Sechaba Brewery Holdings Limited

Annual Report 2012

SBHL

An affiliate of SABMiller plc

General Information

Administration
Sechaba Brewery Holdings Limited
(company registration number 5271)

Postal Address
P O Box 631
Gaborone, Botswana

Registered Office
Plot 20768, Kubu Road
Broadhurst Industrial Estate
Gaborone, Botswana
Telephone: +267 395 3619
Facsimile: +267 390 1447

Transfer Secretaries
DPS Consulting Services (Pty) Ltd
Plot 50371, Fairground Office Park
P O Box 294
Gaborone, Botswana
Telephone: +267 395 2011

External Auditor
PricewaterhouseCoopers
Plot 50371, Fairground Office Park
P O Box 294
Gaborone, Botswana
Telephone: +267 395 2011

We understand that our own interests and those of the wider community are interwoven.

Our business is at one and the same time an employer, a customer, a supplier and a taxpayer and our commercial success depends on the health and well-being of the communities in which we operate.

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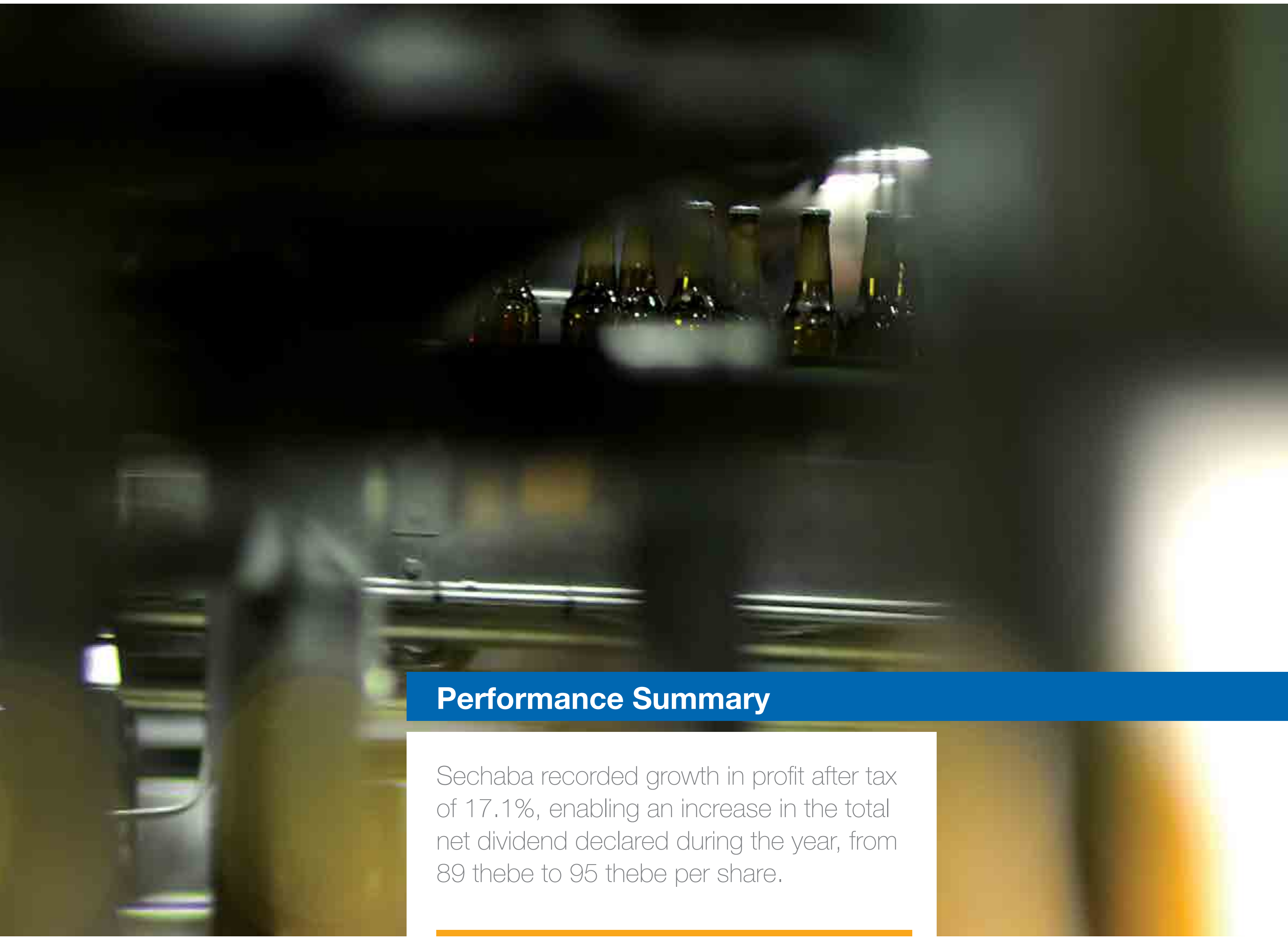


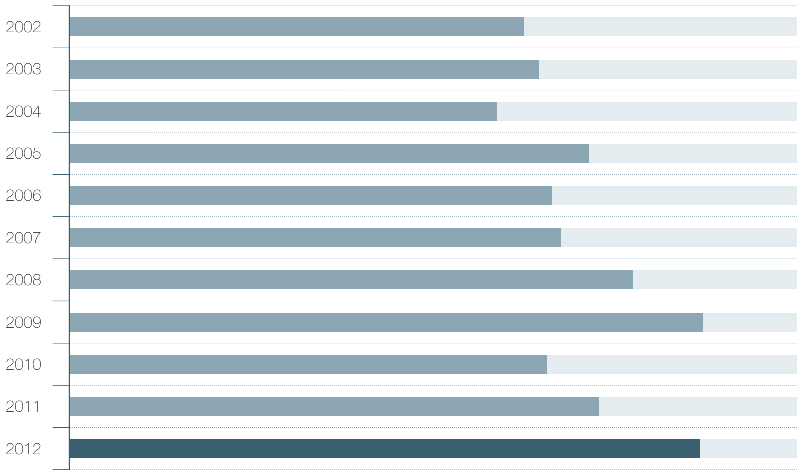
Performance Summary

Sechaba recorded growth in profit after tax of 17.1%, enabling an increase in the total net dividend declared during the year, from 89 thebe to 95 thebe per share.

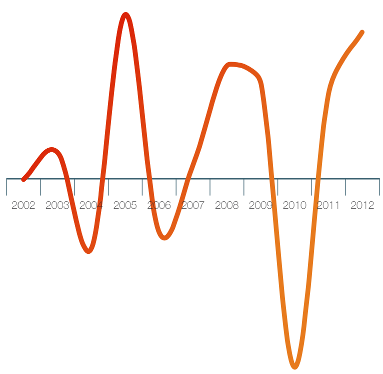
Performance Summary

for the year ended 31 March 2012

Earnings Per Share (thebe)*



Growth %



Turnover

+22.6%

to P1,565 million | (P1,276 million: 2011)

Profit Before Tax

+17.6%

to P335 million | (P285 million: 2011)

Operating Profit

+16.7%

to P343 million | (P294 million: 2011)

Total Net Dividend

+6.7%

to 95 thebe | (89 thebe: 2011)

Profit After Tax

+17.1%

to P281 million | (P240 million: 2011)

Highlights on consolidated basis*

	Year ended 31/03/2012 P'000	Year ended 31/03/2011 P'000	Change
Turnover	1,565,116	1,276,485	22.6%
Gross profit	622,249	523,642	18.8%
Operating profit	343,221	293,989	16.7%
Profit before tax	335,038	284,914	17.6%
Profit after tax	280,642	239,679	17.1%
Total net dividend per share (thebe)	95	89	6.7%

*Unaudited

Earnings Per Share (thebe)*

Year ended **March**	EPS* **(thebe)**
2002	87.5
2003	90.5
2004	82.3
2005	99.9
2006	92.9
2007	94.5
2008	108.4
2009	122.0
2010	92.0
2011	101.7
2012	121.5

Company Profile

Sechaba Brewery Holdings Limited (SBHL) (incorporated in Botswana) is an investment company with interests in Kgalagadi Breweries (Pty) Limited (KBL) and Botswana Breweries (Pty) Limited (BBL).

Sechaba Brewery Holdings Limited has a 60% shareholding in the two companies while SABMiller Botswana B.V. holds 40%. One of the world's largest brewers, SABMiller Plc, has management control in both operating companies.

Both BBL and KBL benefit considerably from SABMiller's insight and experience with regard to management, technical, brand building and distribution expertise.

The two operating companies employ about 1000 people throughout the country.

They operate four traditional beer breweries, a clear beer brewery, a sparkling soft drinks production plant and six sales and distribution depots.

40% SABMiller Botswana BV

60% Sechaba Brewery Holdings Limited

40% SABMiller Botswana BV

60% Sechaba Brewery Holdings Limited

Our Vision and Mission Statements

Our Vision

To be the most admired Company in the global beer industry

- Partner of choice
- Investment of choice
- Employer of choice

Our Mission

To own and nurture local and international brands that are the consumer's first choice

Our Values and Group Behaviours

Our Values

Our people are our enduring advantage

- the calibre and commitment of our people set us apart
- we value and encourage diversity
- we select and develop people for the long term
- performance is what counts

Accountability is clear and personal

- we favour decentralised management and a practical maximum of local autonomy
- goals and objectives are aligned and clearly articulated
- we prize both intellectual rigour and emotional engagement
- we are honest about performance
- we require and enable self-management

We work and win in teams

- we actively develop and share knowledge within the group
- we consciously balance local and group interests
- we foster trust and integrity in internal relations
- we encourage camaraderie and a sense of fun

Our Group Behaviours

We understand and respect our customers and consumers

- we are endlessly concerned with our customers' needs and perceptions
- we build lasting relationships based on trust
- we aspire to offer the preferred choices of product and service
- we innovate and lead in a changing world

Our reputation is indivisible

- our reputation relies on the actions and statements of every employee
- we build our reputation for the long term
- we are fair and ethical in all our dealings
- we benefit the local communities in which we operate

Board of Directors

E W Komanyane
Non-Executive Director
Chairman

J Kamyuka
Non-Executive Director

S Ditshupo
Non-Executive Director

L J Matsela
Executive Director
Managing Director

1. **Mr E W Komanyane**
   Non-Executive Director
   Chairman
   Appointed to the Board
   on 15 August 1989

   Other Directorships
   Goodwill Supermarket (Pty) Ltd
   EWB Property Investment (Pty) Ltd
   Matlakana Property
   Investments (Pty) Ltd
   Kgalagadi Breweries (Pty) Ltd
   Botswana Breweries (Pty) Ltd
   Pame Building Construction (Pty) Ltd

2. **Mr J Kamyuka**
   Non-Executive Director
   Bcomm, FCMA, FCA (Bots)
   Appointed to the Board on 20
   November 2000

   Other Directorships
   Residential Holdings (Pty) Ltd
   Phakalane Property
   Development (Pty) Ltd
   Botswana International
   Financial Services Centre
   Botswana Building Society
   Letlole La Rona Limited
   Botswana Privatisation
   Asset Holdings (Pty) Ltd

3. **Mrs S Ditshupo**
   Non-Executive Director
   BA Econ/Acc, Msc Economics
   Appointed to the Board
   on 2 March 2010

   Other Directorships
   Malutu Enterprises (Pty) Ltd
   Can Manufacturers (Pty) Ltd
   Western Industrial Estates (Pty) Ltd
   Action for Economic
   Empowerment Trust
   Lobatse Clay Works (Pty) Ltd
   Fairgrounds Holdings (Pty) Ltd
   Women of Finance House
   Botswana Breweries (Pty) Ltd
   Kgalagadi Breweries (Pty) Ltd

4. **Mr L J Matsela**
   Executive Director
   Managing Director
   Bsc Biology & Chemistry
   Associate of Institute of Brewing
   Appointed to the Board
   on 3 March 2009

   Other Directorships
   Kgalagadi Breweries (Pty) Ltd
   Botswana Breweries (Pty) Ltd
   Maluti Mountain Brewery (Pty) Ltd
   Swaziland Beverages Limited
   Kgalagadi Beverages Trust

Chairman's Statement

Sechaba's financial performance has registered an improvement against prior year. The Group's turnover grew by 22.6% ahead of volume growth due to the alcohol levy being included from 1st December 2010, prior to which the levy had been treated like sales tax and was not included in group turnover.

