



Sefalana

Sefalana Holding Company Limited

ANNUAL REPORT
2013



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Corporate Information

Sefalana Holding Company Limited is incorporated in Botswana - Company number 86/1025

SECRETARY

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AUDITORS

PricewaterhouseCoopers
P O Box 294
Gaborone, Botswana

SHARE TRANSFER SECRETARIES

Transaction Management Services (Pty) Limited
trading as Corpserve Botswana Transfer Secretaries
Unit 206, Building 1, Showgrounds Close
Plot 64516, P.O. Box 1583 AAD
Poso House, Gaborone, Botswana

REGISTERED OFFICE

Plot 10247/50
Corner of Lejara and Noko Road
Broadhurst Industrial Sites
Gaborone, Botswana

BANKERS

African Banking Corporation of Botswana Limited
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
First National Bank of South Africa Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
Zambia National Commercial Bank



Sefalana

Sefalana Holding Company Limited

In 1979, Sefalana Holding Company was the first company to list on the Botswana Stock Exchange and is currently the only listed company without a controlling shareholder. We are proud to be a truly Botswana company.

Over time our Group has become well diversified and includes businesses involved in a wide range of industries. This diversification has allowed the Group to grow over the years and absorb reduced financial performance in certain segments where this has occurred. Our core offering continues to be fast moving consumable goods in the wholesale, retail and manufacturing sectors. We hold a substantial property portfolio which supports our presence in strategic locations across the country. We also hold a commercial property in Zambia and look for further locations to invest in.

Our head office is based in the heart of Gaborone's industrial area in Broadhurst. We are in the process of building a new, larger, head office not far from our existing location, which is expected to be completed by the end of 2014. Our retail and wholesale outlets are found throughout the country, serving both rural and urban areas. We are now actively exploring the extension of our offerings to other neighbouring regions.

Each of our business units is driven by an experienced and empowered management team, supported and overseen by our head office. Our management principles and performance underpin the way in which we operate. We believe strongly in developing our people and teams. We employ over 2 000 people across the various businesses – we are where we are because of our people, and their dedication to our Group.

Our primary objective is to maximise shareholder value through the execution of a dynamic investment strategy that constantly evaluates existing investments and also seeks to identify further investments that will enhance shareholder return.

Sefalana has seen considerable growth in the last decade and we look forward to continued success in both Botswana and surrounding regions.

Sefalana Holding Company “ke kompone ya Botswana e le ruri” ke ya ntlha ka 1979 go akarediwa mo Komponeng ya Kananyo diabe tsa Botswana (Botswana Stock Exchange).

Go tsamaya le dingwaga e tsweletse ka go atolosa kgwebo le madirelo a yone go tswa mo go a e simolotseng e tlwaetswe ka one, ka go tsena mo go tse ditshwanang le tsa baji-bereki, dikago le go dira dithoto (Manufacturing). Kgolo ya Sefalana e akareditse dikgwebo ka go farologana, mme ebile e aname le Botswana, ka go fitlhelwa mo dikgaolong tsa sele-gae le mo ditoropong. Go atologa mo, go beile Sefalana mo seemong sa go nna le lefelo la kgwebo mo lefatsheng la Zambia, mme ebile re tsweletse ka go seka-seka mafelo a mangwe kwantle ga Botswana.

Sefalana Holding Company; e mo maikaelelong a go aga diofisi-kgolo tsa yone mo Gaborone, pele ga ngwaga wa 2014 aya fifing. Diofisi-kgolo tse di tlaa bong di le mo madirelo-magolo a Boardhurst, gaufi le diofisi tse gompiano Sefalana a fitlhelwang mo go tsone.

Boeteledi-pele jwa dikgwebo tse di farologanyeng tsa Sefalana jo bo thwathwa, bo nale tebelo-pele le boitseanape jwa go tsamaisa kgwebo bo le ka fa tlase ga tlhokomelo ya ofisi-kgolo ya Sefalana jo bo dumelang thata mo tlhabololong mmereki le go dira ka natla, bo bonye go tshwanetse go thapa ba bereki ba ba iteteileng sehuba ba feta 2 000. Kgolo e ya Sefalana re e bona ka bodiredi jo.

Moono mogolo wa botsamaisa jwa Sefalana ke go godisa diabe tsa ba tsaa-karolo ka go elatlhoko, go kanoka le go seka-seka matswelo a masha le go nonotsha dipelo.

Go tswa mo dingwageng tse some tse di fetileng Sefalana se ile sa bona kgolo e e nametsang, re dumela gore mo ngwageng tse lesome go tswa gompiano go ya pele ka mo go tshwanang re tlaa bona kgolo mo Botswana le mafatshe a re dikologileng a re tla bo re gweba mo go one.

Sefalana Timeline

1974



Sefalana sa Botswana was formed to purchase the Botswana operations of Bechmalt Holdings, comprising 6 wholesale stores and a maize mill

1975



Sefalana sa Botswana became the 1st publicly listed company in Botswana

1989



The management and administration functions were transferred to Botswana from South Africa

1994



The Group's wholesaling operations were merged with the Botswana operations of Metro; formed Metro Sefalana Cash & Carry Limited (Metsef), the formation being a predecessor to today's Sefcash

2006



Acquired HJ Heinz Botswana, later renamed KSI Holdings

Acquired an additional 40% of Metsef equity and gained control of the entity, renaming it Sefalana Cash & Carry Limited (Sefcash)

Acquired 55% of MF Holdings

2009



Investment in property in Zambia

2010



Launched "Shoppers" supermarket chain

Acquired the remainder of Sefcash shares and delisted Sefcash from the Botswana Stock Exchange

2013



Continued expansion of our Shoppers chain to 16 operational stores

Acquired an additional 15% stake in MF holdings

Identified our first store opening outside Botswana, scheduled for end of 2013

Financial Highlights

Headline performance

	2013	2012
	P'000	P'000
For the year ended 30 April		
Revenue	2 350 399	2 103 634
Profit for the year attributable to equity holders of the parent	113 979	83 818
Total comprehensive income attributable to equity holders of the parent	129 234	129 215
Shares in issue at beginning of the year (number)	184 540 130	184 540 130
Shares issued during the year (number)	1 183 333	
Shares in issue at end of the year (number)	185 723 463	184 540 130
Weighted average shares in issue during the year (number)	185 327 938	184 540 130
Basic earnings per share (thebe)	61.50	45.42
Total comprehensive income per share (thebe)	69.73	70.02
Dividends per share (thebe) - ordinary - paid	8.00	6.00
Dividends per share (thebe) - ordinary - proposed	21.00	22.00
Dividend cover (times)	2.12	1.62
Net asset value per share (thebe)	317.80	278.02
Market price per share at year end (thebe)	440.00	275.00

Value added statement

	2013	2012
	P'000	P'000
Wealth created		
Revenue	2 350 399	2 103 634
Payments to suppliers and providers of services	(2 054 142)	(1 850 946)
Value addition	296 257	252 688
Share of results of associates		181
Interest income from bank deposits and other receivables	4 299	4 172
Total wealth created	300 556	257 041
Wealth distribution		
To employees	129 698	119 177
To providers of capital	60 644	28 738
Government for taxes	26 787	21 888
Total wealth distributed	217 129	169 803
Wealth retained in the business		
To maintain and develop operations of the Group	83 427	87 238
Number of employees of the Group	2 073	2 040

Shareholder Information

Analysis of Shareholders

	30 Apr 13		30 Apr 12	
	Number of Shares		Number of Shares	
Shareholders with an individually significant interest in Sefalana Holding Company Limited				
Botswana Public Officers Fund	76 184 904	41.02%	74 883 234	40.58%
Motor Vehicle Accident Fund	19 996 769	10.77%	19 996 769	10.84%
Debswana Pension Fund	11 204 858	6.03%	11 072 800	6.00%
Mr. Chandra Chauhan	9 058 249	4.88%	9 058 249	4.91%
Mr. Julian Nganunu	6 874 407	3.70%	6 800 555	3.69%
	123 319 187	66.40%	121 811 607	66.02%
Summary by class of Shareholders:				
Insurance companies, pension funds and nominee companies		83.91%		83.37%
Individuals and others		16.09%		16.63%
Total		100.00%		100.00%
Shares held by citizens (individuals and institutions)	160 509 088	86.42%	167 740 975	90.90%

Stockmarket Information

	Year ended 30 April 2013	Year ended 30 April 2012
Number of shares traded (000)	5 902	10 652
Value of shares traded (P'000)	20 281	30 583
Share price for the period (thebe):		
Lowest	275	275
Highest	441	330
Closing	440	275
Market capitalisation at year end (P'000)	817 183	507 485

Shareholders' calendar

Financial year end	30 April
Announcement of 2013 audited results	31 July 2013
2013 Annual General Meeting	31 October 2013
Announcement of 2014 half year results	end of January 2014

Board of Directors



Hans Kampmann (50)

Hans completed a Senior Management program at the University of Stellenbosch and a Management Development program with Unisa prior to starting his career in Retail and Wholesale. He joined the Sefalana Group in 1996 and was appointed General Manager. Hans was promoted to the role of Managing Director of Sefalana Cash and Carry Limited in 2009 and was appointed to the Sefalana Board in July 2012.

Julian Nganunu (71)

Julian is the immediate past Chief Justice of Botswana and re-joined the Sefalana Board in July 2011. He has had a long and distinguished career, starting in the Attorney General's Chambers and rising to the position of Deputy Attorney General; then becoming Permanent Secretary in the Department of Mineral Resources, Water Affairs and Energy, where he acted as the Government's Chief Negotiator for the mining agreements leading to mining in Jwaneng and Letlhakane; as well as the renegotiation of the Orapa Diamond Mine agreements. He also started and concluded the first Selebi Phikwe Renegotiations. He then became a private legal practitioner and was a Board member on many of the leading companies of the day, including being Board member and legal counsel for Sefalana. He later became a judge of the High Court and was Chief Justice of Botswana for 13 years.

