeks of operations as a standalone entity in 2018

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

12. Investment in associates (continued)

Reconciliation of net assets to equity accounted investments in associates

	KBL P'000	CCBB P'000	Total P'000
31 December 2019			
Total net assets of the associate	873 486	252 876	1 126 362
Share of net assets of associates 49.9%	435 869	126 186	562 055
Goodwill	90 700	-	90 700
Carrying value	526 569	126 186	652 755
<i>Reconciliation:</i>			
Investment as at 01 January 2019	542 501	93 253	635 754
Share of profit	146 743	52 620	199 363
Share of dividend received from associates	(162 675)	(19 687)	(182 362)
Investment as at 31 December 2019	<u>526 569</u>	<u>126 186</u>	<u>652 755</u>
31 December 2018			
Total net assets of the associate	907 081	186 879	1 093 960
Share of net assets of associates 49.9%	451 801	93 253	545 054
Goodwill	90 700	-	90 700
Carrying value	542 501	93 253	635 754
<i>Reconciliation:</i>			
Investment as at 01 January 2018	593 394	-	593 394
Restructuring	(90 457)	90 457	-
Share buy-back	(104 383)	-	(104 383)
Share of profit	224 469	2 796	227 265
Share of OCI	(1 922)	-	(1 922)
Share of dividend received from associates	(78 600)	-	(78 600)
Investment as at 31 December 2018	<u>542 501</u>	<u>93 253</u>	<u>635 754</u>

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the Company and the associates

13. Deferred Taxation

Deferred tax liability

Investment in associates

2019 P'000	2018 P'000
(27 277)	(25 816)

Reconciliation of deferred tax liability

At beginning of year

Deferred tax credit on investment in associates

Deferred tax carried forward

(25 816)	(27 140)
(1 275)	1 324
<u>(27 091)</u>	<u>(25 816)</u>

Sechaba Brewery Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 P'000	2018 P'000
14. Trade and other receivables		
Other receivables	8	1
<i>Non-financial instruments</i>		
Prepayments	4	-
	<u>12</u>	<u>1</u>
15. Cash and cash equivalents		
<i>Cash and cash equivalents comprise of:</i>		
Bank balances	1 077	2 792
Investment in Money Market instrument	11 000	-
	<u>12 077</u>	<u>2 792</u>
16. Stated capital		
<i>Reconciliation of number of shares issued</i>		
At the beginning of the year	110 617	133 015
Share buy-back	-	(22 398)
At the end of the period	<u>110 617</u>	<u>110 617</u>
<i>Issued</i>		
110 616 859 ordinary shares of no par value - fully paid	<u>194 548</u>	<u>194 548</u>
17. Trade and other payables		
Trade payables	-	3
Other payables	-	354
	<u>-</u>	<u>357</u>
18. Cash utilised in operations		
Profit before finance income and income tax	196 905	224 621
Adjustments for:		
Share of profit from associates	(199 363)	(227 265)
Changes in working capital:		
Trade and other receivables	(11)	-
Trade and other payables	(357)	94
	<u>(2 826)</u>	<u>(2 550)</u>

