**Commentary**

**Basis of preparation and accounting policies**

The abridged consolidated financial results of Sefalana Holding Company Limited and its subsidiaries (“Sefalana” / the “Group”) are extracted from the audited Group financial statements that have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the Botswana Companies Act, 2003, under the historical cost convention except for the revaluation of certain non-current assets being land and buildings and investment properties which are carried at fair value. The accounting policies applied in the preparation of the audited annual financial statements for the year ended 30 April 2013, are consistent with those applied in the previous year.

**Financial results of the Group**

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, 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 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 which is expected to ultimately further enhance shareholder value.

We are 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 P147.6 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.

**Segmental reporting**

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

**Review of operations**

**Trading - Consumer goods**

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 Nkawane. There are
The YeAr ended 30 April 2013

And

Audited Group Financial results For

Per share (thebe)

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ZAMBIA

Mechanised Farming (Pty) Limited (“MFL”) also

performance to date.

our three brands (MAN, Tata and Honda), has

increased focus on, and market awareness of,

(4.75 times) increase in profit before tax for the

preceding year. These deals have contributed to

secured a number of deals during the start of

this year, we are now actively looking

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.

Trading - others

At the April 2012 year end, we reported that

Commercial Motors (Pty) Limited ("CML") had

secured a number of deals during the start of the

current financial year. This was despite
difficult market conditions and cut-backs in

Government spending noted during the preceeding

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 CMS operations and performance resulting in its best ever performance to date.

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.

Manufacturing

At the half year, we confirmed that Foods

Botswana (Pty) Limited ("FB") had formally

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 FB’s best ever year too.

During the year, Selafana progressed discussions with a potential strategic partner having significant regional expertise in the manufacture of soaps and detergents products. This entity will join Kgalaagadi Soaps Industries (Pty) Limited ("KSI") as a joint venture partner in the new financial year. We continue to be optimistic of 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 7.5% during 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

Selafana 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 Selafana share price has steadily increased from P 2.75 at 1 May 2012 to P 4.40 at 30 April 2013 and to its current price of P 5.21. We strongly believe that our share price is trading at a significant discount.

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

Directors

On 19 July 2013, Mr Venket Iyer resigned from the Board and as Group Financial Director to pursue other interests. We 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 Selafana 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 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.

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

By order of the Board

DN Moroka (Chairman)

(DN Moroka)

(Chairman) (Group Managing Director)

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