Reginald Motswaiso (49)

Reginald is a Fellow Chartered Certified Accountant as well as an Associate Member of the Chartered Institute of Management Accountants, all obtained while at AT Foulkes Lynch in London. He holds a Bachelor of Commerce degree from the University of Botswana. He held Board positions at PEEPA, BSE and Standard Chartered Bank Botswana and other regional bodies including the African Union for Housing Finance, of which he is the immediate past Chairman. His interest and experience are in the fields of Finance, Banking, Strategy and Leadership. He is currently the Chief Executive Officer of Botswana Housing Corporation. Reginald was appointed to the Sefalana Board in January 2008.

Chandra Chauhan (51)

(Group Managing Director)

Chandra is a Chartered Accountant who trained and qualified with KPMG in the United Kingdom. A Zambian by birth, he became a naturalised citizen of Botswana and has over the years become a very successful entrepreneur and respected businessman. He is currently the Group Managing Director, having been appointed to the Board in 2003. He has been responsible for turning around and restructuring Sefalana and has seen its market capitalisation increase from P64 million in 2004 to its current capitalisation of P817 million. He is also a Non Executive Director of Botswana Insurance Holdings Limited, a company listed on the Botswana Stock Exchange having been appointed to its Board in April 2009. He is the Chairman of the Board of Botswana Insurance Fund Management (BIFM). Mr. Chauhan has a BAcc (Hons) from the University of Zimbabwe, ACA (England & Wales) and ACA (Botswana).



Neo Moroka (61)
(Chairman)

Neo joined the Sefalana Board in 2010. He is an Ecologist by profession and an Associate Member of both the Institute of Bankers in South Africa and the Institute of Bankers in Botswana. Neo has extensive work experience in both the public and private sectors in Botswana and Southern Africa. He has since held various top management positions, including Manager for Corporate Banking with Barclays Bank, General Manager for BP Botswana, Managing Director for BP Zambia and Commercial Director for BP Southern Africa. In 2004 Neo was appointed Minister of Trade and Industry. Currently, he is the Resident Director of De Beers Holdings Botswana. He sits on the main De Beers Group Executive Committee and on the Boards of Debswana Diamond Company and Diamond Trading Company Botswana. Neo also holds Directorships in the Botswana Innovation Hub and Funeral Services Group and is a Trustee of Kalahari Conservation Society and Mokolodi Wildlife Foundation.

Jenny Marinelli (55)

Jenny, a Fellow Chartered Accountant, came to Botswana in 1987 and worked with Deloitte & Touche; she was admitted to the Deloitte partnership in 1989, until 1999 when she retired. Jenny has a financial consultancy practice where she is active in consulting to various organisations throughout Botswana. Jenny has been involved with Sefalana, in various guises, since 1987 and was appointed to the main Board in 2001. She is also a non-executive Director of Stanbic Bank Botswana Limited.

Andrew Pegge (50)

Andrew was appointed to the Board in June 2003. He is a Certified Financial Analyst and holds an honours degree in Psychology and Cognitive Studies and an MBA. His investment career, of which a considerable part includes the management of Emerging Market Funds, started in 1987. Andrew has been involved in the establishment and development of three start-up fund management businesses. Currently Andrew is a partner in Laxey Partners, a UK based fund manager specialising in applying an active value approach to investment. Andrew also has been involved in his personal capacity as an investor and director in several UK based private companies.

Elias Dewah (71)

Elias was appointed to the Sefalana Board in January 2008. He holds a diploma in Agriculture, a BA degree in Economics and Accounting, and an MBA in Industrialisation and Strategic Business Management. Elias worked for the Government of Botswana in different capacities for many years. He served the Botswana Confederation of Commerce, Industry and Manpower, as Deputy Executive Director and as Executive Director until his retirement in 2006. Currently, Elias is a private consultant specialising in the promotion of Public-Private Dialogue, Business Organisations Training, General Business Administration and Management. Elias received the Presidential Order for Meritorious Service (PMS) in 2007.

Chairman's Report



Chairman's Report

Sterling results once again!

The financial results for the year to April 2013 reflect exceptional performance for the Sefalana Group, with record levels of turnover and profit, despite a general slowdown in the domestic market. With turnover of P2.4 billion, the Group has grown 25% since 2009. Over that same period, basic earnings per share increased 79% to 61.50 thebe and total comprehensive income per share doubled to 69.73 thebe.

During the year, focus has been on the core business segments, with concerted efforts to enhance customer service and delivery. The Group's main subsidiary Sefalana Cash and Carry, has done particularly well with the performance of its retail division contributing to its best results to date. We have increased the number of retail stores during the year and continue to seek prime locations for additional store openings. Other parts of the Group have also performed well with every subsidiary generating a profit.

Our focus has continued to be on increasing brand awareness for all our major businesses. This has progressed well and will continue into 2014. We are confident that we have a strong product offering coupled with a clear understanding of our market. This is critical for establishing long term relationships with our customers and supporting the ongoing success of this Group, which is underpinned by its people - the Group's most valuable asset. We are proud of our people and grateful for their contribution towards the overall performance of the Group.

Botswana economy and outlook

The general economic environment during the year has been challenging with weak domestic demand, limited availability of skilled labour and relatively high cost of finance. The current drought conditions and interruptions in power supply have, inter alia, contributed to the level of domestic growth being lower than expected. Business confidence has therefore remained fairly conservative throughout the reporting period. With the series of drops in the bank lending rates in recent months, it is expected that consumer spending will be stimulated, and that business confidence will be restored in the short to medium term. Although inflation is unlikely to be within the target 3-6 % range, we are already seeing a reduction compared to the prior year. Real GDP is expected to grow 5% per annum during 2013 and 2014. We therefore remain positive about the general economy going forward.

Prospects for Sefalana

Despite the ongoing challenges in the marketplace, we remain optimistic about Sefalana's future. In the current financial year, Sefalana managed to overcome many of these challenges. With a gradual improvement in the economy expected over the next few years, we anticipate Sefalana Group to continue to grow and deliver sustained returns to its shareholders.

Expansion into neighboring regions is also scheduled to commence by the end of 2013. We believe this will further contribute to growth and will be an exciting time for our Group.

Our Board

Our Board composition remained unchanged during the year. Subsequent to the year end, Mr. Venkit Iyer resigned from the Group. I would like to thank him for his enormous contribution in his role as Group Finance Director and member of the Board over the last six years.

I also take this opportunity to thank my fellow Board members for their support, the Senior Management teams, and all our staff for the hard work and dedication shown to the Group during the year just ended.



D. Neo Moroka
Chairman

Group Managing Director's Report

Yet another fantastic year for Sefalana! The Group achieved its best result ever last year for the period ended 30 April 2012 and despite all the challenges in Botswana due to cut-backs in Government and consumer spending, a general decline in the world economies and difficult economic times, Sefalana has yet again performed above expectations and has far exceeded last year's results. We are very proud of our performance to date and the Sefalana people who have all helped to deliver this.



12%
Revenue



38%
Profit for
the year



15%
Shareholder
Equity

29 thebe
Total dividend
per share

Group Managing Director's Report (continued)



Sefalana

Sefalana Holding Company Limited



I am proud to report that the Group has once again generated its best ever set of financial results in the year ended 30 April 2013. We have managed to do this through continued focus on growing the core Fast Moving Consumer Goods ("FMCG") business and ensuring that other parts of the Group operate efficiently and effectively. During the year, the Group also increased its stake in certain Group entities where it identified further growth potential. This is expected to ultimately further enhance shareholder value.

I am pleased to report that, despite ongoing challenging market conditions and cut-backs in consumer spending, Sefalana has managed to remain competitive and has achieved an overall profit before tax of P147.0 million for the year to 30 April 2013.

Compared to the comparative period to 30 April 2012 ("prior year"), the Group's

- ★ Revenue is up by 12%;
- ★ Gross profit is up by 25%;
- ★ Basic earnings per share is up by 35%; and
- ★ Net asset value (excluding non-controlling interests) is up by 15%.

These growth rates have been predominantly underpinned by:

- a) Improvements in our Retail store performance where we focused on the provision of a larger product range, improving quality of service and understanding our markets' needs;
- b) Smarter procurement of raw materials in our manufacturing businesses; and
- c) Securing further deals in our automotive business.

We previously reported our profit after tax goal of P100 million and are pleased to report that we significantly exceeded this target this year and achieved P120.2 million before other comprehensive income. On the back of this success, we continue to be optimistic about Sefalana's future growth.



Group Managing Director's Report (continued)



Review of operations

Sefalana Cash and Carry

Sefalana Cash and Carry Limited ("Sefcash") contributed 86% and 59% of the Group's revenue and profit before tax respectively, for the reporting year. At the beginning of the financial year, Sefcash comprised 3 Hyper Stores ("Sefalana Hyper"), 25 cash and carry stores ("Sefalana Cash and Carry") and 13 supermarket retail stores ("Shoppers") across the country. During the year, we increased our market presence by opening additional "Shoppers" supermarkets in Palapye, Selebi-Phikwe and Nkoyaphiri. There are 3 additional new stores planned for opening within the next 3 months.

The improved performance of our Retail stores contributed significantly to the growth in this segment's turnover and profit before tax. This has been achieved through better product offering and enhancing the shopping experience for our customers.

We are expecting further growth and success in this business segment during the ensuing years and continue to seek suitable locations for further store openings.

Following our detailed Group strategy review earlier in the year, we are now actively looking at entering into regional markets and anticipate that by December 2013, we will have our first store outside Botswana.