Profit after tax

17.1% compared to 2011

Sechaba recorded growth in profit after tax of 17.1%, enabling an increase in the total net dividend declared during the year, from 89 thebe to 95 thebe per share.

Dear Shareholder

Although our business continues to be faced with a variety of stern challenges, I am pleased to be able to report that this has been a relatively good year for Sechaba Brewery Holdings Limited.

Global economic conditions remain unsteady, with a number of significant developments impacting both positively and negatively on the local business environment. Despite the immediate crisis in the Euro zone arising from the Greek debt situation having been resolved for the present, deep concerns remain about the stability of other European economies, notably Spain, Italy and Portugal, leaving the Euro zone in very uncertain waters. While growth performance in the USA and Japan has shown improvement, China, the largest emerging economy, is experiencing a slowdown after its meteoric growth of the last decade. Oil prices have continued to rise and are likely to continue to do so amid ongoing political tensions in the Middle East, and this is liable to impact negatively on global economic activity.

On the positive side for Botswana, the international diamond market has begun to show some signs of recovery from the poor performance of the last three years. Botswana's economy appears relatively strong and more resilient than that of Europe. Domestic GDP grew by 5.1% to September 2011, and predictions are that this will rise to around 6% by the end of the first quarter of 2012. Since 2006 the mining sector has contracted while the non-mining private sector has shown steady growth at 8.1%, with the result that in 2011 the output of the non-mining private sector was 70% larger than that of mining, suggesting that over the last five years the government's efforts at promoting economic diversification have borne some fruit. Inflation has continued to decline and is predicted to fall to around 6% by the fourth quarter of 2012.

Economic growth in 2012 is likely to be around 4.5%, driven largely by a predicted improved growth rate in mining, while growth in the non-mining private sector is likely to slow down in the wake of the winding down of a number of large infrastructural projects, notably the Morupule B power station and Jwaneng Cut 8, and, given the budgetary restraints, minimal growth in the output of the government sector.

The relocation of the DTCI from London to Gaborone is a welcome development that will lead to increased opportunities for the already significant local cutting and polishing industry which is expected to continue to expand. Already, employment in diamond cutting and polishing is almost as much as in diamond mining. There are emerging opportunities for local entrepreneurs in joint venture operations entering the industry, and also for local support services, such as supply of spare parts, maintenance of machinery and equipment, cleaning services, IT and communications services, etc. There may also be spin-off benefits for other sectors, such as Botswana's tourism industry. As the diamond cluster grows, it will be increasingly important for the diamond industry to have services provided in Gaborone rather than being reliant on imported services, thus providing commensurate opportunities for local businesses.

The 40% alcohol levy and the impending traditional beer regulations – due to come into force on 1st July 2012 - remain our greatest challenges. The alcohol levy continues to impact negatively on sales volumes; however the revised levy calculation method which came into effect in November 2011, and saw the levy increased from 30% to 40%, has removed the unfair competitive advantage that previously had been enjoyed by importers of alcoholic beverages under the old calculation regime as a result of which the Company had given up some of its market share. The effect of the levy on the Company's performance cannot be taken lightly, and though sales volumes at Kgalagadi Breweries (Pty) Ltd increased by 8.6% during the financial year, much of this was due to exceptional performance by some of the Non-Alcoholic Brands (NAB), though some recovery growth occurred in the clear beer category, where volumes remain far below pre-levy levels. Botswana Breweries (Pty) Ltd saw sales volumes increase by 5% over prior year.

Chairman's Statement (continued)

Sechaba's financial performance has registered an improvement against prior year. The Group's turnover grew by 22.6% ahead of volume growth due to the alcohol levy being included from 1st December 2010, prior to which the levy had been treated like sales tax and was not included in group turnover. Turnover and gross profit both increased by 14% in the second half of the year, and gross profit finished the year 18.8% up on 2011. Increased distribution costs due to high sales on non-returnable glass bottle packs negatively affected gross profit for the year.

Overall, Sechaba recorded growth in profit after tax of 17.1%, enabling an increase in the total net dividend declared during the year, from 89 thebe to 95 thebe per share.

Achieving our vision

We at Sechaba Brewery holdings regard sustainable development as core to the successful execution of our business vision. Our approach to all aspects of our business is guided by the Ten Priorities for our One Future - Ten Priorities. One Future. These articulate the key issues for our business, our employees and external stakeholders; and focus the business on the main environmental, social and economic risks and opportunities that we face. They provide firm and consistent principles that management uses as the basis for integrating sustainable development into business strategy, planning and decision-making.

We have a clear and well-embedded approach that is delivering tangible benefits for our business and the communities in which we work. We integrate sustainable development into the day-to-day management of our business and understand that our long-term profitability depends on being part of a successful economy where jobs are created, incomes increase and the quality of life for our communities improves.

Sechaba Brewery Holdings Limited prides itself in its uncompromising commitment to the highest standards of corporate governance. The Board of Directors ensures that matters reserved for its attention, including the approval of budgets and profit forecasts, annual financial statements and capital expenditure budgets, are comprehensively dealt with at each meeting. The Board's functions are augmented by the activities of various Board committees, each with its own terms of reference, including the Group Finance and Audit Committee and the Nominations Committee.

Both KBL and BBL have adopted the Ethics Policy to guide the behaviour and conduct of their employees. The policy encourages employees to conduct themselves in an ethical manner at all times. Both KBL and BBL subscribe to high levels of legal compliance, and in this regard, policies and procedures are continuously reviewed and updated to align them with best practices.

Sechaba Brewery Holdings continues to support any efforts directed at combating the irresponsible consumption of alcohol. However, the Company still maintains that the implementation and the sustained increase in the alcohol levy is not the right solution and that this is not only bad for business, but has unwanted social consequences, such as the proliferation of unrecorded home-brews and other cheap substitutes. For this reason we still hold that targeted interventions present the best possible way to deal with alcohol related problems.

I am happy to report that the business continues to operate well despite the challenging times. I am proud and immensely pleased to congratulate all KBL and BBL employees on a job well done in the past year. Your hard work and dedication has once again delivered a satisfactory set of results. The board and management of Sechaba Brewery Holdings commit to you our continued support and know that we can count on you to continue delivering your best. I extend to you our heartfelt thanks.

We operate our business in a dynamic and challenging market, and despite the difficulties we face I am confident that our company is in very capable hands and is well placed to face the conditions in the year ahead. I can assure our shareholders that we have confidence that our business model can withstand the most daunting of challenges, and that Sechaba Brewery Holdings Limited will continue to prosper.

Finally, I wish to express my gratitude to the management and board of directors for the exceptional strategic direction they continue to provide and for their commitment to our long-term value growth.

Best regards,

E. W. Komanyane
Chairman


AWARD WINNER
MORE REWARD
Label
AWARD WINNER

Managing Director's Report

The Source bottled water brand continued to show strong growth, with volumes increasing by 25% on prior year, while Mooka Mageu, now in a rejuvenated pack, recorded growth of 8%.

Sechaba's Turnover grew by

22.6% compared to 2011

Gross profit for the year increased by 18.8%. This growth has largely been due to improved volumes and continued improvements in operational efficiencies.

Dear Shareholder

Despite the continuing difficulties brought about by the alcohol levy and associated restrictions on trading in alcoholic beverages, combined with the effects of a slow economic recovery, the performance of Sechaba Brewery Holdings Limited has continued to improve and show positive results.

Overall alcoholic beverage sales volumes at Kgalagadi Breweries (Pty) Ltd increased by 8.6%, whilst at Botswana Breweries (Pty) Ltd, opaque beer volumes increased by 5.0% during the financial year. Clear beer sales volumes began to show the positive effects of the 'level playing field' brought about by the revised calculation method. The even-handed application of the levy, which was applied in the third quarter of 2011, has allowed the Company to begin reversing the market share gains achieved by the competition during the 25-month period during which importers enjoyed an unfair advantage under the inequitable application of the original levy.

Volumes of Chibuku slowed during the second half of the year as uncertainty amongst vendors in the face of the impending enforcement of the traditional beer regulations took its toll on distributor confidence, with a number looking for alternative income generating opportunities.

Not all brands showed positive growth however and Baron's and Sarita in the Alcoholic Flavoured Beverages (AFB) category were affected negatively by supply issues.

Non-alcoholic products at both companies continued to show pleasing increases, with the juice category recording growth of 101% on the back of the very popular Minute Maid juice and nectar products. The Source bottled water brand continued to show strong growth, with volumes increasing by 25% on prior year, while Mooka Mageu, now in a rejuvenated pack, recorded growth of 8%. The Bonaqua brand was weaker on the back of supply problems.

In June 2011 BBL launched the Phafana brand, a premium opaque beer offering targeted at current non-consumers of Chibuku who prefer to drink in the formal channel rather than the entrenched and price-driven Chibuku market.

Financial Performance

Sechaba Brewery Holdings Limited
Consolidated performance summary

	Year ended 31/03/2012 (P'000)	Year ended 31/03/2011 (P'000)	% Change
Turnover	1,565,116	1,276,485	22.6%
Gross profit	622,249	523,642	18.8%
Operating profit	343,221	293,989	16.7%
Profit before tax	335,038	284,914	17.6%
Profit after tax	280,642	239,679	17.1%
Total net dividend per share (thebe)	**95**	**89**	**6.7%**

Overall financial performance has shown a satisfactory improvement against prior year. Revenue grew in line with pricing despite some negative mix especially in clear beer and sparkling soft drink economy packs, and the smaller margins associated with the growing returnable glass bottle offerings. Sechaba's turnover grew by 22.6% compared to 2011, and gross profit for the year increased by 18.8%. This growth has largely been due to improved volumes and continued improvements in operational efficiencies. Operating profit dropped off in the second half of the year due to cycling of the levy equalisation.

Managing Director's Report (continued)

The Chibuku Beer Gardens Programme targets those outlets that are ready for licensing as well as preparing existing Chibuku depots for licensing once the regulations are promulgated.

Thus far five beer gardens have been developed, with more on the way. The programme seeks to make Chibuku available in what have previously been clear beer outlets, and to take advantage of existing licensed premises with suitable outdoor space.

Costs were negatively impacted by increased fuel and commodity prices, though this was mitigated to an extent by prudent advance buying to hedge against pricing risks. Continued unreliable electrical power supplies led to increased power generation costs, and the high sales of returnable glass bottles, with the associated increased distribution costs, also affected operating profit for the year. Profit after tax (PAT) increased to 17.1% - a very creditable result given the circumstances.

The net dividend per share increased by 6.7% over prior year, a lower increase than suggested by the PAT growth. This is due to moves to strengthen the balance sheet by paying off some debt - a P60m bond is being paid off progressively; and to finance some internal capital expenditure items in anticipation of headwinds on the regulatory front. However, total earnings increased from 101.7 to 121.5 thebe per share, influenced by the reduction of withholding tax on dividends from 15% to 7.5%.

In response to the government's notice of its intention to apply the regulations governing the sale of traditional beer with effect from 1st July 2012, abolishing in-home sale and consumption of Chibuku, Botswana Breweries (Pty) Ltd (BBL) continues to invest in strategies intended to create a new route to market in the licensed trade. Key amongst these is the Chibuku Outlet Development Program where designated Chibuku outlets will begin to operate under the new traditional beer regulations.

This move is essential to ensure sustenance of BBL's business, to promote responsible trading and to complement the government's efforts to regulate the sale of traditional beer. Trade formalisation has been pursued in the area of licensing depots ahead of the end of June 2012 deadline, though in relatively low numbers. The four brewery areas of Palapye, Gaborone, Francistown and Lobatse have collectively managed to facilitate the licensing of 173 depots nationwide - regrettably but a small proportion of the numbers of depots in existence.

The Chibuku Beer Gardens Programme targets those outlets that are ready for licensing as well as preparing existing Chibuku depots for licensing once the regulations are promulgated. Thus far five beer gardens have been developed, with more on the way. The programme seeks to make Chibuku available in what have previously been clear beer outlets, and to take advantage of existing licensed premises with suitable outdoor space.