Sechaba Brewery Holdings Limited
SHAREHOLDER INFORMATION
 FOR THE YEAR 2019

Top 20 Shareholders			
	Names	Total Shares	% Holding
1	FNB BOTSWANA NOMINEES (PTY) LTD RE:AG BPOPF EQUITY	26,862,494	24.284%
2	BOTSWANA DEVELOPMENT CORPORATION LIMITED	21,605,420	19.532%
3	MOTOR VEHICLE ACCIDENT FUND	5,824,455	5.265%
4	SCBN (PTY) LTD RE: JPM 064/03	5,670,702	5.126%
5	FNB BOTSWANA NOMINEES (PTY) LTD RE:IAM BPOPF EQUITY	5,098,672	4.609%
6	FNBBN (PTY) LTD RE: AG BPOPF EQUITY PORTFOLIO B	4,830,884	4.367%
7	FNB BOTSWANA NOMINEES (PTY) LTD RE:BIFM BPOPF-EQUITY	4,303,516	3.890%
8	SCBN (PTY) LTD RE: SSB 001/216	4,256,949	3.848%
9	STANBIC NOMINEES BOTSWANA RE ALLAN GRAY DEBSWANA PF	4,052,757	3.664%
10	STANBIC NOMINEES BOTSWANA RE INVESTEC DEBSWANA PENSION FUND	2,419,948	2.188%
11	FNB NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C - AG	2,016,801	1.823%
12	STANBIC NOMINEES BOTSWANA RE BIFM MLF	1,607,200	1.453%
13	SCBN (PTY) LTD RE: SSB 001/114	1,220,550	1.103%
14	STANBIC NOMINEES BOTSWANA RE:INVESTEC BW MANGED FUND	1,180,882	1.068%
15	STANBIC NOMINEES BOTSWANA RE BIFM PLEF	1,147,548	1.037%
16	SCBN (PTY) LTD RE: IAM 030/30 METROPOLITAN LIFE BW POLICY	1,094,819	0.990%
17	SCBN (PTY) LTD RE: SSB 001/81 PARAMETRIC TAX-MAN E M F	1,086,400	0.982%
18	GUARANTEED LOANS INSURANCE FUND	966,613	0.874%
19	FNB BOTSWANA NOMINEES (PTY) LTD RE:IAM BOBDCSPF	814,625	0.736%
20	FNB BOTSWANA NOMINEES (PTY) LTD RE:AA BPOPF EQUITY	607,336	0.549%
	TOTAL	96,668,571	87.39%

Majority Shareholders	Total Shares	% Holding
BOTSWANA PUBLIC OFFICERS PENSION FUND	43,719,703	39.52%
BOTSWANA DEVELOPMENT CORPORATION LIMITED	21,605,420	19.53%

Sechaba Brewery Holdings Limited

SHAREHOLDER INFORMATION

FOR THE YEAR 2019

Shareholder Information

Spread by Number of Shares

	Number of shareholders	% of Shareholders	Total Shares	% Holdings
< 2,000	1,333	80.50%	669,327	0.61%
2,001 - 5,000	145	8.76%	498,843	0.45%
5,001 - 10,000	47	2.84%	337,879	0.31%
10,001 - 50,000	51	3.08%	1,168,587	1.06%
50,001 - 100,000	23	1.39%	1,656,190	1.50%
100,001 - 500,000	35	2.11%	8,512,609	7.70%
> 500,000	22	1.33%	97,773,424	88.39%
	1,656	100.00%	110,616,859	100.00%

Shareholder spread (public/non public)

	Number of shareholders	Total Shares	% Holding
Total	1656	110,616,859	100%
Public shareholders	1655	89,011,439	80%
Non Public shareholders	1	21,605,420	20%

Botswana Stock Exchange Performance

Total number of shares traded FY 2019	12,481,646
As a % of shares in issue	11.28%
Total value of shares traded	264,126,143
Total number of trades	368
Average trade size (number of shares)	33,918
Share price 31 December 2018	20.00
Share price 31 December 2019	22.05
Growth in share price	10.25%
DCI 31 December 2018	7,851.88
DCI 31 December 2019	7,494.55
Growth in DCI	-4.55%

Shareholder's Diary

Financial Year End – 31 December 2019

Preliminary Annual Results Announcements – 31 March 2020

Annual Report Posted – 25th May 2020

Annual General Meeting – 16th June 2020

Preliminary Half year results announcement – On or before 30 September 2020

Dividends

	Declared	Paid
Interim	September	October
Final	March	May

Sechaba Brewery Holdings Limited

NOTICE OF ANNUAL GENERAL MEETING

FOR THE YEAR 2019

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Sechaba Brewery Holdings Limited will be held on 29 June 2020 at 1100 on the 10th Floor, Botswana Development Corporation, Fairscaple Precinct, Plot 70667, Fairgrounds, Gaborone to transact the following business;

Agenda

Ordinary Business

1. To read the notice convening the meeting.
2. To receive, consider and adopt the audited financial statements for the year ended 31 December 2019 together with the Directors and Auditors report thereon.
3. To consider and ratify the following distribution of dividend declared for the year comprising:
 - 3.1 Interim dividend declared by the Directors on 23rd September 2019 of 54 thebe per share;
 - 3.2 Final dividend declared by the Directors on 29th March 2020 of 56 thebe per share.
4. To ratify the co-option of Ms. Tabuya Tau as a director of the Company in accordance with Article 78 of the Articles of Association of the Company.
5. To re-elect the following directors of the Company:
 - Ms. Myra Sekgororoane who retires by rotation in terms of Article 55 of the Articles of Association and, being eligible, offers herself for re-election.
6. To confirm the appointment of Mr. Thabo Matthews as the Managing Director of the Company with effect from 01 January 2020.
7. To approve the remuneration of Directors for the year ended 31 December 2019.
8. To appoint PriceWaterhouseCoopers as auditors for the ensuing year and authorize the directors to fix their remuneration.
9. To consider publishing and circulating the 2020 and future annual reports in electronic format only.
10. Respond to questions from shareholders.
11. Close the meeting