Commercial Motors

At the April 2012 year end, we reported that Commercial Motors (Pty) Limited ("CML") had secured a number of deals at the start of the current financial year. This was despite difficult market conditions and cut-backs in Government spending noted during the preceding year. These deals

have contributed to the 74% increase in turnover and the significant (4.75 times) increase in profit before tax for the reporting year compared to the prior year. The increased focus on, and market awareness of, our three brands (MAN, Tata and Honda), has resulted in improved growth in CML's operations and performance resulting in its best ever performance to date.

Mechanised Farming

Mechanised Farming (Pty) Limited ("MFL") also secured a number of deals during the year but overall performance was flat year on year. We look to improve the results of this business in the coming year.

Foods Botswana

At the half year, we confirmed that Foods (Botswana) (Pty) Limited ("FB") had formally been awarded two significant Government contracts to supply Tsabana and Malutu. The supply for these contracts commenced in November 2012 following a two month break between contracts. Despite this delay in the commencement of production, profit before tax for the year was double that of the previous year. This was partly due to orders for additional volumes, but also because of the quality of grain procured which resulted in a better than expected yield. FB contributed 6% of Group turnover and 14% of Group profit before tax. This was also FB's best ever year.

Group Managing Director's Report (continued)

Kgalagadi Soap Industries

During the year, Sefalana progressed discussions with a potential strategic partner having significant regional expertise in the manufacture of soaps and detergents products. This entity will join Kgalagadi Soap Industries (Pty) Limited ("KSI") as a joint venture partner in the new financial year. We continue to be optimistic about the future of this business.

Group properties

Our property portfolio, held in Botswana and Zambia, has performed well. We continue to identify key locations for our store openings and to purchase those properties considered to be strategically positioned to provide long term value for our shareholders.

Our Zambian property is fully let and generates a very good rental stream. Capital growth in value of the property was approximately 9% this year. The Botswana portfolio continues to generate a strong rental yield with an average capital appreciation of 7%.

The Group previously anticipated undertaking substantial property development during the year, and the evaluation of a number of alternative developments have been approved by the Board with certain building projects expected to commence during the forthcoming financial year. Development of our new Head Office in Broadhurst has commenced and is expected to be completed in late 2014.

Prospects

Sefalana remains optimistic about its future and expects to grow the business through continued focus on core business segments. We are proud of our performance to date and look forward to further enhancing shareholder value during the forthcoming financial year.

The Sefalana share price has steadily increased from P2.75 at 1 May 2012 to P4.40 at 30 April 2013 and to its current price of above P6.00. I strongly believe that our share price is trading at a significant discount.

I believe that this set of results and the prospects for the coming years will see an enhanced demand for our shares, thereby further increasing shareholder value.

Directors

On 19 July 2013, Mr Venkit Iyer resigned from the Board and as Group Finance Director to pursue other interests. I would like to thank Mr Iyer for his dedication and efforts over the last 6 years and wish him all the best for the future. His successor will be appointed in due course.

Dividend

On 25 July 2013, the Board of Directors of Sefalana Holding Company Limited declared a final gross dividend of 21 (twenty one) thebe per ordinary share having considered the future capital requirements of the Group. This dividend will be paid net of applicable withholding taxes as required under the Income Tax Act of Botswana, on or about Friday 6 September 2013 to all shareholders registered in the books of the Company at the last date to register, being close of business on Friday 16 August 2013.

I would like to take this opportunity to thank the staff of Sefalana, my Management team and the Board of Directors for their contribution towards achieving this excellent set of results.



CD Chauhan
Group Managing Director





Real value for Real people



Corporate Social Responsibility Report

We consider Corporate Social Responsibility (“CSR”) and sustainability to be integrated in our Group Strategy and do not view it as an isolated initiative. Our principal objective is to maximise returns for our shareholders but at the same time harmonise the interests of our other stakeholders.

Our Group Strategy

During the year, we embarked on refreshing, developing and formalising our Group strategy in light of the changes we have experienced in the trading environment over recent years. This strategy formulation has enabled us to sharpen our focus on the direction of the Group going forward, along with identifying key success factors that will be critical in enabling us to deliver on our overall objectives.

Our Vision - To be the leading brand of choice for customers, employees and capital

In order to realise the Vision of our Group, we aim to achieve the following 11 strategic objectives:

1. Optimise profit before tax as a percentage of turnover;
2. Translate profit into real cash;
3. Enhance real growth in Earnings Per Share;
4. Increase revenue;
5. Retain and grow our customer base;
6. Grow regional and brand presence;
7. Create innovative solutions, products and services;
8. Improve process efficiency;
9. Empower our people;
10. Develop a multi-tasked workforce; and
11. Create a robust and sustainable management team.

Our Vision is reinforced by our values that we consider to be the foundation on which we operate our business:

- To act with honesty, transparency and integrity at all times;
- To be accountable for our actions and to recognise individual and team success;
- To demonstrate respect and care in all our interactions with stakeholders;
- To develop and manage our people through good employment practices that drive a culture of commitment, engagement and excellence; and
- To be a model corporate citizen group that is passionate and committed to uplifting our communities and safeguarding the environment.

Our Focus on CSR

In the execution of our Group Strategy, we have focused on the following underlying themes in the way in which we operate:

- Responsible trade and investment;
- Ethical supply chain management, compliance and corporate governance;
- Human capital development;
- Conservation and eco-friendliness; and
- Sustainable social investment.

Responsible trade and investment

Every company within Sefalana participates in its own way towards the overall CSR activities of the Group. Our wholesale business is the largest contributor to Group revenue and profit. The scale of this business enables us to leverage our purchasing power as well as maximise process and cost efficiencies.



Corporate Social Responsibility Report (continued)



Operating responsibly

By operating responsibly, we not only benefit and secure the future of our business but extend the rewards to benefit the communities in which we operate. This is achieved through our commitment to providing customers with good quality, safe and affordable products. A strong, fair, mutually beneficial and long-term partnership with suppliers forms the heart of our enterprise.

Product responsibility

Our duty as a good corporate citizen does not end at the point of delivery to our customers. We have a moral obligation to ensure the goods and produce we supply are of supreme quality as failure to do so would result in a direct negative impact on our service quality and ultimately our reputation.

Ethical supply chain management and compliance

Supply chain initiatives

Sefalana is strongly committed to providing quality and reliable products through working with our suppliers to ensure our supply chain is both resilient and efficient. This has led to the formation of a best practice code that is carefully scrutinised for compliance. Constant communication is maintained with our manufacturers and suppliers to ensure premier levels of product safety.

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

Our products and services are our pride, and foster trust in our brand, because we test them to the highest possible standards. Products that are manufactured by our Group are lab tested, quality inspected and preferentially selected to meet all Botswana Bureau of Standards requirements. Services level are renewed by continued training and evaluation.

Regulation – defending our reputation

In our efforts to be a good corporate citizen, we remain steadfast in ensuring compliance with all applicable laws and regulations. Our trade is fair and transparent, giving the business community a long term partner that can be trusted and held in good faith.

Human capital development

People – Our most important asset

Good service can make a customer's day and as such the Group seeks out the right people to join and remain a part of the Sefalana family, where comprehensive training and skills development is provided. All our people are treated with respect and a zero tolerance policy to discrimination is maintained. An annual performance management system has been piloted in the current year as a means of rewarding our shining stars and to identify and develop those with potential. Retention of knowledge and skills in Botswana's highly competitive market remains a vital focus point for the Group.

We aim to build a workplace that displays a true demographic profile of the nation. Our employment practices are a crucial part of our ability to draw in and retain talent. Sefalana strives to be an employer of choice and endeavors to keep its employees motivated and enthusiastic in everything they do.

Our human resources strategies are focused on:

- Empowering our people;
- Developing a multi skilled workforce; and
- Creating a robust and sustainable management system.

Equitable employment is central to the Group and an open-door policy, fair employment practice and legal compliance

Corporate Social Responsibility Report (continued)

gives us confidence in our management of relationships with our employees. Clear, co-ordinated management of employee rights and responsibilities helps ensure that the Group's risk is mitigated and that continuity is maintained.

All staff are informed of upcoming events throughout the various stores of Sefcash and Shoppers through our monthly Moremogolo newsletters straight from the Sefcash Managing Director's desk.

Skills development – Cultivating our abilities

Within the Group we ensure that there is extensive in-house, as well as external training for our teams. Training schemes focus on technical, organisational and management capabilities. Equipping our employees with new skills and knowledge empowers their positive influence on developing themselves and their communities.

One year management internships are offered by Sefcash with the objective of exposing apprentices to all aspects of the Retail and Wholesale business. During the training period, the novice gains experience in the operation of all divisions of a store and is given the opportunity to demonstrate their managerial and supervisory competencies. During the year, 18 individuals were put through our internship program.

Leadership development – Forerunners of tomorrow

Sefalana identifies those individuals within the Group with passion, drive, hunger and ability. These individuals are encouraged to excel and supported through on-the-job training and mentoring along with suitable externally led training initiatives. This has helped us develop a strong Leadership team across the Group.

Conservation and eco-friendliness

Health and Safety – Promoting wellness

Sefalana ensures a high level of health and safety practices by providing our employees with a safe, stable and healthy environment in which to work. Health and safety form a crucial part of the food industry and are therefore monitored, managed and assessed on an on-going basis through the Group's risk management framework. Providing a prudent and hygienic place to work improves the morale and performance of our staff, crucial components in our excellent service delivery.

Promoting wellness is important to the health of our employees and the health of the Group. By facilitating learning and sharing opportunities, Group employees are advantaged to work in a compassionate and caring environment. We believe happy people work better.

Health and Safety, Basic Food Hygiene and First Aid training courses are conducted by Sefcash on an annual basis. The main elements covered in this training include emergency planning, security, fire, transportation and general health and safety.