Despite energetic efforts on the part of the Company and individual distributors, the smooth development of retail outlets has floundered on red tape and implementation obstacles involving land acquisition, zoning and licensing issues. Furthermore, it would appear that the regulations are not fully understood by officials on the ground, with severe implications for the Company and those who have depended on the sale of Chibuku for their livelihood. Retailers continue to face additional trading challenges emanating from diverse interpretations of the regulations by local authorities, as Dikgosi in some villages have decreed operating hours that are much shorter than the already limited periods stipulated in the regulations, further undermining the viability of the retail operations in those districts.

The impending enforcement of the regulations poses the biggest threat to the wellbeing and future survival of Botswana Breweries (Pty) Ltd. The company is also aware that the groups worst affected by the regulations are often both unsophisticated and vulnerable. BBL has earmarked P10m to be spent cushioning the effects of the regulations on retailers and assisting in the process of identifying and acquiring suitable commercial premises. This will be the largest CSI initiative in the company's history.

Management has continued to lobby government to afford the industry more time so as to be able to facilitate a seamless relocation of home sale business to commercially zoned areas, thereby minimising disruption to both the Chibuku business and the retailers who depend for their livelihood on its sale. The apparent disconnect between policy formulation and its practical implementation, particularly at council and land board level, is cause for concern and has featured prominently in our submissions to the authorities.

Sustainable development is central to our successful business model. Our approach delivers tangible benefits for our business and the communities in which we work. Sustainable development is integral to the day to day management of our business.

We understand that our long-term profitability depends on being part of a successful economy where jobs are created, incomes increase and the quality of life for our communities improves. It therefore is essential for us to be an integral and involved member of society, as an employer, a customer, a supplier and a taxpayer. Our activities provide high-quality products that society wants and enjoys. As long as our market is free and competitive, our business will succeed if we manage our relationships well, use resources efficiently and meet the needs of our consumers and the communities in which we operate. This robust approach to sustainable development underpins both our ability to grow and our licence to operate.

Our approach to sustainable development is based on 10 priorities that we call Ten Priorities for our One Future - Ten Priorities. One Future. These priorities include discouraging irresponsible drinking, maximising operational efficiencies in our water and energy usage, encouraging reuse and recycling of our packaging as well as working towards zero-waste operations. On the social development side they encompass encouraging enterprise development in our value chains, benefiting communities through mutually beneficial engagement, contributing to the reduction of HIV/AIDS and proactively respecting human rights. Through our Ethics Policy we ensure that we conduct our business in a transparent and ethical manner and promote best practice in our policies and procedures.

The KBL and BBL CSI strategy is driven by the Kgalagadi Beverages Trust (KBT) and reflects the Group's strategic themes of benefiting communities and encouraging enterprise development; and at least 80% of the CSI spend is focused in these areas. Our CSI projects are independently evaluated, providing an unbiased appraisal of their effectiveness against specific targets and positive impact on society. As a result of this level of commitment, Kgalagadi Beverages Trust, KBL and BBL are recognised by external stakeholders as national leaders in CSI.

Community and stakeholder interests have remained very much part of how the companies do business and we have continued to embark on initiatives that have brought benefit to the lives of Batswana. The KickStart programme in the year under review has awarded 3 more young people grant money to start and expand their businesses, handing over start-up capital to a total of P273,000.

Managing Director's Report (continued)

Building linkages with local suppliers and enhancing their capabilities to deliver is another means by which we seek to empower local business people to benefit from a relationship with us.

Project Thusanang is one of the ways through which we are making strides in our efforts to source raw materials from local farmers.

To date KickStart has become the flagship programme under the breweries Corporate Social Investment portfolio and is the leading youth entrepreneurial development initiative by a private sector entity in Botswana.

Building linkages with local suppliers and enhancing their capabilities to deliver is another means by which we seek to empower local business people to benefit from a relationship with us. Project Thusanang is one of the ways through which we are making strides in our efforts to source raw materials from local farmers. Our support of local farmers has increased significantly, and Project Thusanang is set to empower local small-scale subsistence farmers by forging mutually beneficial relationships in promoting the local sourcing of bitter sorghum for use in the production of Chibuku. The pilot project was initiated at Mmalore farms in the first year and following some promising results was expanded to include a cluster at Tswagare Farms and one in Leshibitse prior to the last ploughing season. To date the pilot phase of the project has yielded good results as all the farmers contracted during this phase were able to realise significant yields with the exception of the Leshibitse cluster which was negatively affected by poor and sporadic rainfall coupled with sustained hot spells. More importantly, the project has significantly benefited the participating subsistence farmers by enhancing land productivity and focusing on scientific farming methods. Through their participation, the farmers have embraced farming methods that demand continuous monitoring and record keeping; a development that has improved the way they approach farming.

Our Supplier Guiding Principles Policy covers key areas regarding compliance to Botswana laws and regulations, safety, health and the environment, business conduct and ethics as well as compulsory membership of our supplier partnership program that seeks to achieve improvements in quality, cost efficiency and service levels. This policy applies to all KBL suppliers and service providers and provides a framework governing the appropriate conduct of our suppliers. This initiative will be extended to BBL suppliers in the medium term. The principle applies equally to our partners in the Company's enterprise development programme, through which our distribution function is outsourced to former employees and other Batswana business people, thus furthering the national agenda of citizen economic empowerment.

This enterprise development programme has so far yielded great success for all parties concerned. It has allowed us to focus on our core business, helping us achieve better efficiencies by concentrating on what we know best, while on the other hand it has given an excellent opportunity to Batswana entrepreneurs who now own transport and distribution companies and form part of our distribution network.

'Our employees are our enduring advantage'. This phrase is one of our anchor values and we mean it to the letter. Our commitment to employee wellbeing is evidenced by our proactive response to the HIV/AIDS scourge and other life threatening diseases like hypertension, cancer and a number of other ailments. KBL and BBL both have an in-house Life-Threatening Disease (LTD) Policy founded on the principles of non-discrimination, confidentiality and support. This policy provides assistance to employees who are HIV positive. Project Tshelang provides medical care and treatment to those affected by any of the diseases under this programme, also benefitting spouses or partners and up to three dependents of KBL or BBL employees.

Our sites continue to receive accolades and high ratings in health and safety standards. A safe workplace is a top priority for the Company as we strive to ensure that the working environment does not pose any risk to our employees. Health and hygiene similarly are a critical element of food and beverage production. For this reason we have put measures in place to safeguard public health, both in the products we sell and the way in which we dispose of our waste. The companies are proud to be compliant with the most highly recognised standards including the Hazard Analysis & Critical Control Points (HACCP) certification.

We continue to be committed to minimising the environmental impact of our operations on the neighbourhoods and communities within which we operate and encourage the sustainable use of natural resources by promoting the recycling of materials, reduction of waste, and prevention of pollution. The Company endeavours to safeguard all personnel that enter our premises, and the public, against all risks to health and safety, from all operations associated with our business. The Group strives to continually improve its health and safety and environmental standards through facilitating full compliance with all Environment, Occupational, Safety & Health Policy (EOSH) laws. Environmental, health and safety practices are effectively integrated into day-to-day business operations and each member of staff is held accountable as part of his or her conditions of employment. The business continually strives for zero accidents and incidents, and all employees are continuously trained on the requirements of the EOSH programme. These approaches empower the group to self-regulate its EOSH programme with regular audits, documentation of findings and corrective actions.

The Company sets a high standards on effective risk management. Risk is managed through the Group Finance and Audit Committee which regularly reviews the risk register in which all key operational and financial risks affecting the business are recorded. The risk register is a dynamic document: new risks, if and when identified, are added to the register while others fall away over a period of time. Current risks include, but are not limited to, the regulatory and legal framework, currency, HIV/AIDS, safety and environment, skills availability and intermittent electricity supply.

We anticipate that the regulatory landscape will continue to pose enormous challenges to our operations, but despite the very difficult business climate and the diverse obstacles that we face as a Company, I am confident that the year ahead will continue to bring out the best in our employees and management team. Through persistent commitment to our principles of sustainable development, through dedication and hard work, I am sure that the Company will demonstrate the robustness of its business model, and deliver continued success.

Hloni Matsela
Group Managing Director

Corporate Governance Report

The Directors provide guidance, leadership and strategic oversight to create a control environment for the business that will enhance Shareholder value.

Corporate Governance Report

1. The Directors' Report on Corporate Governance

The Directors provide guidance, leadership and strategic oversight to create a control environment for the business that will enhance shareholder value. Board members are individually and collectively aware of their responsibilities to the Company's various stakeholders by upholding principles of integrity, discipline, independence, fairness, responsibility and transparency.

2. Statement of Compliance

Sechaba Brewery Holdings Limited and its subsidiary companies, Kgalagadi Breweries (Pty) Limited and Botswana Breweries (Pty) Limited, observe the highest standards of corporate governance. This is founded on the Board's continuous reference to guiding codes and a legal framework such as the King Code of Corporate Practices (King III), the Companies Act and the Articles of Association.

3. Board of Directors: Composition and Independence

The Board currently consists of the Chairman, Mr E W Komanyane, Mr L J Matsela (Executive Director) and two Non-Executive Directors, Ms S Ditshupo, and Mr J N Kamyuka.

The size and composition of the Board is determined by the Company's Articles of Association which stipulates that there should be not more than twelve and not fewer than four Directors. The Board, at all times, strives to maintain a balance of skills and independence.

4. The Functioning of the Board

4.1. Board meetings and attendance

During the year under review, the Board met for all its scheduled meetings.

The attendance register is shown below.

Brian Mphotho
Group Company Secretary
HNDA, ACIS

4.2. Matters reserved for the Board

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

Various Board committees, each with written terms of reference, have been set up to carry out specific responsibilities. These committees report on their progress at Board meetings.

Director	Board 20 May 2011	Board 15 Nov 2011	Board Jan 2012	Board 28 Feb 2012
Edward W. Komanyane	✓	✓	✓	✓
Sametsi Ditshupo	✓	✓	✓	✓
James N. Kamyuka	✓	✓	—	—
Lehlohonolo J. Matsela	✓	✓	✓	✓

Corporate Governance Report (continued)

4. The Functioning of the Board (continued)

4.3. Information and training

Members of the Board and its committees are provided with full and timely information, including detailed financial analyses and reports, well in advance of meetings to enable them to discharge their responsibilities diligently.

An induction programme has been implemented to familiarise incoming Directors with their responsibilities. Directors receive an information pack containing the Board's constitutional documents, minutes of recent meetings and other relevant material. They also visit major production sites as part of their induction. Members of the Board and its committees are encouraged to attend courses and briefings for continuous development and to also keep abreast with developments globally.

4.4. Retirement of Directors

In terms of the Articles of Association of the Company, the longest serving one-third of Directors is subject to retirement and re-election by shareholders. New Directors are eligible for election at the first annual general meeting following their appointment.

4.5 Directors fees

Total remuneration paid to Board members in the year under review is tabulated below:

4.6 Directors' declaration of interests

Directors have to declare their interests at every meeting throughout the year. The chairman leads the process and encourages the members to declare their interests. A file of these declarations remains open for inspection by all members during the meeting.

4.7 Company Secretary

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

5. Board Committees

The following Board committees report to the Board:

5.1 The Group Finance and Audit Committee

The Group Finance and Audit Committee consists of four Independent Non-Executive Directors and one Group Non-Executive member, who is also a Director of the two subsidiaries, Kgalagadi Breweries (Pty) Ltd and Botswana Breweries (Pty) Ltd. The four independent nonexecutive members, Mr J Kamyuka, Mr I Nthomola, and Mr R Matthews, enhance the independence and the balance of the committee. Mr Brian Hirsch chaired the Committee during the year under review.