Voting & Proxies

Any member entitled to attend and vote, if unable to attend for any reason, is entitled to appoint a proxy or proxies to attend, speak, and on a poll, vote in his/her stead, and such proxy need not also be a member of the Company. Proxy forms should be forwarded to reach the Registered Office of the Company at least 48 hours before the time fixed for holding the meeting.

By Order Of The Board

Company Secretary
Grant Thornton Business Services (Proprietary) Limited
PO Box 1157 Gaborone Botswana
Registered Office Address: Acumen Park, Plot 50370, Fairgrounds
Gaborone Botswana

Date: 20th May 2020



SECHABA BREWERY
HOLDINGS LIMITED

Sechaba Brewery Holdings Limited
PROXY FORM
FOR THE YEAR 2019

SECHABA BREWERY HOLDINGS LIMITED

I/We*(name in block letters _____

of address _____

being a holder of ordinary shares in Sechaba Brewery Holdings Limited, hereby appoint

_____ of failing him/her

_____ of failing him/her

_____ of failing him/her

the Chairman of the meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company, to be held on 29 June 2020 at 1100 on the 10th Floor, Botswana Development Corporation, Fairscape Precinct, Plot 70667, Fairgrounds, Gaborone, to transact the following business;

		For	Against	Abstain
1	To read the notice convening the meeting			
2	To receive, consider and adopt the audited financial statements for the year ended 31 December 2019 together with the Directors and Auditors report thereon.			
3	To consider and ratify the following distribution of dividend declared for the year comprising:			
3.1	Interim dividend declared by the Directors on 23rd September 2019 of 54 thebe per share;			
3.2	Final dividend declared by the Directors on 29th March 2020 of 56 thebe per share.			
4	To ratify the co-option of Ms. Tabuya Tau as a director of the Company in accordance with Article 78 of the Articles of Association of the Company.			
5	To re-elect the following directors of the Company: <ul style="list-style-type: none"> • Ms. Myra Sekgororoane who retires by rotation in terms of Article 55 of the Articles of Association and, being eligible, offers herself for re-election. 			
6	To confirm the appointment of Mr. Thabo Matthews as the Managing Director of the Company with effect from 01 January 2020.			
7	To approve the remuneration of Directors for the year ended 31 December 2019			
8	To appoint PriceWaterhouseCoopers as auditors for the ensuing year and authorize the directors to fix their remuneration.			
9	To consider publishing and circulating the 2020 and future annual reports in electronic format only.			
10	Respond to questions from shareholders.			
11	Close the meeting			

Signed: _____ on this _____ day of _____ 2020

Note:

1. Each member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to act in the alternative, to attend and vote and speak in his/her stead. A proxy need not be a member of the Company.
2. Any alteration or correction made on this form of proxy (including the deletion of alternatives) must be initialled by the signatory/signatories.
3. This form of proxy should be signed and returned so as to reach the Registered Office of the Company, Acumen Park, Plot 50370, Fairgrounds Gaborone Botswana, not later than 48 hours before the time fixed for holding of the meeting. By hand delivery or, E-mail (contactus@corposervebotswana.com)



SECHABA BREWERY
HOLDINGS LIMITED

Business address

Fairscape Prescinct
Plot 70667, Fairgrounds
Office Park, Gaborone
Botswana

Auditors

PricewaterhouseCoopers
Plot 50371, Fairgrounds
Office Park,
P O Box 294, Gaborone
Botswana

Secretary

Grant Thornton Business
Services (Proprietary)
Limited

Transfer secretaries

Corpserve Botswana (Pty)
Ltd

Sponsoring Brokers

Imara Capital Securities
(Proprietary) Limited

Functional currency

Botswana Pula