Corporate Social Responsibility Report (continued)



Sustainable social investment

Communities – Maintaining kinship with our wider stakeholders

Promoting wellness is an important part of our initiative to foster our broader stakeholders and the neighboring community. The Group invested approximately P 1.0 million into its CSR projects during the year. Some projects that we are involved in include:

1. *Diabetes Association of Botswana*

We part sponsored the annual Youth Camp, wherein youth with a diabetic condition are brought together from different parts of the country to share knowledge and experiences and to interact with one another. These individuals receive education on all aspects of their condition and care. Meeting others, sharing their feelings, fears and anxieties and gaining encouragement and support from one another inspires and encourages them to persevere in their self-care and recovery. On-going education enables them to make informed choices as they continue to mature.

2. *Journey of Hope*

Journey of Hope is an association that sensitises and creates awareness on issues of breast cancer. The association targets women and encourages regular check-ups in order to prevent and cure early abnormalities.

3. *Lady Khama Charitable Trust*

The Trust's purpose is to help improve the lives of vulnerable women and children in Botswana. The Trust aims to achieve this by initiating, establishing, supplementing and promoting charitable and educational activities in Botswana and by raising and investing funds to support this. We participated by being a sponsor of a fund-raising half marathon held in the year.

4. *University of Botswana ("LLC Programme")*

The Living and Learning ("LLC") programme is an initiative of the University of Botswana to engage students beyond the classroom with the aim of empowering them with life skills for positive behavioural change and prepare them for the world of work. Students are engaged in extra curricula activities centered around four established themes of Social-Recreation, Safety-Security, Academics-Careers and Personal Development. The main drivers are the students themselves, with support from the Department of Student Welfare.

The programme has seen students engage in activities such as sports, neighbour-hood watch, and talent promotions both within and outside the University. We have donated towards the purchase of prizes for their talent shows.

5. *Francistown Centre for Deaf Education*

The centre was established to provide education for children who are audibly impaired or deaf. The centre started as a single unit at Nyangabgwe Primary School and re-located to its current premises in 1990. The centre was established by Christofel Blinden Mission ("CBM") in Germany through Dr. Ian Kennedy who was an Ear, Nose and Throat ("ENT") Specialist at Bamaletse Lutheran Hospital in Ramotswa. The centre was handed over to the Board of the Botswana Society for the Deaf ("BSD") in 1996. BSD is a Non-Governmental Organization and gets its subvention to run the centre from the Ministry of Education & Skills Development. It is also assisted by the Ministry of Health and Ministry of Local Government.

6. *Other participation*

During the year, Sefalana engaged in various public events by way of contributions and supported charitable societies and local schools which included the Lions Club and the Queen Elizabeth Diamond Fund. Foods Botswana also took part in a local tree plantation event and supports the local soccer league in Serowe.

a) *Crime Patrol – Securing our environment*

Increased levels of crime at retail stores across the sector remains a cause of concern for the Group. We continue to develop programmes to detect, prevent and observe potential occurrences of crime in an effort to reduce possible disruption on our retail stores and valued customers.

Crime and corruption mitigation measures employed by the Group include a whistle-blowing hotline, internal audit procedures and cooperation with the Police, Kgotlas and wider community initiatives.

b) *Sponsorships – Giving back to our community*

Group contributions were made to various sporting initiatives including the BDF Golf Day, Gaborone Masonic Trust Golf Day and the annual Sefcash Golf Day which is fully sponsored by its suppliers. Such events enable us to promote our loyalty and commitment to our community.

Report on Corporate Governance

The Board of Sefalana Holding Company Limited strives to achieve the utmost level of responsible conduct and best practice, as guided by the Botswana Stock Exchange Code of Best Practice on Corporate Governance. Accordingly, the Board is guided in its activities through its approved Charter and the Terms of References of its sub-committees. The Board reviews the Charter and Terms of Reference for sub-committees annually and makes updates for any applicable latest developments in Governance.

Role of the Board

The Board's main role is in helping to create long-term sustainable value for the Group's shareholders, focusing on strategic leadership, performance management, investor relations, risk management and governance. Each of these areas forms a key part on our Board's agenda and enables it to plan meetings appropriately, giving sufficient time to focus on the schedule of objectives.

All Directors are aware of the key discussions and decisions of each of the four principal sub-committees as the Chairman of each sub-committee provides a detailed summary to all Directors at the main Board meeting following the relevant sub-committee meeting. Minutes of Board and sub-committee meetings are circulated to Directors shortly after those meetings take place.

The Board's ultimate responsibility is for the supervision of the Group. It has the following principal duties:

- ★ Formulating and monitoring implementation of the Group's long term business strategy;
- ★ Approval of the Group's investment plans, budgets and forecasts;
- ★ Review of reports submitted to the Board for approval;
- ★ Review of the business operations of the Group;
- ★ Establishing sound accounting and financial control principles, as well as principles of financial planning;
- ★ Ensuring compliance with legal and ethical standards; and
- ★ Ensuring that the Managing Director and other members of the Senior Management team are competent, and that an effective succession strategy and plan is adopted for the Group's senior executive positions.

Board of Directors

The Board is chaired by Mr. Neo Moroka and at the year-end consisted of six non-executive Directors and three executive Directors. A total of five of the six non-executive Directors are independent. The Board reflects a prudent balance of executive and non-executive Directors. Non-executive Directors comprise not less than two thirds of the Board

(in accordance with King III) with the majority of the non-executive Directors being independent. Terms of office for non-executive Directors are for initial periods of two years, with renewal options for further periods after approval by the shareholders in the Annual General Meeting. The executive Directors have formal employment contracts based on the Company's policies.

At the year end, the Board of Sefalana Holding Company Limited comprised:

Independent Non-Executive Directors (5):

Mr. Neo Moroka (Board Chairman)
Mr. Elias Dewah
Mrs. Jenny Marinelli
Mr. Reginald Motswaio
Mr. Andrew Pegge

Non-Executive Directors (1) *:

Mr. Julian Nganunu

Executive Directors (3) **::

Mr. Chandra Chauhan (Group Managing)
Mr. Venkit Iyer (Group Finance) – resigned from the Board and Group Finance on 19 July 2013
Mr. Hans Kampmann (Managing Director – Sefalana Cash and Carry Limited) - appointed to the Board on 1 July 2012

* The Board of Sefalana Holding Company Limited considers a shareholding in the Company either equal to or above 5%, or material to his or her personal wealth, as a deterrent to the independence of a Director. Such shareholders are considered non-executive but not 'independent'.

* * Executive Directors are employed by the Company or the Group and are responsible for the day-to-day operations of the Group.

There were no resignations from the Board of Directors during the reporting period.

A synopsis of the Directors' credentials is set out on page 10 to 11 and the annual report.

Board's Governance and appraisal

The offices of the Chairman and Managing Director are separate. The Chairman is an independent non-executive Director. The Nominations Committee periodically appraises the Board's performance individually and collectively in order to ensure that its primary responsibilities are satisfactorily discharged. The Chairman is selected by the Board and his performance is evaluated by the Nominations Committee.



Report on Corporate Governance (continued)

The Chairman conducts Board proceedings in a manner that ensures, inter alia, that:

- ★ Effective participation of both executive and non-executive Directors is secured;
- ★ All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company and Group; and
- ★ The Board is completely aware and in control of the Company and Group's affairs, and alert to their obligations to all shareholders and other stakeholders.

The Board meets at least four times in a financial year to consider performance of the Group's business segments, strategy developments and to receive reports from its sub-committees. The Board also actively communicates relevant information informally in order to keep abreast of changes affecting or potentially impacting the interests of the Group and its stakeholders. During the year, there has been a considerable amount of activity as the business has grown and this resulted in a special Board meeting being held to discuss and approve critical strategic matters.

At the commencement of each financial year, the Board, in consultation with the Group Managing Director, sets reasonable financial and non-financial targets, in line with the short, medium and long term objectives of the Company and the Group, that are to be met by the Group Managing Director during the course of the ensuing year.

The performance of the Group Managing Director is evaluated by the Board at the end of each financial year in order to ascertain whether the targets set by the Board have been achieved and, if not, whether the failure to meet such targets was reasonable under prevailing circumstances. Executive Directors are rewarded reasonably according to the Group performance and achievement of individual stretch targets.

Non-executive Directors are remunerated according to best practice and market rates in the region. The total remuneration of the executive and non-executive Directors is disclosed in note 12 to the financial statements.

At every Board meeting, Directors are required to declare their interest in the Company's shares and all interests with external establishments. Directors exclude themselves from any Board or Committee resolutions / recommendations wherever there is potential conflict of interests.

Directors' direct or indirect interest in the issued shares of the Company as at the year-end date is as tabled below:

Director	Number of shares controlled as at the year-end date
Mr. Neo Moroka	Nil (2012 : Nil)
Mr. Elias Dewah	Nil (2012 : Nil)
Mrs. Jenny Marinelli	26 379 (2012 : 26 379)
Mr. Reginald Motswaiso	100 000 (2012 : 100 000)
Mr. Julian Nganunu	6 874 407 (2012 : 6 800 555)
Mr. Andrew Pegge	1 000 000 (2012 : 1 000 000)
Mr. Chandra Chauhan	9 058 249 (2012 : 9 058 249)
Mr. Venkit Iyer	5 057 (2012 : 5 057)
Mr. Hans Kampmann	Nil (2012: Nil)

The Group has closed periods whereby Directors, Senior Management and their families and other relevant related parties may not trade in the Company's shares. These periods comprise the period commencing from two weeks before the end of a half or full financial year, and ends when the relevant period's results are publicly announced. Additionally, when the Board members believe that they or Senior Management are privy to information that is price sensitive regarding current activities of the Company, they are precluded from dealing in the Company's securities.

Sub- committees

The Board has formed the following sub-committees for assistance in Board functions of which memberships are restricted to only non-executive directors of the Company.