Director	Position	Total
Edward W. Komanyane	Chairman	40 000.00
Sametsi Ditshupo	Director	30 000.00
James N. Kamyuka	Director	15 000.00
Lehlohonolo J. Matsela	Director	—
	TOTAL	**P85 000.00**

Audit Committee Members

Brian Hirsch
Chairman, CA (SA)

Rob Matthews
FCA-ICAEW (England and Wales) CPA - Washington DC, USA FCA (Bots)

Isaac Nthomola
BA - Econ. & Acc (UB) M.CAF (Australia)

James Kamyuka
Bcomm, FCMA (UK) FCA (Bots)

The committee met three times during the year. The Group Managing Director, Finance Director, Internal Auditor Manager and the External Auditors attended the meetings by invitation. Other members of the management team attended as required. The attendance register for the Audit Committee is shown below:

Member	Audit Meeting 20 May 2011	Audit Meeting 15 Nov 2011	Audit Meeting 28 Feb 2012
Brian Hirsch	✓	✓	✓
Rob Matthews	✓	✓	✓
Isaac Nthomola	—	—	—
James N. Kamyuka	✓	✓	—

Audit Committee fees

Total remuneration paid to Audit Committee Members in the year under review is tabulated below:

Member	Position	Total
Brian Hirsch	Chairman	—
Rob Matthews	Independent Non Exec Member	15 600.00
Isaac Nthomola	Independent Non Exec Member	—
James N. Kamyuka	Independent Non Exec Member	10 400.00
	TOTAL	**P26 000.00**

Corporate Governance Report (continued)

The specific duties of the Audit Committee are as follows:

(a) Financial Reporting

- Review, and challenge where necessary, the annual financial statements and interim and preliminary announcements before their submission to the Board for approval

- Determine whether they are complete and consistent with the information known to the Committee members, paying particular attention to:

  - Significant accounting policies and practices, and any changes in them.
  - Consistency of accounting policies both on a year to year basis and across the group.
  - Major judgmental areas, for example those involving the valuation of assets and liabilities, warranty, product and environmental liability, litigation reserves and other commitments and contingencies.
  - The impact and disclosure of significant, complex and/or unusual transactions, especially where the accounting treatment is open to different approaches.
  - Context, completeness and clarity of disclosures.
  - Adjustments resulting from the audit or processed at year-end.
  - The basis on which the group has been determined a going concern.
  - Compliance with appropriate accounting standards and recent professional pronouncements.
  - Compliance with local and international stock exchange and legal requirements.
  - The implementation of significant, new, financial systems.
  - Tax and litigation matters involving uncertainty.
  - Capital adequacy.
  - Impact of foreign exchange.

- Be briefed on how management develops preliminary announcements, interim financial information and analysts' briefings, the extent of internal audit involvement and the extent to which the external auditors review such information. Review the necessity of an independent audit of the interim results in favour of the standard process requiring the external auditors to issue a review report.

- Review the contents of any bid document or listing particulars and review any profit forecasts or working capital statements to be published in such documents.

(b) Internal Controls and Risk Management Systems

- Examine and review the internal control environment within Sechaba Brewery Holdings Limited and its subsidiaries and review Sechaba Brewery Holdings Limited and its subsidiaries' statement on internal control systems prior to endorsement by the Board. In particular to review:
  - Integrity of the company's internal financial controls
  - Policies and procedures for preventing or detecting fraud or illegal acts
  - Policies and procedures for ensuring the Sechaba Brewery Holdings Limited and its subsidiaries complies with relevant regulatory and legal requirements
  - The semi-annual letters of representation from Sechaba Brewery Holdings Limited and its subsidiaries business units
  - The operational effectiveness of the policies and procedures
  - The extent to which management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risks and ensuring that all employees have an understanding of their roles and responsibilities.
- Assess the scope and effectiveness of the system established by management to identify, assess, manage and monitor financial and non-financial risks.

(c) External Audit

- Make recommendations to the Board, to be put to the shareholders for their approval at the AGM, regarding the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors. The Committee will ensure that the external audit fees are appropriate to enable an adequate audit to be performed.
- Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- Review annually the external auditors' qualifications, expertise and resources, including a review of the report from the external auditors on their own internal quality procedures.
- Develop, recommend to the board and oversee the implementation of the policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- Review the subsidiary Audit Committees' reviews of the provision of non-audit services.
- Recommend the audit fee to the Board and pre-approve, as required by the currently applicable policy, any fees in respect of non-audit services provided by the external auditors. Arbitrate any dispute between management and the external auditors regarding their remuneration.
- Review with the external auditors the scope and planning of the audit, ensuring there are no unjustified restrictions or limitations. Review the findings of the external auditors, in particular any problems and reservations which the auditors may wish to discuss.
- Meet, at least annually, privately with the external auditor to discuss, without management present, their remit and any issues.
- Review the effectiveness of the external audit process.

(d) Internal Audit

- Review periodically the effectiveness of the internal audit function of Sechaba Brewery Holdings Limited and its subsidiaries in the context of the company's overall risk management system, with particular focus on the charter, annual work plans, activities, staffing, organisational and reporting structure and status of the function.

Corporate Governance Report (continued)

(d) Internal Audit (continued)

- Ensure that no unjustified restrictions or limitations are placed on the internal audit function, that the function has sufficient budget and staff resource to meet its objectives, and that the function has appropriate standing within the group and direct access to the Chairman of Board and the Audit Committee Chairman.
- Review periodically the results of work performed by the internal audit function and report on the effectiveness of systems of internal control, corporate governance and risk management. Discuss their findings with the Internal Audit Manager.
- Meet, at least annually, privately with the Internal Audit Manager to discuss, without management present, their remit and any issues.
- Ensure that management responds to internal audit reports, identified issues and recommendations.
- Ensure co-ordination between the internal audit function and the external auditors.
- Review the qualifications of, and approve the appointment or dismissal of the Internal Audit Manager.

(e) Compliance with Laws and Regulations

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from management and group legal counsel regarding compliance matters, including tax compliance, litigation, disputes and claims.

(f) Subsidiary Audit Committees

- The Committee shall be entitled to call for and review the terms of reference of, and minutes of proceedings of subsidiary and managed associate company Audit Committees in the group, to review the appointment, conduct and processes of the independent external auditors to those companies as well as the functions, processes and performances of the internal auditors within the group and to make recommendations to the Board relating to the aforegoing.

(g) Other Responsibilities

- Perform other oversight functions and consider other topics, as requested by the full Board.
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- Review and update the Committee's terms of reference at least annually, and recommend changes to the Board.
- Conduct an annual review of the Committee's work and report to the Board.
- Review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters; and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

5.2 Nominations Committee

During the year under review, the Nominations Committee comprised three members: Mr E W Komanyane (chairman), Mr L J Matsela and Ms S Ditshupo. The committee continuously reviews the composition of the Board and its committees. It evaluates the balance of skills, knowledge and experience and makes recommendations to the Board.

6. Risk Management

The Group Finance and Audit Committee reviews the risk register in which all key operational and financial risks affecting the business are recorded. New risks, if and when identified, are added to the register while others fall away over a period of time.

A systematic process is used to prioritise the risks for ongoing monitoring and management. The Audit Committee provides the Board with recommendations at each Board meeting. Current risks include, but are not limited to the regulatory and legal framework, currency, HIV/AIDS, safety and environment, skills availability and intermittent electricity supply.

As part of their efforts to encourage responsible drinking, BBL and KBL launched the www.TalkingAlcohol.com website. The site collates the most common health and social considerations relating to alcohol consumption in an easy to understand and engaging format.

KBL and BBL both have an inhouse Life-Threatening Disease (LTD) Policy founded on the principles of non-discrimination, confidentiality and support. This policy provides assistance to employees who are HIV positive.

7. Internal Control

The internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They provide reasonable, but not absolute, assurance against material misstatement or loss.

Key features of the internal controls are:

i) Written policies and procedures within each business, which are detailed in policy manuals, clearly defined lines of accountability and delegation of authority; and comprehensive reporting and analysis procedures against approved standards and budgets.

ii) Group treasury operations designed to control and reduce exposure to interest rate, counterparty, liquidity and currency transaction risks, and to coordinate the activities of group companies in this area. The Audit Committee reviews treasury policies, risk limits and monitoring procedures regularly on behalf of the Board.

iii) Minimisation of operating risk by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the businesses. Key policies employed in managing operating risk involve segregation of duties, transaction authorisation, monitoring as well as financial and managerial reporting.

iv) Business resumption planning, including preventative and contingency measures, back-up capabilities and the purchase of catastrophe insurance to ensure ongoing product and service delivery under adverse conditions.

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, internal audit reviews and testing of specific aspects of the internal financial control systems by the external auditors during the course of their statutory examinations.

The Finance and Audit Committee regularly considers the results of these reviews to confirm that they are appropriate and satisfactory. It also ensures that breakdowns involving material loss, if any, have been reported to the relevant Directors and that appropriate remedial action has been taken.

8. Internal Audit

Current corporate governance requirements dictate that both KBL and BBL must have an internal audit function that provides independent, objective assurance to the Board through its Finance and Audit Committee. This assurance relates to the adequacy, effectiveness and efficiency of the Company's internal controls, risk management and corporate governance process. To this end, internal audit functions continued to operate in both KBL and BBL during the year. The internal audit function reports to the Financial Director, resides under the Finance Department, and has direct access to the Finance and Audit Committee. The group's systems of internal control are designed and operated to support the identification and management of risks affecting the group and the business environment in which it operates. They are therefore subject to continual review as circumstances change and new risks emerge.

Corporate Governance Report (continued)

8. Internal Audit (continued)

The Global Internal Audit methodology addresses risk management throughout the organisation and covers a cross-section of the internal controls. The methodology has six elements:

i. Risk assessment and audit planning
ii. Audit engagement planning
iii. Fieldwork
iv. Reporting
v. Follow-up
vi. Quality Assurance

To ensure a fair coverage of the organisation and the risks encountered day-to-day, the Internal Audit department assesses risk annually, and recommends an annual response plan.

The process steps are:

- Auditable business units refer to all locations and remote sites of Company operations throughout the country and includes all the functional areas such as Finance, HR, IT, Sales, Production, etc.

- Understanding the risk appetite involves interviews with Company Directors or managers responsible for different functions to establish their risk tolerance. This helps to determine how often processes should be audited during the year.

- Completion of the risk assessment matrix entails rating the risks identified and agreed with Management, using a globally approved rating to determine priorities.

- Business unit risk assessment covers the rating of remote operations based on, inter alia, size, turnover and the date of the last visit by internal audit. It prioritises areas to be visited, when and how often.

- The draft audit plan is then drawn up and submitted to the Audit Committee for approval.

- The approved audit plan forms the basis of the group risk management procedure.

9. Ethics Policy

Both KBL and BBL have adopted the Ethics Policy to guide the behaviour and conduct of their employees. The policy encourages employees to conduct themselves in an ethical manner at all times. The process of cascading and communicating this policy is underway and the Directors have committed themselves to the policy in writing.

Both KBL and BBL subscribe to high levels of legal compliance. In this regard, policies and procedures are continuously reviewed and updated to align them with best practices.

10. Environment, Occupational, Safety & Health Policy (EOSH)

Both operating entities work towards delivering zero harm to the environment and to the health and safety of employees and the general public. This is in line with the EOSH policy commitment "to minimise the environmental impact of our operations on the neighbourhoods within which we operate and to safeguard all personnel that enter our premises, and the public, against all risks to health and safety, from all operations associated with our business."

The group strives to continually improve health and safety conditions and its environmental performance through the following best practices:

- An online legal register of all EOSH laws and bylaws in Botswana is maintained and updated annually by a qualified EOSH attorney to facilitate full compliance with legislation.
- Legal compliance to occupational health, safety and environmental requirements is officially delegated from the Managing Director to all managers and supervisors. Each member of staff is held accountable as part of his or her conditions of employment.
- Environmental, health and safety practices are effectively integrated into daily business operations; goals and targets are set for employees through the performance management programme.
- The operations strive for zero accidents and incidents by conducting risk assessments for each site, and within the factories, for each machine. These assessments enable the identification and effective mitigation of risks.
- The Company encourages the sustainable use of natural resources by promoting the recycling of materials, reduction of waste, and prevention of pollution. All waste streams are mapped and measured to continuously reduce waste.
- These approaches empower the group to self-regulate its EOSH programme with regular audits, documentation of findings and corrective actions.
- The organisation takes the health and safety of visitors, contractors and suppliers seriously. Therefore, any staff member who hosts visitors is responsible for the enforcement of the applicable EOSH requirements.
- All employees are continuously trained on the requirements of the EOSH programme.
- The EOSH performance is reviewed daily at shop floor level, monthly at site level and at least quarterly at executive level. This ensures appropriate oversight of the system and its progress.