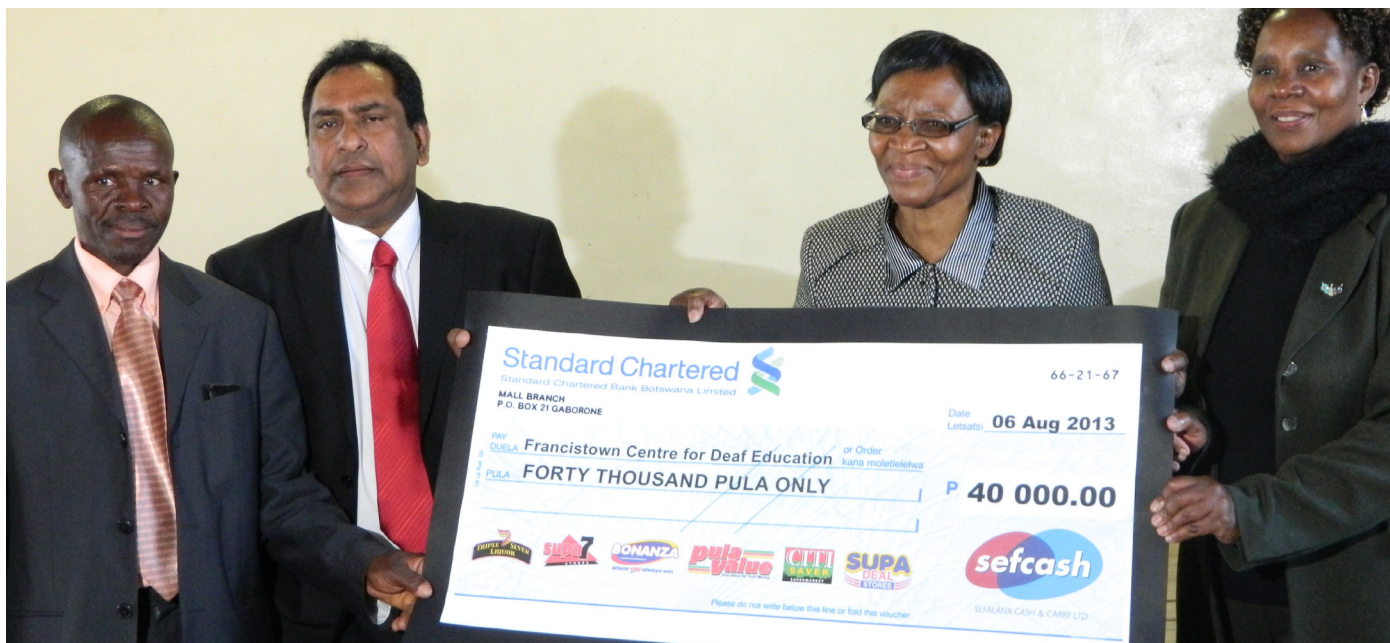
1. Nominations Committee
2. Investment Committee
3. Remuneration Committee
4. Audit & Risk Committee

All sub-committees of the Board are governed by their own Terms of Reference. In order to fulfill the duties and responsibilities vested with each of the sub-committees, they have authority to call upon the Chairmen of the other sub-committees, any of the executive Directors, Company Officers and Company Secretary or external assurance providers to source any required information.

1. Nominations Committee

The Nominations Committee comprises of three non-executive Directors - Mr. Elias Dewah (Committee Chairman), Mr. Julian Nganunu and Mr. Andrew Pegge. There are formal and transparent procedures for the appointment of new Directors to the Board. The nomination of Directors is led by the Nominations Committee, which is responsible for the vetting of suitable candidates, and managing the process of appointment recommendations, continuance of office and leadership induction. Following recommendation by the Nominations Committee, appointments to the Board are approved by the Board subject to the ratification by the Shareholders at the following Annual General Meeting.

Report on Corporate Governance (continued)



The Nominations Committee annually assesses the Board's structure, processes, and effectiveness to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company and the Group. The findings of such assessments are taken into account when new Board appointments are considered and when incumbent Directors come up for re-election at each Annual General Meeting. The Nominations Committee has met twice during the current financial year.

2. Investment Committee

The Investment Committee comprises five non-executive Directors – Mr. Andrew Pegge (Committee Chairman), Mr. Elias Dewah, Mrs. Jenny Marinelli, Mr. Reginald Motswaiso and Mr. Julian Nganunu. The Committee is tasked with co-ordinating the investment portfolio of the Group and accordingly meets when investment and divestment proposals are to be put before the Board for consideration. Whilst the Investment Committee may make recommendations to the Board, the Board retains ultimate decision making powers with respect to investment or disinvestment activities of the Group. The Group Managing Director and Group Finance Director attend these meetings as and when required. The Investment Committee has met five times during the current financial year.

3. Remuneration Committee

The Remuneration Committee at the year-end comprises of three non-executive Directors – Mr. Andrew Pegge (Committee Chairman), Mr. Elias Dewah and Mr. Neo Moroka.

The role of the Remuneration Committee is to ensure that the Group adopts and implements appropriate policies and procedures that provide the framework for remunerating its employees on a competitive and equitable basis and to set the Group's grading and remuneration levels each year.

The Remuneration Committee reports to the Board on its activities after every meeting held. The Group has established a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No executive Director is involved in deciding his own remuneration. The Remuneration Committee has met three times during the current financial year.

4. Audit and Risk Committee

The Audit and Risk Committee comprises three independent non-executive Directors – Mr. Reginald Motswaiso (Committee Chairman), Mr. Elias Dewah and Mrs. Jenny Marinelli.

The Group Finance Director and Group Internal Auditor attend and report at the meetings of the Audit and Risk Committee as required and the Group Managing Director and external auditors attend meetings by invitation. In executing its duties, the Audit and Risk Committee has unrestricted access to the Group's financial and other records.

The Audit and Risk Committee has the following distinct responsibilities:

- ★ To direct internal assurance planning and programme execution, to deliver risk identification, monitoring and mitigation;
- ★ To oversee that management has established effective systems of internal controls;
- ★ To report to the Board on decisions taken, including approval of the annual financial statements;

Report on Corporate Governance (continued)

- ★ To make recommendations to the Board regarding the nomination of external auditors to be appointed by the Shareholders;
- ★ To discuss audit procedures, including the proposed scope and the results and findings of procedures performed by the external auditors;
- ★ To ensure that the external auditors findings are adequately addressed; and
- ★ To oversee the quality of the external audit.

The Audit and Risk Committee ensures that the independence of external auditors is maintained and that any consultancy or any work contracted with the auditing firm will not have a material impact on the auditors' independence. The Audit and Risk Committee sets principles for recommending to the Board on rotation and remuneration of auditors.

The Board has overall responsibility for determining the strategic direction of the organisation and for creating the environment and the structures for risk management to operate effectively. The Audit and Risk Committee is tasked with managing these objectives as well. Sound corporate governance practice requires a methodical approach to risk management which:

- ★ Protects the interests of stakeholders;
- ★ Ensures that the Board of Directors discharges its duties to direct strategy, build value and monitor performance of the organisation; and
- ★ Ensures that management controls are in place and are performing adequately.

In the discharge of these responsibilities, the Audit and Risk Committee oversees management's risk identification, mitigation and management processes. The Committee met three times during the reporting period.

Internal control and internal audit

The Company and Group maintain sound systems of internal control to safeguard the shareholders' investment and the Company and Group's assets. The Directors, as a Board and through its sub-committees, review the effectiveness of the Company and Group's systems of internal control, which cover all controls including financial, operational and compliance controls and risk management, on a regular basis.

The Internal Audit plan is approved by the Audit and Risk Committee annually. Progress updates are provided to the Audit and Risk Committee during the year and reported to the Board. Ad-hoc projects are also carried out as requirements for these arise. Whistle blowing hotlines are in place across

the Group and Computer Auditing Techniques (CAATs) are utilised wherever possible to interrogate data. The Internal Audit function is expected to grow in the ensuing years as the size and complexity of the business increases.

Acting with integrity at all times

The Group endeavours at all times to exercise best practice in all its activities. Senior management constantly monitor the ethical behaviour and integrity in all of the operations of the Group. In turn, Senior Management is subject to the scrutiny of the Board and the high standards required of them by their professional governing bodies. Senior Management has an open-door policy with employees. Regular meetings with worker representatives are held without resident management present, providing opportunities for employees to report perceived lapses in integrity. In fine-tuning and developing control programs, management is able to address any irregularities discovered or any fraudulent activities. Disciplinary measures are taken where necessary in accordance with legal and ethical courses of action required. With the exception of some contained minor instances of fraud by few staff below management level, operational integrity and ethical behavior was observed during the current financial year.

Company Secretary

The Company Secretary is knowledgeable in matters that should be addressed by the members of the Board to discharge their duties appropriately. The Company Secretary advises members of the Board in this regard.

Non-financial Information

The Board constantly monitors and evaluates all information that affects the Group and adapts its strategy accordingly to ensure the Group continues to progress on achieving its objectives. All aspects of the Group, financial and non-financial, are revealed to, and discussed with, the independent external auditors.

The Board believes in transparency in the activities of the Group and has adopted a 100% honesty principle in keeping Shareholders appraised. Such communications are subject to statutory approval by the Botswana Stock Exchange and are published in at least two national newspapers to ensure that all stakeholders are informed concurrently.

Relations with Shareholders

The Board uses the Annual General Meeting and Special General Meetings to communicate with investors and encourage their participation. Frequent announcements through the press and mailing of information for the attention of Shareholders are practiced wherever necessary. The Company circulates with every Notice of General Meeting a summary of the procedures governing voting at General Meetings.

Report on Corporate Governance (continued)



The Chairmen of the Audit and Risk, Remuneration and Nominations Committees are present and available to answer questions at the Annual General Meeting and Special General Meetings, if so requested by the Chairman of the Board.