KBL Operating Review

Overall beverages sales volumes increased by 8.6%, largely due to growth of clear beer, juice and Sparkling Soft Drinks sales.

KBL Operating Review

Highlights

Overall volume up	8.6%
Juices up by	101%
Source grew by	25%
SSDs up	5%
Revenue increased by	24.7%
Operating profit grew by	35.4%
Profit After Tax up by	24.5%

Lehlohonolo J Matsela
Group Managing Director
Bsc Biology & Chemistry
Associate of Institute of Brewing

Although 2011-2012 saw Kgalagadi Breweries (Pty) Ltd continue its slow recovery from the headlong decline in beer sales occasioned by the introduction of the Alcohol Levy in 2008, there is still a long way to go to attain pre-levy volumes. Overall beverages sales volumes increased by 8.6%, largely due to growth of clear beer, juice and Sparkling Soft Drinks sales, though the Alcoholic Flavoured Beverages (AFB) segment lost some of the momentum it had achieved in the previous year.

Clear beer volumes continued to respond favourably to the "level playing field" established in December 2010 through the introduction of the revised basis of calculation for the 40% alcohol levy, under which the local manufacturers are once again able to compete equally with importers.

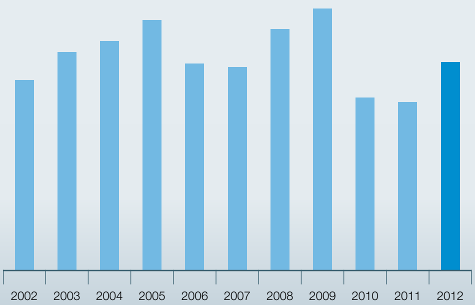
Operating Profit increased by

35.4% compared to 2011

Operating profit for KBL increased by 35.4%, and Profit After Tax by 24.5%. These figures are a welcome improvement from the 3.2% and 3.1% declines respectively of the previous year.

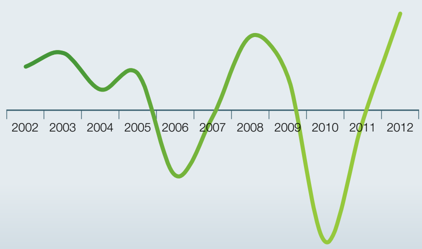
KBL Operating Review (continued)

Profit After Tax



Year ended March	PAT
2002	151,914
2003	173,846
2004	182,786
2005	199,334
2006	165,379
2007	162,376
2008	192,694
2009	208,742
2010	137,653
2011	133,387
2012	166,032

Growth %



The previous method of calculation (of the original 30% levy), which was based on sales value rather than on cost of production, had profoundly penalised local producers and unfairly favoured imports, allowing foreign brands to become established and compromising KBL's market share. Thankfully, this trend appears to have been halted, and the Company has been able to begin reversing the gains enjoyed by the competition during this three-year period of unfair advantage.

In the non-alcoholic portfolio, where the levy does not apply, the Company saw its stills portfolio within the soft drinks category grow by 28.8%. This increased sales volume was principally driven by a 101% growth in the juice category, led by the Minute Maid nectar flavour range, which is proving to be very popular with consumers, supplementing the 100% fruit flavours which had been in the market for some time. Volumes of Source bottled water increased by 25%, reflecting continued consumer preference and the increased market share for the Source brand in this segment.

Operating profit for KBL increased by 35.4%, and Profit After Tax by 24.5%. These figures are a welcome improvement from the 3.2% and 3.1% declines respectively of the previous year. Revenue was up by 24.7%, compared with the 7.2% increase of the previous year.

HIGHLIGHTS

While the effect of the alcohol levy has continued to impact negatively on the sales of alcoholic beverages, KBL has begun to see the positive effects of the first year's trading under the revised levy calculation, recording modest recovery growth for its core product - though this is painstakingly slow. However, despite the challenging trading environment, a number of positive developments deserve mention:

- There has been strong growth in the 660ml and 750ml returnable packs. This is in line with the Company's strategy to swing the market towards returnable glass bottles, as these continue to motivate sales by enhancing value for money for consumers while imparting a competitive advantage for KBL which competitors are unable to replicate. KBL remains the only player in the market striving for the environmentally friendly 'green effect' of returnable glass bottles.
- Botswana once was characterised as a market where cans predominated. However, the growth in returnable packs has been complimented by strong performance of non-returnable glass bottle packs at the expense of cans, as the social desirability of glass bottles becomes more entrenched.

- The sparkling soft drink (SSD) category continued to show significant growth with volumes increasing by 5% despite increased competition in this sector and the emergence of a number of new brands. This growth was led by the Coca Cola brand which, thanks to its unique formula, continues to lead the SSD market and - unlike many other SSD flavours - remains difficult to replicate.

- The 2l PET SSD pack showed growth of 15.1%, driven in part by the proliferation of shopping malls and supermarkets where this pack is particularly popular.

- The fourth quarter saw the launch of the 660 ml returnable glass bottle Core Original AFB.

LOWLIGHTS

- Beer volumes declined by over 35% in the first three years after the introduction of the alcohol levy in November 2008, and although the year under review experienced some recovery growth, volumes remain far below pre-levy levels.

- One of the observable impacts of the alcohol levy on consumer drinking patterns has been a shift to higher ABV (alcohol by volume) products at the expense of low ABV products. The St. Louis brand, which showed the weakest performance within the clear beer portfolio, bore the brunt of this trend.

- The increased sales of returnable glass bottles, while strategically and environmentally desirable, continue to drive up distribution costs, particularly in the light of higher fuel costs. This trend is expected to have further impact in 2013.

- The long-term impact of the alcohol levy and associated tighter trading regulations continues to encourage the market towards low cost products with higher alcohol content. Consumption patterns continue to change in response to the stricter consumption environment, with limited trading hours and higher prices encouraging consumption of stronger low cost beverages and promoting the commoditisation of alcohol; setting the scene for increased irresponsible consumption.

- Lower than optimum production volumes continue to detrimentally impact economies of scale and consequent higher unit production costs, with resultant negative effects on profitability.

- Within the otherwise successful non-alcoholic portfolio, Powerade declined by 13.2%, due to supply constraints. The Bonaqua brand also suffered in this regard.

PROSPECTS

While trading conditions for alcohol related products are expected to remain challenging given the unfavourable regulatory environment, it is hoped that KBL's overall portfolio will continue to respond to the various initiatives to minimise these negative impacts and to capitalise on the Company's competitive advantage. KBL will endeavour to maximise growth of its non-alcoholic beverage category, building on the continued success of its sparkling soft drinks, its successful juice offering and the increased market share of the Source water brand.

The challenge for KBL is now to continue to reverse the market share gains that importers were able to achieve during the first 25 months of the levy, and to reclaim its pre-levy position in the marketplace. The clear beer market share recovery, begun during the year under review, must be nurtured as a matter of priority so that KBL can regain its rightful market leadership position.

The Company hopes that the general economic recovery, and the resilience of the local economy in the face of ongoing crises elsewhere, particularly in the Eurozone, continues to provide the conditions for improved performance for KBL.

The Company expects to continue reaping the benefits of its investment in the up-skilling behind The Manufacturing Way (one of the "SABMiller Ways") and the Go to Market project, a route to market strategy aligned to the Company's overarching philosophy of being brand led and market facing, with a focus on market place specialisation emanating from a district management structure – a central feature of the project.

BBL Operating Review

BBL delivered on shareholder promise with an enriched value enhancement across all stakeholders at 5.4% growth over the preceding year.

BBL Operating Review

Highlights

Opaque beer volume grew by	5.0%
Mageu volume up by	0.9%
Revenue grew by	16.5%
Gross margin delivered at	16.4%
Operating profit increased by	10.4%
Profit After Tax increased by	1.6%

Tom Mphedi
General Manager - BBL
B. Bus. Adm.

Peter Kgomotso
Finance Manager - BBL
AAT, ACCA, ACA (Bots)

Overall volumes of traditional beer have declined significantly since the introduction of the alcohol levy in November 2008, and despite a 5.0% increase in opaque beer volumes in 2012, these still remain some 10% below 2009 pre-levy levels. Notwithstanding this slow recovery towards optimum volumes, the year under review was a significant improvement on the 1.25% and 7.8% decline reported in 2011 and 2010 respectively.

A key driver of opaque beer volumes was competitive pricing. The retail price increase for a litre of Chibuku, from P4.75 in 2011 to P5.50 this year led to greater price compliance (with the change not being withheld) having a replica effect on volumes. Enhanced truck availability in terms of truck days and a number of manpower-intensive development projects, particularly in the north-east, both contributed to the increase in volumes.

Revenue grew by

16.5% over prior year

Revenue grew by 16.5% over prior year, in part due to the effects of levy equalisation as the original levy calculation based on ex-factory price changed to a calculation based on cost of production.

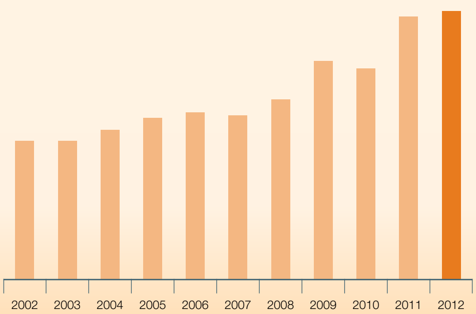
Group Report

Annual Financial Statements

Unaudited Supplementary Information

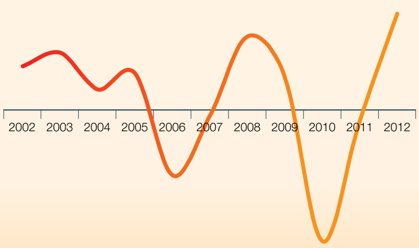
BBL Operating Review (continued)

Profit After Tax



Year ended **March**	**PAT**
2002	67,176
2003	67,014
2004	72,954
2005	78,885
2006	81,837
2007	80,103
2008	87,626
2009	106,529
2010	102,484
2011	128,460
2012	130,459

Growth %



Revenue grew by 16.5% over prior year, in part due to the effects of levy equalisation as the original levy calculation based on ex-factory price changed to a calculation based on cost of production. Other key drivers of the increased revenue for 2012 were the 5% increase in volumes and the 5.3% price increase.

A variety of factors impacted on the Company's performance, the principal dynamics being the knock-on effect of the alcohol levy and the impending enforcement - currently scheduled for 1st July 2012 - of the Traditional Beer Regulations. Furthermore, retailers continue to face other trading challenges emanating from Dikgosi who in some villages have decreed operating hours that are much shorter than those stipulated in the regulations, undermining the viability of the retail operations in those districts. These factors continue to be exacerbated by the proliferation in the market of cheap, high Alcohol by Volume (ABV) products since the implementation of the levy; particularly home brews and other unrecorded alcoholic beverages falling outside the regulatory framework and exempt of all taxes, duties and levies.

Operating Profit was impacted by the increase in fixed costs, and although up 10.4% over 2011, growth could have been better. Variable costs were hit by continued variability in commodity prices, driven principally by the following market factors:

- Maize scarcity: Droughts in China and Brazil, both major producers, have impacted on availability, with low inventories driving higher prices worldwide.

- Fuel oil price: Crude oil prices continue to be unstable in the face of international uncertainty, and a higher oil price impacts on grain prices via increased prices for fertiliser and diesel.

The new tax computation, resulting in an effective rate of 15% saw a sharp rise in the overall excise burden borne by the Company. In this light, and coupled with an adverse environment, Profit after Tax (PAT) was up 1.6%.

HIGHLIGHTS

Value creation within BBL remained firm in the midst of unfavourable trading conditions. The Company delivered on shareholder promise with an enriched value enhancement across all stakeholders at 5.4% growth over the preceding year. Despite the levy revision on 1st December 2010, the Government benefit pool remained flat in comparison to prior year at P142 million, representing a 26.2% stake in the P541.8 million value created. The largest pool of benefits is attributable to BBL's strategic partners in ensuring the Company's route to market at 40.8% (a staggering P221 million).

Working capital was well controlled during the year. Investment in inventory and trade receivables declined year on year and better use was made of trade payable funding. The company continued to generate strong cash flows. Cash generated from operations amounted to P118 million, compared to P109 million last year, and investment in working capital declined year-on-year. Dividends/capital distributions paid were higher than the prior year as a consequence of higher profits and enhanced dividend cover.

Other highlights of the year included:

- Botswana Breweries' Gaborone plant preserved its high safety standards and retained its NOSA 5-star rating. The NOSA Risk and Safety Management system has been rolled out to all other plants where inaugural audits will be conducted in 2012.
- Product quality continued to improve, benefitting from improved internal brewing processes as well as enhanced skills within the production teams.
- By achieving greater efficiencies in the Company's operations, the head-count productivity was up on prior years.
- The company continued to perform well in in-house audits measuring BBL's practice against best practice in Africa; further entrenching a robust culture of excellence.
- The straight-sided 750ml pack carton and 1 litre straight-sided carton were launched at the end of the first quarter of 2012 under the Phafana Brand, and received an immediate positive response from the market.
- The Phafana brand is a premium opaque offering launched in June 2011. The brand targets the current non-consumers of Chibuku who prefer to drink in the formal channel rather than the entrenched and price-driven Chibuku market. This premium brand is available in both 750ml and 1l straight-sided cartons and retailed at P5.00 and P5.50 respectively compared to Chibuku 1l at P5.00.
- At the recently held SABMiller (Africa) Marketing, Sales and Distribution Conference in Cape Town, the Lobatse sales team was honoured to receive the SABMiller Managing Director's Gold Sales Team Award in the newly created Complimentary Beverages category.

CHALLENGES

The trading environment has continued to be challenging, and although volumes increased, these are still far below pre-levy levels, and the imminent imposition of the Traditional Beer Regulations that prohibit the sale of alcoholic beverages from residential premises, scheduled for 1st July 2012, will significantly restrain the Company's route to market. Some vendors have disinvested, often because of the many difficulties and copious red tape involved in relocating their operation to licensed premises. A number of initiatives are underway to counter the impact of the regulations, including:

- Recruitment of formal outlets to sell Chibuku and Phafana,
- A loan facility advanced to retailers towards upgrading their outlets to meet the standards required
- Loans advanced to retailers to construct and develop new outlets for traditional beer trade
- Community based beer gardens which seek to develop retail clusters under one roof in an effort to minimise the impact on the number of retailers impacted on by the regulations. This type of beer garden is funded as a CSI project

To date a total of 5 beer gardens (new construction developments), 3 mini beer gardens (new construction developments), 94 bars (recruited), 2 bottle stores and 421 depots (new construction developments and depot upgrading) nationwide have been recorded. Further trade formalisation has been in the area of licensing depots ahead of the end of June 2012 deadline, though in relatively low numbers.

BBL Operating Review (continued)

The four brewery areas of Palapye, Gaborone, Francistown and Lobatse have collectively managed to facilitate the licensing of 173 depots nationwide - regrettably but a small proportion of the numbers of depots in existence.

The lack of availability of suitable serviced commercial land for the construction of licensed outlets, council tardiness in matters of zoning and change of use, land board delays in allocating plots and restrictions of proximity to facilities such as schools, churches and main roads combine to frustrate the efforts to formalise the trade as required by the regulations. Obtaining drawing approval from council averages five months, and to counter this, efforts to obtain pre-approval of plans are ongoing.

The uncertainty surrounding the future of the traditional beer business naturally continues to have a negative impact on employee morale.

FUTURE PROSPECTS

Trading conditions are expected to remain tough during the coming year, due largely to the regulatory environment. However, the Company's hopes are pinned on the existing depot configuration meeting licensing requirements and being operational when the regulations come into force.

The Company will continue to vigorously pursue the Thusanang enterprise development project in an effort to reduce its input costs. Despite the negative impact of the poor rains, the pilot phase of the project has produced good results recording higher yields than the regional and local averages. More importantly, the project continues to benefit the participating farmers by upgrading their farming methods and encouraging them to adopt continuous monitoring and record keeping. The project is earmarked to continue and the number of clusters involved is envisaged to increase as findings are shared from the initial pilot phase. To date, a high level of interest has been shown by the public and numerous enquiries about the project have been received.

The Company will continue to pursue efficient management of costs through adopting an implementation of best practice to improve efficiencies. Despite what is likely to be a challenging year ahead, management has confidence in continuing to deliver satisfactory returns.


INGREDIENTS:
Maize, Wheat, Sugar,
Milk Solids and Flavouring
KEONE
Mooka
MAGEU
cream
Carbohydrates
for energy
Vitamins for health
Protein for growth
PRODUCT OF :

Corporate Social Responsibility

We believe that the most effective way for Sechaba Brewery Holdings Limited to meet its sustainable development objectives is by maximising the success of the business.

Corporate Social Responsibility and Sustainability Report

Sustainable Development

Sustainable development is fundamental to our business success. We understand that our long term profitability depends on being part of a successful economy where jobs are created, incomes increase and the quality of life for our communities improves.

Tickey Pule
Corporate Affairs and Strategy Director
Diploma in Museology (Canada)
BA Humanities (Sociology and English) (UB)
MA in Museum Studies (University of Leicester, UK)

A force for good

We believe that the most effective way for Sechaba Brewery Holdings Limited to meet its sustainable development objectives is by maximising the success of the business.

We are clear that our business is not something separate from society. It is, at one and the same time, an employer, a customer, a supplier and a taxpayer. The interests of Sechaba and the wider communities are therefore inextricably linked.

Our activities provide high-quality products that society wants and enjoys. As long as our market is free and competitive, our business will succeed if we manage our relationships well, use resources efficiently and meet the needs of our consumers and the communities in which we operate. This robust approach to sustainable development underpins both our ability to grow and our licence to operate.

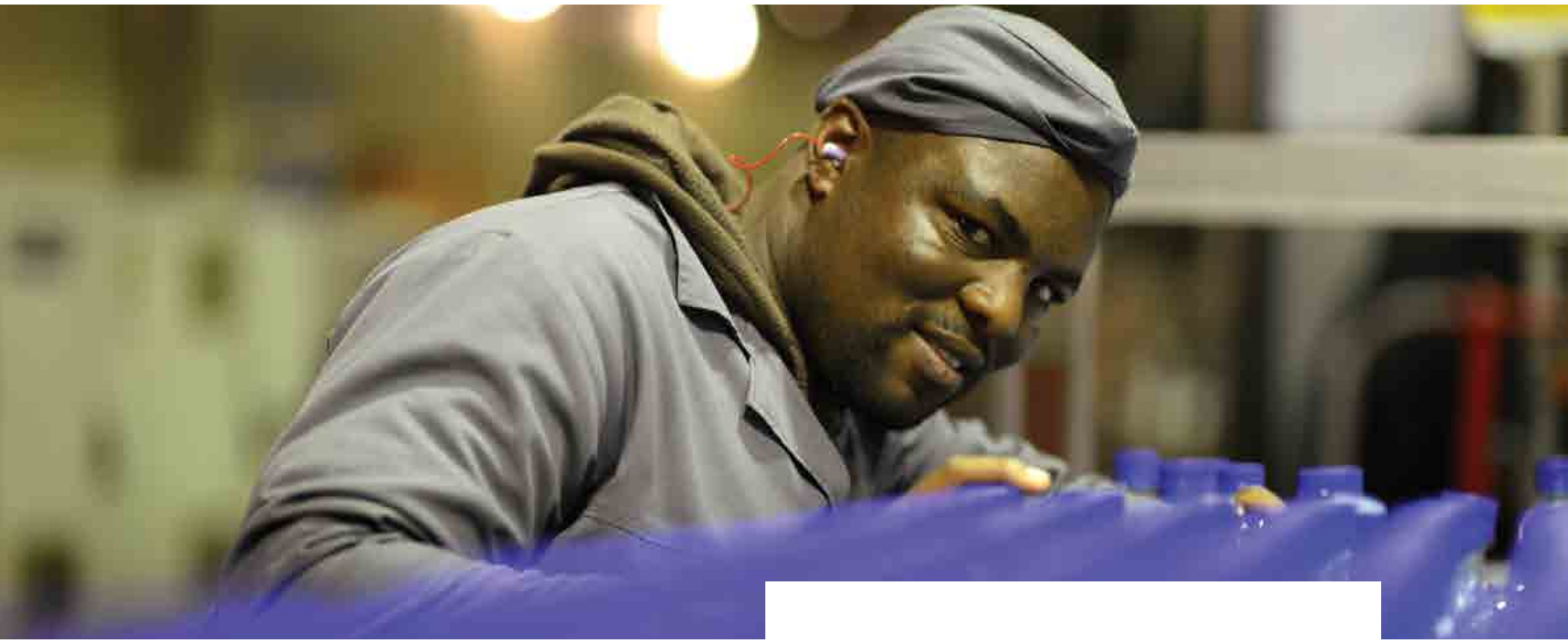
A well managed and growing business is good for wider economic development, leading to greater employment, more taxes paid and greater investment in our economy and communities.

Local spend increased by

38.7% **from previous year**

Local spend has increased from P159,043,882 to P220,592,785, a 38.7% increase from previous year.

Corporate Social Responsibility and Sustainability Report (continued)



We believe that a highly engaged workforce, imbued with a passion for our brands, is a key for competitive advantage. We seek to attract and retain people with the right skills and attributes to help grow our business.

At the same time, we need to create an environment where employees feel valued and motivated in order to promote our values, strategies and priorities.

Making partnership a central part of our approach

We recognise that by building lasting partnerships we can ultimately create more value for our business and make greater difference in the market place than if we worked in isolation.

We have directly developed partnership projects with our stakeholders and communities who enhance our ability to operate and enable us with further insight and knowledge to become more effective in implementing meaningful programmes for our local communities.

Integrating sustainable development into business strategy

We believe that for Sechaba to achieve competitive advantage – and ultimately better profitability –sustainable development needs to be part of what we do every day. It needs to be integrated into our decision-making and the way we run our business.

Management at KBL and BBL take responsibility for ensuring that sustainable development is taken into account as part of our business planning and management. This strategic focus is underpinned by our 10 sustainable development priorities (Ten Priorities. One Future). These define the material issues for our business and have been developed through extensive consultation with both internal and external stakeholders.

John Gape Kgomotso
Corporate Affairs and Strategy Manager
Bsc. Comp. Science (UB)

Mokoro Ketsitlile
Corporate Communications Manager
BA Hons, Marketing Management,
Joint Human Resource Management (UK), Project Management (SA)

We focus our resources on the priorities which we believe are the most material for our business. As a result we have established three focus areas, namely alcohol responsibility, HIV/AIDS and enterprise development. These are the issues which have the potential to impact all parts of the business and which are best tackled through a consistent strategic focus.

Discouraging irresponsible drinking

We promote responsible consumption as part of our day-to-day activities, whether designing marketing campaigns, developing new products or in the market selling our beers. We also strive to ensure that our employees understand the risks that arise from irresponsible drinking and we expect high standards from them – 100% of our employees are now trained in the six core principles of our Alcohol Framework through the Alcohol Behaviour and Communication (AB&C) training In addition, we strive for all our sales and marketing employees to have undergone Alcohol Intelligent Quotient training (AIQ) that further underpins and reinforces our Alcohol Responsibility Framework.

We believe consumers should receive accurate and balanced information about irresponsible consumption and we have launched a number of targeted information campaigns to our stakeholders.

We have continued to promote TalkingAlcohol.com, a website that the latest research and expert advice to educate users about alcohol and its consumption in an engaging and easily understood format. Although the site includes some facts about certain brands, it contains no marketing information. Instead visitors are provided with expert advice on topics such as health, parenting and social considerations related to drinking.