The Board also discloses to shareholders through trading announcements, all proposed corporate transactions, which if entered into, would materially alter or vary the Group's net asset base or share price.

In this way, the Board ensures all relevant information is effectively communicated to the Company's shareholders.

Attendance at Board and sub-committee meetings of Sefalana Holding Company Limited during the financial year ended 30 April 2013:

Member	Board		Nominations Committee		Investment Committee		Remuneration Committee		Audit and Risk Committee	
	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended
Mr. Neo Moroka	5	5					3	3		
Mr. Chandra Chauhan	5	5			5*	5			3*	3
Mr. Elias Dewah	5	5	2	2	5	5			3	3
Mr. Venkit Iyer **	5	5	2*	2	5*	5			3*	3
Mr. Hans Kampmann ***	5	5								
Mrs. Jenny Marinelli ****	5	5			5	5	3	3	3	3
Mr. Reginald Motswaiso	5	5			5	5			3	3
Mr. Julian Nganunu	5	4	2	2	5	4				
Mr. Andrew Pegge	5	5	2	2	5	5	3	3		

* Attendance by invitation

** Resigned on 19 July 2013

*** Appointed on 1 July 2012

**** Mrs. Jenny Marinelli resigned from the Remuneration Committee during the financial year and Mr. Elias Dewah joined this sub-committee

sefalana hyper store





great

health care

Report on Corporate Governance (continued)

KING III

King III was developed as a consequence of changing trends in international governance. As with King I and King II, the King Committee endeavoured to be at the forefront of governance internationally. Although King III is not mandatory for Botswana companies, Sefalana has assessed its governance structure against the principles of this code and is proud to be compliant in substantially all areas.

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

Key ✓ Compliant **NF** Not fully compliant

King III Chapter No.	King III Principles	Current level of compliance
1	Ethical leadership and corporate citizenship	
1.1	The Board should provide effective leadership based on an ethical foundation	✓
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	✓
1.3	The Board should ensure that the Company's ethics are managed effectively	✓
2	Boards and Directors	
2.1	The Board should act as the focal point for and custodian of corporate governance	✓
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	✓
2.3	The Board should provide effective leadership based on an ethical foundation	✓
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	✓
2.5	The Board should ensure that the Company's ethics are managed effectively	✓
2.6	The Board should ensure that the Company has an effective and independent audit committee	✓
2.7	The Board should be responsible for the governance of risk	✓
2.8	The Board should be responsible for Information Technology (IT) governance	✓
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
2.10	The Board should ensure that there is an effective risk-based Internal Audit	✓
2.11	The Board should appreciate that stakeholder's perceptions affect the Company's reputation	✓
2.12	The Board should ensure the integrity of the Company's Integrated Report	NF
2.13	The Board should report on the effectiveness of the Company's system of internal controls	✓
2.14	The Board and its directors should act in the best interests of the Company	✓
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	✓
2.16	The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfill the role of Chairman of the Board	✓
2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	✓
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓
2.19	Directors should be appointed through a formal process	✓
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	NF
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	✓
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year	NF
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓

King III Principles

2.24	A governance framework should be agreed between the Group and its subsidiary Boards.	✓
2.25	Companies should remunerate directors and executives fairly and responsibly.	✓
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	NF
2.27	Shareholders should approve the Company's remuneration policy	NF

3 Audit Committee

3.1	The Board should ensure that the company has an effective and independent Audit Committee	✓
3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors	✓
3.3	The Audit Committee should be chaired by an independent non-executive director	✓
3.4	The Audit Committee should oversee integrated reporting	NF
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	NF
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	✓
3.7	The Audit Committee should be responsible for overseeing of Internal Audit	✓
3.8	The Audit Committee should be an integral part of the risk management process	✓
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and oversees the external audit process	✓
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties	✓

4 The Governance of Risk

4.1	The Board should be responsible for the governance of risk	✓
4.2	The Board should determine the levels of risk tolerance	✓
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	✓
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓
4.5	The Board should ensure that the risk assessments are performed on a continual basis	✓
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
4.7	The Board should ensure that management considers and implements appropriate risk responses	✓
4.8	The Board should ensure continuous risk monitoring and management	✓
4.9	The Board should receive assurance regarding the effectiveness of the risk management process	NF
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	NF

5 The Governance of Information Technology

5.1	The Board should be responsible for Information Technology (IT) Governance	✓
5.2	IT should be aligned with the performance and sustainability of objectives of the Company	✓
5.3	The Board should delegate to management the responsibility for the implementation of an IT Governance Framework	✓
5.4	The Board should monitor and evaluate significant IT investments in expenditure	✓
5.5	IT should form an integral part of the Company's risk management	✓

Report on Corporate Governance (continued)

King III Principles

5.6	The Board should ensure that information assets are managed effectively	✓
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	✓
6	Compliance with laws, codes, rules and standards	
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	✓
6.3	Compliance should form an integral part of the Company's risk management process	✓
6.4	The Board should delegate to management the implementation of an effective Compliance Framework and processes	NF
7	Internal Audit	
7.1	The Board should ensure that there is an effective risk-based internal audit	✓
7.2	Internal audit should follow a risk-based approach to its plan	✓
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management	NF
7.4	The Audit Committee should be responsible for overseeing Internal audit	✓
7.5	Internal Audit should be strategically positioned to achieve its objectives	NF
8	Governing Stakeholder relationships	
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation	✓
8.2	The Board should delegate to management to proactively deal with stakeholder relationships	✓
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	✓
8.4	Companies should ensure the equitable treatment of shareholders	✓
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓
8.6	The Board should ensure that disputes are resolved effectively, efficiently and expeditiously as possible	✓
9	Integrated reporting and disclosures	
9.1	The Board should ensure the integrity of the Company's integrated report	NF
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	NF
9.3	Sustainability reporting and disclosure should be independently assured	NF



Company Profiles





Company Profiles

Sefalana Cash and Carry Limited



Sefalana Cash & Carry Limited ("Sefcash")

Sefcash trades in the fast-moving consumer goods ("FMCG") sector. The Company's store portfolio is spread throughout Botswana and consists of 15 retail supermarkets under the name "Shoppers", 25 cash and carry outlets trading under the name "Sefalana Cash & Carry", 3 Hyper Stores located in Gaborone, Francistown and Mahalapye, trading as "Sefalana Hyper Store", and 1 cigarette distribution outlet trading under the name "Capital Tobacco". In addition, the Company has just under four hundred voluntary retail franchise members located throughout Botswana who trade under the names Supa 7, Supa Deal, Citi Saver, Bonanza, Pula Value and Triple Seven Liquor.

This business continues to be the largest contributor to the Group financial results and achieved, yet again, its best ever results in the current year. Over time we have developed strong business relationships with our stakeholders, enhanced systems of control, focused on training and mentorship programmes, and supported the community through our corporate social responsibility activities, offering our customers a wide range of brands at competitive prices.



Company Profiles (continued)

Sefalana Cash and Carry Limited



Through leveraging off our software systems and reporting tools, we are able to make better use of management information to support decision making, improved efficiency and achieving optimal inventory levels in our stores. We focus on ensuring our supply chains are efficient and reliable and that our service standards are monitored closely and continually improved.

Sefcash's experienced senior management team ensures effective and efficient cost control and procurement through rigorous planned budget consciousness, maintaining and methodically improving systems and processes, and enhancing our intellectual capacity through development of existing teams and recruitment of individuals with necessary skill sets.

We continue to make considerable investment in our human capital, running our BOTA accredited programmes, facilitating developmental enrolment with Maccauvlei Learning Academy and partnering with the University of Stellenbosch in the continual development of our training material. An annually revised plan is in place for all our departments and branches to ensure we respond to the latest developments in performance management. We constantly develop and evaluate our ability to bring the best out of our business and its people. These training initiatives have been very successful in attracting and retaining the best talent in the market.

During the year, we have continued to focus on improving the shopping experience for our customers with enhanced layout of stores and extended product ranges on offer. Our geographical spread is strategic to satisfying our customer needs with outlets in all major urban and peri-urban centres across the country, well positioned to supply our customers across the Nation. Our competent store management team is supported by central leadership in their professional development and their personal achievement of line objectives. Store managers focus on running their stores, meeting consumers and supporting communities in line with providing the unrelenting levels of quality and care that customers expect from a brand they have come to know and trust since 1974. We are now a preferred alternative to other brands in the market.

Sefcash's outlook is positive but we acknowledge that it will be impacted by the limited size of the market and the continued pressure on disposable consumer income driven by the sustained economic downturn. Whilst we take note of the shift in shopping trends over the past few years and the reduced level of Government spend, we believe the growth of our business, in particular within the retail arena, will be supported by a return of consumer confidence and spending in the ensuing years. We are also exploring expansion into other regional markets and anticipate extending our presence in those regions in the near future.

Company Profiles (continued)

Foods (Botswana) (Pty) Limited



Foods Botswana (Proprietary) Limited ("Foods Botswana")

Foods Botswana operates a factory in Serowe from which it mills and produces sorghum, soya and maize-based extruded products, malt and diastatic malt. Foods Botswana's market includes the provision of enriched meals for the Government feeding schemes and a variety of its own branded products.

The products produced by this Company include:

- ★ Sechaba Mabele;
- ★ Tholo Malt;
- ★ Tsaotlhe (soya sorghum extruded product);
- ★ Sarona Samp;
- ★ Soya Sorghum Weaning Food (Tsaotlhe) for infants up to 3 years; and
- ★ Soya Sorghum enriched Foods (Malutu) for all age groups above 3 years.

The Company has a policy to support local farmers either directly or indirectly and continuously buys sorghum from the local market whenever possible.