Investing in local suppliers

Enterprise development supports the long-term growth and stability of both our business and our economy. In procuring raw materials, Sechaba recognises that using local suppliers can also benefit the business commercially. Local sourcing is often more cost-effective than importing raw materials, and encouraging enterprise in our supply chains contributes to our economy.

We continue to work closely with our suppliers to secure supplies of quality goods and services, protect against reputation risk while at the same time creating employment and opportunities to empower Batswana entrepreneurs and improve standards of living in our communities.

Local spend for the Group has increased from P159,043,882 in 2012 to P220,592,785; a rise of 38.7%. We have increased our coal procurement from Morupule Colliery and local suppliers of raw materials such as maize grits, shrink film trays. We have also increased our focus on raising suppliers' awareness of responsible sourcing. To this end, we require that our suppliers act ethically by not polluting the environment, adhering to policies and procedures that govern the use of natural resources and promoting employee welfare through their HIV/AIDS policies.

Corporate Social Responsibility and Sustainability Report (continued)

Overview of Progress: Our Performance at a glance

The table below summarises the progress we have made over the past year against our 10 sustainable development priorities.

Discouraging irresponsible drinking

Why is it a priority?

Our beer adds to the enjoyment of life for the overwhelming majority of our consumers. We care about irresponsible alcohol consumption and we work collectively with stakeholders to address the harmful effects.

Targets we set ourselves

- Continue with Alcohol Behaviour and Communication (AB&C) training to have 100% of employees trained.
- Fully explore and articulate our strategy to promote responsible alcohol consumption and protect our Licence to Trade (LTT).
- Ensure that all communications on alcohol for sales promotions, advertisements are presented to the Sales and Marketing Compliance Committee (SMCC) and evaluated for compliance to our Policy on Commercial Communication (POCC) before being broadcast or implemented.

Progress we have made

- 95% of employees have undergone Alcohol Behaviour & Communication training (AB&C). The training is now offered as a standing agenda in the induction training for all new employees.
- A three-year alcohol strategic plan has been developed and plans underway to focus on targeted interventions against irresponsible alcohol consumption.
- Comprehensive Sustainable Development and Licence to Trade Strategies have been developed and are being implemented to support our Responsible Alcohol Way and support our Six Alcohol Principles that combine to form our alcohol positions.

Making more beer using less water

Why is it a priority?

We aim to be more efficient in our water use, understand our watersheds and engage with our suppliers. This will cut costs, reduce risks and benefit local communities.

Targets we set ourselves

- Make progress towards the Group water target.
- Develop new stakeholder partnerships to address water supply and quality risks.
- Invest in Can Line process improvements to consolidate water savings at the Sparkling Soft Drinks Plant (SSD).

Progress we have made

- In the year, KBL's average water consumption reduced from 7.44 to 5.6 hectolitres of water for hectolitre of beer produced and 2.67 to 2.5 hectolitres of water for hectolitre of soft drinks produced, representing a 25% and 6% improvement respectively on previous year.
- Our year on year performance for soft drinks improved from a position of second to being rated the best for water efficiency in SABMiller Africa.
- A Can Filler Vacuum Pump has been installed at the Sparkling Soft Drinks Plant (SSD) has led to considerable water savings as water is pre-chilled and vacuum pumped to increase to re-circulation cycles and reduce fresh water intake.

Reducing our energy and carbon footprint

Why is it a priority?

We use energy to produce and transport our products. We aim to become efficient, manage our carbon footprint and explore cleaner sources of energy. This will save money and resources and reduce our greenhouse gas emissions.

Targets we set ourselves

- Make progress towards the new carbon target.
- Improve the combustion capability of coal in order to reduce usage and environmental impact.
- Improve our management of carbon in distribution and retail refrigeration.

Progress we have made

- Over the past year our average energy consumption for beer production improved from 321MJ/hl to 272 MJ/hl, representing a 15% improvement from previous year.
- We now employ coal additives to our boiler combustion mix to improve coal combustion, thereby reducing boiler fire-side tube scaling and emissions.
- Sparkling Soft Drinks (SSD) improved from 21.05 MJ/hl to 19.00 over the year, representing a 10% improvement on previous year and best energy performance for SSD in SABMiller Africa.

Packaging reuse and recycling

Why is it a priority?

Packaging protects our products but has wider impacts. By reducing the weight of our packaging, reusing bottles and encouraging recycling we're saving money and raw materials and reducing pressure on local waste services.

Targets we set ourselves

- Develop a light-weighting system for our beverage cans.
- Improve the percentage of returnable bottles in support of the KBL Bottle Returns Policy thereby reducing the environmental impact of our packaging.

Progress we have made

- We have run a light-weight trial run on our Canning Line to test the efficacy of the system in relation to our market and environmental conditions.
- All our packaging is now free of heavy materials.
- Our bottle returns policy for the 750ml quartz has led to the increase of returnable bottles from 92% to 93% over the year; and from 65% to 93% over the past three years.
- We continue to work closely with Non-Governmental Organisations (NGOs) such as Tshomarelo Tikologo who collect and recycle our Non-returnable (NRB) bottle packs as well as Collect-A-Can who recycle our downstream can waste.

Working towards zero-waste operations

Why is it a priority?

Much of our waste can be a valuable resource for farmers and food producers as well as a potential energy source. We aim to minimise the amount of waste we send to landfill, so saving money and reducing its environmental impact.

Targets we set ourselves

- Investigate more ways to reuse brewery waste.
- Increase the percentage of waste recycled/reused in line with our aspiration to achieve a zero-waste brewery system.

Progress we have made

- A review is currently underway to select vendors who can best recycle KBL and BBL boiler ash in ways that provide greatest benefit and impact to the community.
- 100% of our organic waste was reused or resold for further use.
- This year at least 85.84% of site waste (excluding hazardous waste and refrigerants) was recycled, sold for recycling or reused and municipal and hazardous dumps checked for integrity.
- We continue to work closely with Non-Governmental Organisations such as Tshomarelo Tikologo who collect and recycle our Non-returnable (NRB) bottle packs.

Encouraging enterprise development in our value chains

Why is it a priority?

We recognise the fact that our influence extends beyond our immediate operations to include those of our value chain partners – for example, suppliers of our raw materials and distributors of our products.

Targets we set ourselves

- Increase the number of smallholder farmers in our pilot Project Thusanang.
- Develop and launch the KBL and BBL corporate social investment documentaries.
- Upscale communications about KBL and BBL CSI initiatives in order to increase public awareness and feedback as well as the participation of key stakeholders.

Progress we have made

- Project Thusanang has been expanded to serve in three farmer clusters and the sizes of the farm holdings and the number of farmers per cluster increased from 4 to 5.
- KBL and BBL CSI documentaries 'Our Story' have been premiered to stakeholders and aired on Botswana Television (Btv).
- KBL and BBL are recognised by external stakeholders as national leaders in CSI.

Benefiting communities

Why is it a priority?

The prosperity of our local communities and that of our operations is mutually dependant. Our corporate social investment (CSI) initiatives aim to improve the quality of life for local people, helping us build strong relationships with communities, consumers and our employees.

Targets we set ourselves

- Continue the funding of our enterprise development programme KickStart.
- To lend support and funding to entrepreneurial vehicles such as The Business Place, that reflect our values of inculcating entrepreneurship development in Botswana.

Progress we have made

- KickStart continues to invest towards improving the prospects and lives of youth entrepreneurs in Botswana.
- Over the past year, KBL donated sum of P150,000 to support the business place, bringing the total support to P400,000 over the past three years.

Contributing to the reduction of HIV/AIDS

Why is it a priority?

Managing the HIV/AIDS pandemic is of critical relevance in Botswana. Our HIV/AIDS program, Project Tshelang provides extensive support for employees and their families. We ultimately seek to develop programmes for our communities and suppliers to ensure the well-being and health of staff and the communities in which we operate.

Targets we set ourselves

- Further increase the percentage of HIV-positive employees and spouses on our managed healthcare programme, Project Tshelang.

Progress we have made

- 75% of employees went for Voluntary Testing and Counselling (VCT).
- The re-launch of Project Tshelang to increase awareness of the programme to employees and stakeholders.
- Managed Healthcare Care – All employees are now fully covered by the company for membership of BOMaid. This has given all employees and their families access to medical treatment they could previously not afford, resulting in a workforce that is more aware of its health status.
- We now have 124 peer educators amongst our employees. This means that there are 1 peer educator for every 8 employees at KBL and BBL. This is within the SAM requirements of a ratio of a minimum of 1 peer educator per 8 employees.

Respecting human rights

Why is it a priority?

We conduct our business with respect for our national culture, different local laws, norms and traditions. We promote the values of the international community, namely the Universal Declaration of Human Rights.

Targets we set ourselves

- Complete adherence to ensure that the Employment Act of Botswana underpins all our employment policies and practices.
- Improve on the group Sustainable Assessment Matrix (SAM) stairway for respecting human rights.

Progress we have made

- Potentially significant human rights risks which are foreseeable have been identified and discussed at executive level and policy enforced to ensure that all employees are aware of the benefits of our ethics, whistle blowing processes and more recently; a revised policy of our anti-bribery policy.
- KBL and BBL are recognised by stakeholders as being Employers of Choice.
- A diversity policy has been agreed and implemented covering ethnicity, gender and disability.
- KBL and BBL are Equal Opportunities Employers.

Transparency and ethics

Why is it a priority?

We're committed both to transparent sustainable development reporting and to high ethical standards in general. To this end, we have a Code of Business Conduct and Ethics which applies to all employees and third parties acting on our behalf.

Targets we set ourselves

- Actively promote our Code of Conduct and Ethics to all our employees and third parties acting on our behalf.
- Continue stakeholder dialogues on alcohol, water and enterprise development through our wide-ranging initiatives.
- Continue to aspire to the highest levels of corporate governance and transparency in our reporting. Conforming to international reporting standards and practices for our businesses.

Progress we have made

- We have broadened our stakeholder engagements on alcohol through the Botswana Alcohol Industry Association (BAIA) and our own initiatives employing various media and messaging.
- Enterprise development continues to be a critical aspect of empowering our communities through KickStart and our distribution owner-driver model that has positively impacted on involved entrepreneurs.
- Our whistle blowing policy is regularly communicated to all employees and suppliers to ensure that we maintain the highest standards of ethics and corporate governance.
- Employees regularly receive communication in relation to our 10 sustainable development priorities with a focus on their involvement.

Corporate Social Responsibility and Sustainability Report (continued)

Employees are our enduring advantage

We believe that a highly engaged workforce, imbued with a passion for our brands, is a key for competitive advantage. We seek to attract and retain people with the right skills and attributes to help grow our business. At the same time, we need to create an environment where employees feel valued and motivated in order to promote our values, strategies and priorities.

Transparency and ethics

Kgalagadi Breweries and Botswana Breweries Limited have a Code of Business Conduct and Ethics which applies to all employees as well as third parties acting on behalf of the business.

The Code sets out to report a potential breach of its principles and includes contact details for external whistle blowing phone lines. It also makes a provision for the protection of people alleging breaches of the Code in good faith. Further information can be found in the Sustainable Development Report on page 28.

Misconduct can destroy KBL and BBL's reputation Fraud can lead to loss of millions in revenue

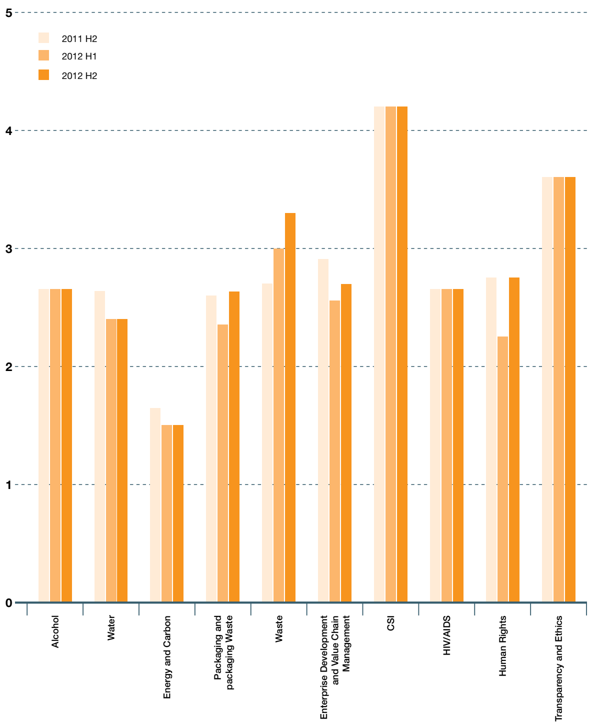
Tip-offs Anonymous is an independent, confidential service that provides an effective channel for any employee, supplier, or contractor to anonymously blow the whistle on workplace misconduct such as theft, fraud, dishonesty, harassment, unethical behaviour and workplace safety hazards.