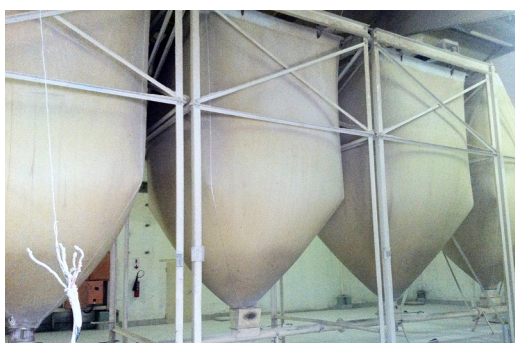
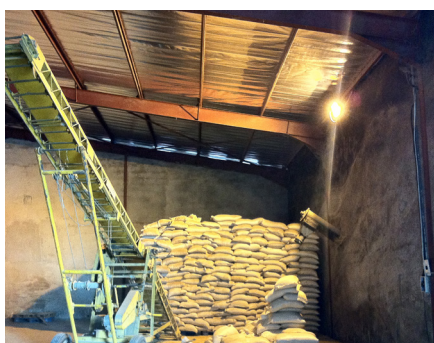
Management is committed to continuous review of the operations of the factory. We have adopted a strategy to increase the overall growth of our branded products which are sold to the general public.

The Company provides direct employment to more than 200 citizens and is a major contributor to the economic activities in and around Serowe.

Our forte is the production of our well established, nationally renowned products for Botswana, by Botswana. Protecting the position of our local-flavour house brands is a continuous management process with our resources constantly focused on developing our products, processes and placing. While cyclical dips in earnings, arising from inconsistencies in Government purchases for their feeding schemes, do occur, such periods of lower productivity also allow the Organisation time to fine tune processes without threatening the long term potential for sustainability.

This year, the Company managed to procure a large proportion of its annual raw material requirements upfront, thereby reducing the risk of shortages experienced in the worldwide markets in the previous year. Our continual investment in plant and processes is increasing the quality of our products and the efficiency of our production.

Our operation is a significant cog in the industry of the Serowe area, supporting and developing the region and at the same time, it complements our Group strategy in providing a good return to our shareholders. We are optimistic about the on-going contribution of this business to the overall results of the Group and will continue to focus on growing this business.





Company Profiles (continued)

Commercial Motors (Pty) Limited



Commercial Motors (Pty) Limited

Commercial Motors represents three brands - MAN (Heavy Commercial Vehicles), Tata (Light and Heavy Commercial Vehicles) and Honda (Passenger Vehicles and Motorcycles).

The Company is proud of its impressive showrooms and workshops in the Broadhurst Industrial area, Gaborone. Commercial Motors continues to better itself in the marketplace by building brands that are visible, appreciated and believed in by our growing customer base.

The technologies used in the workshops and back-office conform to international standards and with the leadership and support of our management, working efficiencies and communication with principals have improved each year. This has translated into faster, smarter service delivery and greater customer satisfaction.

MAN (Heavy commercial motor vehicles)

MAN provides a range of trucks, special-purpose vehicles and buses of impeccable quality. With a 250 year history of innovation and transport technology development MAN, Germany's oldest listed company, produces a variety of vehicles that have proved to be favoured over a number of its competitors. Our model range includes buses, garbage trucking, short and long range haulage, and military applications. The Truckology Generation range (CLA/TGM/TGS) offers truck owners efficiency and dependability and provides drivers with a better, safer drive. Through MAN's excellence in ergonomics, efficiency, eco-design, safety and engineering, it has won such awards as "Green Truck of the Year", and "International Truck of the Year" a record 7 times since the award inception in 1977. MAN also won two "Focus on Excellence Awards" in South Africa making us a very successful brand globally.



Company Profiles (continued)

Commercial Motors (Pty) Limited



Tata (light and heavy commercial motor vehicles)

Tata Motors Limited is India's largest automobile company, with over 25,000 employees worldwide. Tata employees are guided by the Tata Group vision to be "best in the manner in which we operate, best in the products we deliver, and best in our value system and ethics." Tata is the world's second largest bus manufacturer and the fourth largest manufacturer of medium and heavy commercial vehicles.

Our Tata range predominantly specialises in the customisation, sales and after-sales service of Tata Buses and Tata Trucks. Tata Buses and Trucks surpass many of their competitors in power, speed, carrying capacity and

operating economy. Tata Trucks have set the new benchmark in life-cycle costs, design and technology, offering class-leading features, reliability, comfort and safety at an affordable price. Our Tata buses offer three models with seating capacity for 28, 38 and now 65 passengers.

Tata vehicle models incorporate technologies acquired from Tata Group subsidiaries ranging from Daewoo Motors to Jaguar, Land Rover and strategic partners including Marco Polo, that enable Tata to produce a competitive range that is efficient in capital and running costs, as well as promoting a reduced environmental impact from its products. Tata has a remarkable collection of awards for vehicle efficiency and enviro-friendliness. In the Annual Total Economy Run, the title for most economical and fuel efficient LDV's in its class in South Africa was awarded to the Tata Xenon diesel 4x4 double cab. Commercial Motors won the "Dealer of the Month" award for the Southern African region in June 2012.

Honda (passenger vehicles)

Our current models include the Brio, Accord, Civic, Jazz, and in the SUV range, the CR-V. This year will see the revamped CR-V which was voted best compact SUV by Car Magazine. Over recent years, Honda as a car manufacturer has received, amongst others, the "Car of the Year", "World Green Car of the Year", "Top Safety Pick" and "Best Retained Value" awards. The Group is proud to be the sole distributor of Honda vehicles in Botswana.

Honda (motorcycles)

The motorcycle models supported by us range from Superbikes to Cruisers and from Commercial and Commuting bikes to off road 4 wheelers. The Honda motor cycle brand is recognised both locally and abroad as a leading brand in its segment.

The 2013/14 outlook for this business is very positive as we build on the increased brand awareness and recognition we have noted during the current year.

Company Profiles (continued)

Mechanised Farming (Botswana) (Pty) Limited

Mechanised Farming (Pty) Ltd

Mechanised Farming brings together the knowledge and heritage of the leading brands of Massey Ferguson, Wacker, Electromotive Diesel and Honda. Solid proven equipment, backed by the strength and resources of the company's commercial and industrial product support.

Through these brands the company sells tractors, agricultural equipment, construction equipment, power-generating plants, water pumps, EDM locomotives and related spares. We operate an engineering workshop for repairs and maintenance providing exceptional after sales service on all machinery and equipment for our brands.



Company Profiles (continued) Mechanised Farming (Botswana) (Pty) Limited



Mechanised Farming represents the following brands in Botswana:

- ★ Barloworld Agriculture – Massey Ferguson Tractors, Implements & Perkins engines spare parts. Massey Ferguson tractors have proven to be a leading brand in Botswana in the agricultural industry;
- ★ Honda RSA – We supply Honda Power products which include electric generator sets, engines, water pumps, lawn mowers, etc. We provide comprehensive stock holdings of spares for after sales service with a dedicated engineering workshop;
- ★ Wacker Neuson RSA – Construction machinery & equipment (rammers, compactors, vibration pokers, concrete cutters & grinders. etc.). This brand is well established in Botswana and has proven reliability in the building and construction industry;
- ★ Electromotive Diesels (EMD) USA – Mechanised Farming is the sole authorised dealer for supply of imported diesel electric locomotives and spares.
- ★ CASE Equipment RSA – Case heavy plant machines, construction equipment and golf carts;
- ★ Radium Engineering – Agricultural implements and equipment and tractor-powered bush cutting;
- ★ Agrinet – Yanmar engines and water pumps; and
- ★ Turner Morris – Concrete mixers, compactors and general construction equipment.

We are very optimistic about the future performance of this Company and look forward to an increased contribution to the overall performance of the Group results going forward.



Company Profiles (continued)

Bargen (Pty) Limited



Bargen (Pty) Ltd

Bargen (Pty) Limited trading as Vintage Travel and Tours is located in a modest office at Middle Star Complex, in the heart of Gaborone; the Company continues to report a commendable profit and further establish itself as a solid and viable business.

Vintage prides itself on providing a convenient and expedient service to our clients through a personalised approach that we consider to be critical in this sector.

This travel agency continually achieves top rankings with airlines and has been awarded several accolades for its outstanding market leadership. It bodes well that we preserve our good standing with International Air Transport Association, Travel Agents Association of Botswana, Hotel and Travel Association of Botswana, and the Association of Southern African Travel Agents.

Our staff has a wealth of experience and knowledge of the industry ensuring that this relatively small Company continues to hold its position in the marketplace.





Kgalagadi Soap Industries (Proprietary) Limited ("KSI")

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

Over the last two years, management has focused on investing in technological changes required to improve efficiency and capacity. Considerable efforts have also been put into the redesigning of moulds and sourcing new packaging machinery to make the products competitive and compliant with market requirements. In May 2012, a reconditioned plant was commissioned for soap 'drying' and 'finishing'. There has already been an increase in product output ratios and efficiencies in the entire production process and we look to build on this in the coming year.

Company Profiles (continued)

Sefalana Properties

Historically Sefalana has made significant strategic investments in property, and as of 30 April 2013, the Group holds over 525 000 square meters of land, of which just under 125 000 square meters is developed property. Sefalana and its subsidiaries occupy roughly three quarters of this developed property and the Group earns a considerable rental income from its third party tenants.

Our Botswana properties are spread throughout the country and include office blocks, workshops, factories, and warehouses. Our undeveloped land provides the Group with a remarkable potential for future investment and capital appreciation. Management continually evaluates investment projects to maximise returns for our shareholders and is currently evaluating a number of capital projects.

In Lusaka, Zambia we have a first class well positioned property; this property is rented out to third parties and provides the Group with a substantial income stream and has shown significant increases in market value over the years.

We continue to identify additional properties in strategic locations throughout Botswana and anticipate further growth and return from this segment of the Group.



Sefalana



Sefalana



Financial Review



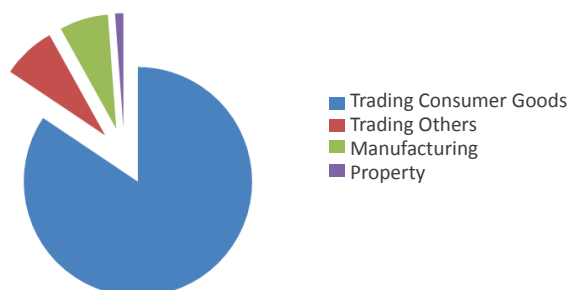
The Group's performance over the financial year has once again proved its resilient financial strength and stability. A very positive performance has been achieved with increases in revenue, profit and overall shareholder return. Details of our financial highlights and historical performance are presented on pages 52 and 53.

Financial Performance

Turnover at P2.35 billion has increased 11.7% year on year and 25.3% since 2009. This growth has mainly come from the Trading-Consumer Goods segment with the opening of new retail stores and an increase in the market share of fast moving consumer goods.

Segment contribution to turnover and profit before tax for the current financial year is presented below. Further details are included in note 6 of the financial statements.

Revenue by segment



Revenue contribution continues to be dominated by our Wholesale cash and carry and Retail stores under the Trading-Consumer Goods segment. Trading-Others, which largely consists of our motor dealerships (MAN, Honda and Tata), contributed just below 8% of Group turnover. Our manufacturing businesses contributed 7% to Group turnover but made a larger contribution to profit before

tax (PBT) (refer below).

PBT by segment



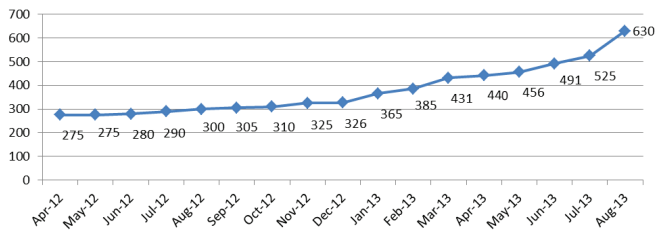
Trading-Consumer Goods contributed 59% to Group PBT. Trading Others amounts to just over 10% of this year's performance and the Manufacturing segment contributed 14% of PBT.

Over the last 5 years, we have moved away from investments in associates and replaced these with either wholly owned or majority owned subsidiaries where we considered there to be increased value in doing so.

Other comprehensive income, which predominantly includes property revaluation surpluses on self-occupied properties, has consistently provided a very positive contribution to overall Group results since 2010. In the current year we have seen a tapering off of property gains as the market adjusts to new developments in and around the Gaborone area.

Basic earnings per share of 61.50 thebe is 35% up on the prior year and 79% up since 2009. Dividend per share for the year amounted to 29.0 thebe compared to 28.0 thebe in the previous year. Our dividend payout percentage for the current year has therefore fallen as we intend to utilise some of the surplus cash to progress property developments which we anticipate will yield further shareholder value going forward. Shareholders have however, achieved a 60% increase in share price since the start of the financial year and a further 69% increase by 30 August 2013. We have highlighted to the market that we consider our share price to be undervalued and welcome this level of growth as confidence in our business grows with investors. The graph below illustrates the share price movements since April 2012.

Share price (thebe)



Financial position and funding

Overall our financial position remains strong with a net asset value of P590 million, up 15% on the prior year. Our asset ratio (defined as the relationship between total assets and total liabilities) was 2.53 at the year-end compared to 2.16 at the start of the year as the asset base out grows the Group's liabilities.

The capital structure of the Group remains broadly similar to the previous year with relatively little debt. Loans and borrowings amounted to P63 million at both the start and the end of the financial year.

Cash and cash equivalents of P176 million will continue to support the on-going working capital requirements of the Group along with the funding of most of our new store openings scheduled for the ensuing year. Some capital projects in property development are anticipated over the coming years and funding for these projects will be through a combination of internal and external sources. The Group has secured facilities for these developments at competitive rates thereby maximising return for our shareholders.

Future prospects

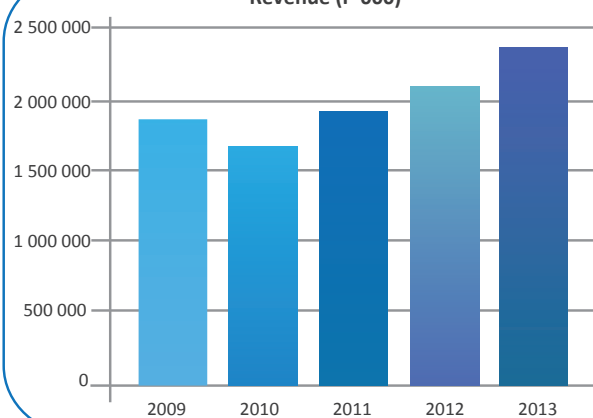
We continue to remain optimistic about the future. We have managed to perform exceptionally well to date despite the challenges in the market place. Our strong financial position is expected to help us continue to grow and we look forward to another strong performance for 2014.

Mohamed Osman
Deputy Group Finance Director

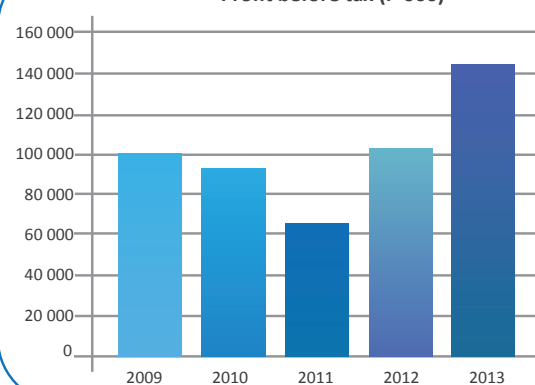


Five Year Highlights

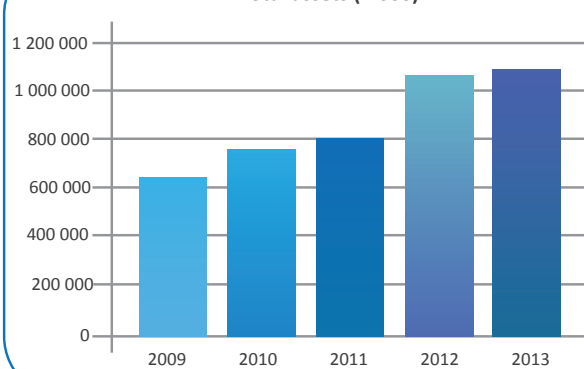
Revenue (P'000)



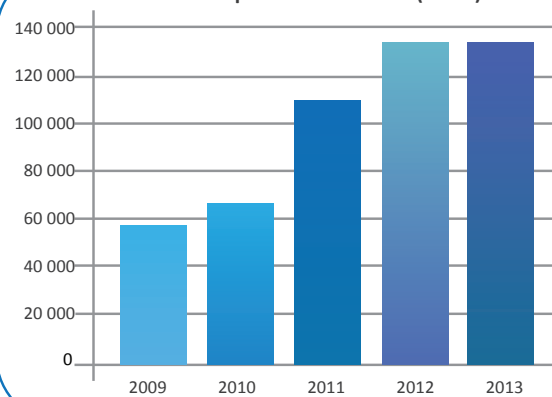
Profit before tax (P'000)



Total assets (P'000)



Total comprehensive income (P'000)



	30 April 2013 P'000	30 April 2012 P'000	30 April 2011 P'000 *(restated)	30 April 2010 P'000	30 April 2009 P'000
Comprehensive Income					
Revenue	2 350 399	2 103 634	1 902 194	1 709 950	1 875 500
Profit from operations	147 004	108 564	68 811	93 766	100 497
Share of results from associates		181	(437)	(3 836)	(2 669)
Income tax expense	(26 787)	(21 888)	(18 972)	(21 064)	(25 253)
Profit for the year	120 217	86 857	49 402	68 866	72 575
Other comprehensive income	16 524	49 965	68 790	10 116	
Non-controlling interests	(7 507)	(7 607)	(4 003)	(15 193)	(15 688)
Total comprehensive income for the year attributable to equity holders of the parent	129 234	129 215	114 189	63 789	56 887
Earnings per share (thebe)	61.50	45.42	26.49	34.39	34.34
Total comprehensive income per share (thebe)	69.73	70.02	64.39	38.51	34.34
Dividends per share (thebe)	29.00	28.00	15.50		20.00

	30 April 2013 P'000	30 April 2012 P'000	30 April 2011 P'000 *(restated)	30 April 2010 P'000	30 April 2009 P'000
Financial position					
Property, plant and equipment	322 969	319 277	283 731	180 921	161 701
Investment property	132 281	108 261	72 052	57 829	39 968
Intangible assets	28 414	26 349	25 803	25 673	28 290
Leasehold rights	2 221	2 962	3 703	3 008	
Investment in associate		4 921	5 599	6 420	7 510
Property development loans	435	640	818	972	1 105
Deferred rental	2 388	2 241	1 775	1 400	916
Deferred tax assets	8 067	3 770	8 529	12 402	11 770
Retirement benefit surplus	16 493	18 731	21 512	23 601	
Current assets	527 933	544 442	391 028	470 416	427 484
Current liabilities	(333 373)	(397 509)	(308 122)	(389 545)	(351 517)
Non-current liabilities	(78 029)	(80 957)	(69 973)	(56 101)	(53 895)
Non-controlling interests	(39 565)	(40 073)	(31 397)	(54 898)	(6 445)
Equity attributable to equity holders of the parent	590 234	513 055	405 058	282 098	226 887

*Restated to comply with the requirements of International Financial Reporting Standard IAS 19 and early adoption of amendments to IAS 12.



SEFALANA ANNUAL FINANCIAL STATEMENTS 2013