The Sustainability Assessment Matrix (SAM)

To monitor and measure our progress, we have adopted the Sustainability Assessment Matrix (SAM). This is a bespoke management system that enables us to monitor the performance of KBL and BBL against the 10 sustainable development priorities.

Each priority has a 'stairway' that plots a course through the five levels of performance from minimum standard to leading-edge. To achieve each performance step (or level), our business must meet a series of assessment criteria which include both quantitative and qualitative measurements. We complete an assess progress every six months. To ensure consistency of approach and build integrity into our SAM reporting, annual performance audits are conducted together with remedial actions to re-focus our operational efforts to achieve set action plans.

Kgalagadi Breweries (Pty) Ltd 2012 Sustainable Development Results



Annual Financial Statements

for the year ended 31 March 2012

Directors' Statement of Responsibility

for the year ended 31 March 2012

The Company's directors are required by the Botswana Companies Act, 2003 to maintain adequate accounting records and to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows for the year. In preparing the accompanying financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the Company's Board of Directors and the effects thereof are fully explained in the financial statements. The financial statements incorporate full and responsible disclosure in line with the stated accounting policies of the Company noted on pages 54 to 68.

The directors have reviewed the Company's budget and cash flow forecasts for the year to 31 March 2013. On the basis of this review, and in the light of the current financial position and existing borrowing facilities of the Company and its associates, the directors are satisfied that Sechaba Brewery Holdings Limited is a going concern and have continued to adopt the going concern basis in preparing the financial statements. The Company's external auditors, PricewaterhouseCoopers, have audited the financial statements and their unqualified audit report appears on page 49 of the financial statements.

The Board recognises and acknowledges its responsibility for the Company's systems of internal financial control. Sechaba Brewery Holdings Limited and its associates have adopted policies on business conduct, which cover ethical behavior, compliance with legislation and sound accounting practice and which underpin the Company's internal financial control process. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating these systems is delegated to the executive director and management, who have confirmed that they have reviewed the effectiveness thereof.

The directors consider that the systems are appropriately designed to provide reasonable, but not absolute assurance, as to the reliability of financial statements and that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by internal auditors and the external auditors' review and testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company and the underlying associates.

The Company's directors have considered the results of these reviews, none of which indicate that the systems of internal control were inappropriate or operated unsatisfactorily. Additionally, no breakdowns involving material loss have been reported to the directors in respect of the year under review.

The financial statements for the year ended 31 March 2012 and which appear on pages 50 to 72 were authorised for issue by the Board of Directors on 8 May 2012 and are signed on its behalf by:

Director

Director

Report of the Independent Auditors to the Members of Sechaba Brewery Holdings Limited

for the year ended 31 March 2012

We have audited the accompanying financial statements of Sechaba Brewery Holdings Limited, which comprise the statement of financial position as at 31 March 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present a true and fair view of the financial position of Sechaba Brewery Holdings Limited as of 31 March 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Certified Public Accountant
Practising Member: Rudi Binedell
(20040091)

Gaborone
23 May 2012

Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	2012 P'000	2011 P'000
Share of results of associates	4.1	177,893	157,114
Administrative expenses	4.2	(1,937)	(1,641)
Operating profit		175,956	155,473
Finance income	4.3	95	166
Profit before income tax		176,051	155,639
Income tax expense	4.4	(14,375)	(20,327)
Profit for the year		161,676	135,312
Other comprehensive income		—	—
Total comprehensive income		161,676	135,312
Number of shares in issue ('000)		133,015	133,015
Basic and diluted Earnings per share (thebe)	4.5	121.5	101.7

The accounting policies and notes on pages 54 to 72 are an integral part of the financial statements

Statement of Financial Position

as at 31 March 2012

	Notes	2012 P'000	2011 P'000
ASSETS			
Non-current assets			
Investments in associates	4.6	224,801	185,508
Current assets			
Tax recoverable		38	19
Dividend receivable	4.12	24,000	38,400
Other receivables		130	92
Cash and cash equivalents	4.7	1,148	113
		25,315	38,624
Total assets		250,117	224,132
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital		233,941	233,941
Accumulated loss		(6,437)	(41,749)
		227,504	192,192
Current liabilities			
Other payables		—	16
Dividends payable	4.11	22,613	31,924
		22,613	31,940
Total equity and liabilities		250,117	224,132

The accounting policies and notes on pages 54 to 72 are an integral part of the financial statements

Statement of Changes in Equity

for the year ended 31 March 2012

	Attributable to equity holders of the company		
	Stated Capital P'000	(Accumulated loss) P'000	Total P'000
Year ended 31 March 2011			
Balance at 1 April 2010	233,941	(58,678)	175,263
Total comprehensive income for the year	—	135,312	135,312
Dividends declared			
— 2010 financial year - first interim	—	(14 631)	(14,631)
— 2010 financial year - second interim	—	(22 613)	(22,613)
— 2010 financial year - third interim	—	(49 214)	(49,214)
— 2010 financial year - fourth interim	—	(31 925)	(31,925)
Balance at 31 March 2011	**233,941**	**(41,749)**	**192,192**
Year ended 31 March 2012			
Balance at 1 April 2011	233,941	(41,749)	192,192
Total comprehensive income for the year		161,676	161,676
Dividends declared			
— 2011 financial year - first interim	—	(26 603)	(26,603)
— 2011 financial year - second interim	—	(29 263)	(29,263)
— 2011 financial year - third interim	—	(47 885)	(47,885)
— 2011 financial year - fourth interim	—	(22 613)	(22,613)
Balance at 31 March 2012	**233,941**	**(6,437)**	**227,504**

The accounting policies and notes on pages 54 to 72 are an integral part of the financial statements

Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2012 P'000	2011 P'000
Cash flows from operating activities			
Net cash utilised in operations	4.10	(1,991)	(1,678)
Income tax paid		(14,394)	(20,363)
Net cash utilised in operating activities		(16,385)	(22,041)
Cash flows from investing activities			
Dividends received	4.11	153,000	135,238
Interest received	4.3	95	166
Net cash used in investing activities		153,095	135,404
Cash flows from financing activities			
Dividends paid to shareholders	4.11	(135,675)	(113,198)
Net cash used in financing activities		(135,675)	(113,198)
Changes in cash and cash equivalents		1,035	165
Movement in cash and cash equivalents			
At beginning of the year		113	(52)
Changes in cash and cash equivalents		1,035	165
At end of the year	4.7	1,148	113

The accounting policies and notes on pages 54 to 72 are an integral part of the financial statements

Accounting Policies

for the year ended 31 March 2012

1. General information

Sechaba Brewery Holdings Limited is an investment Company with interests in Kgalagadi Breweries (Proprietary) Limited (KBL) and Botswana Breweries (Proprietary) Limited (BBL). The financial statements have been approved by the Board of Directors on 8 May 2012.

The company is a public limited company, which is listed on Botswana Stock Exchange and incorporated and domiciled in Botswana. The address of its registered office is Plot 20768, Kubu Road, Broadhurst Industrial Site, Gaborone.

Summary of significant accounting policies

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

1.1 Basis of presentation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Botswana. They have been prepared under the historical cost convention.

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

All amounts in the notes are shown in Pula, unless otherwise stated.

1.1.1 Changes in accounting policy and disclosures

(a) New and amended standards applicable to the current period which are relevant to the Company

- IFRS 7, (Improvements), and Financial Instruments: Clarification of Disclosures: (effective from 1 January 2011).
- IAS 1 (Improvements), Presentation of Financial Statements: Clarification of statement of changes in equity (effective from 1 January 2011).

(b) New and amended standards applicable to the current period but not relevant to the Company

Management assessed the relevance of the following amendments and interpretations with respect to the Company's operations and concluded that they are not relevant to the Company.

- IAS 24, (Amendment), Related Party Disclosures: Partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities (effective from 1 January 2011).
- IFRS 1 (Improvement) First-time Adoption of International Financial Reporting Standards (effective from 1 January 2011)
- IFRS 3 (Improvement) Business combination - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS (effective from 1 July 2010)

- IAS 27 (Improvement) Consolidated and Separate Financial Statements - Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements (effective from 1 July 2010)
- IAS 34 (Improvement) Interim Financial Reporting - Significant events and transactions (effective from 1 January 2011)
- IFRIC 13 Customer Loyalty Programmes - Fair value of award credits (effective from 1 January 2011)
- IFRIC 14 (Improvement) Pre-payments of a Minimum Funding Requirement (effective from 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2010)

1.1.2 Adoption of standards in future financial periods

The following new standards, amendments and interpretations to existing standards are mandatory for the Company's accounting periods beginning on or after 1 January 2012. These have not been early adopted by the Company.

(a) New standards, amendments and interpretations which are relevant to the Company's operations

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 28 (revised 2011), 'Associates and joint ventures' IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Accounting Policies (continued)

for the year ended 31 March 2012

1.1.2 Adoption of standards in future financial periods (continued)

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the Company's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Company's financial statements.

- IFRS 11- 'Joint arrangements is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IAS 27 (revised 2011), 'Separate financial statements' IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

(b) New standards, amendments and interpretations which are not relevant to the Company's operations

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition - This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation - These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- Amendment to IAS 12, 'Income taxes' on deferred tax- IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income - The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

1.2 Accounting for associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Under this method, the Company's share of post-acquisition accumulated profits or losses of associated companies, which are generally determined from their latest audited financial statements, is included in the carrying value of the investments, and the annual profit attributable to the Company is recognised in the Statement of comprehensive income.

The Company's share of post-acquisition movement in reserves is recognised in other reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The carrying amount of such interests is reduced to recognise any potential impairment, other than a temporary decline, in the value of individual investments.

The Company's investment in associates includes goodwill (net of accumulated impairment loss) identified on acquisition.

When the Company's share of losses in an associate equals or exceeds the cost of the investment in the associate, the Company does not recognise further losses unless it has incurred obligations, issued guarantees or made payments on behalf of the associate.

Where the Company transacts with an associate, unrealised profits and losses are eliminated to the extent of the Company's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies of the Company.

Investments in associates are assessed for impairment when indicators of impairment are identified. Such impairment indicators include, but are not limited to, for example:

- Sustained deterioration in financial results of operations and / or financial position of an associate;
- Changes in the operating environment of an associate, including regulatory and economic changes, market entry by new competitors, etc.; and
- Inability of an associate to obtain finance required to sustain or expand operations.

Accounting Policies (continued)

for the year ended 31 March 2012

1.2 Accounting for associates (continued)

Where impairment indicators are identified, the recoverable value of the associate is measured at the lower of realisable value through sale less costs to sell, and value in use. Value in use is the present value of future cash flows expected to be derived from the associate.

Where the recoverable value of an associate is below the carrying amount, the carrying amount is reduced to the recoverable value through an impairment loss charged to the statement of comprehensive income.

Once an impairment loss has been recognised, the Company assesses at each year-end date whether there is an indication that the impairment loss previously recognised no longer exists or has decreased. If this is the case, the recoverable value of the associate is remeasured and the impairment loss reversed or partially reversed as may be the case.

1.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Botswana Pula, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains – net'.

1.4 Dividend distribution

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

1.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.6 Intangible assets

Goodwill

Recognition and measurement

At the acquisition date, goodwill is measured at cost, being the excess of the cost of the investment in associate acquired over the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria. Subsequent to initial measurement, goodwill is carried at cost less accumulated impairment losses. Goodwill on acquisition of associates is included in investment in associates.

When the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the investment in associate, the difference is recognised directly in the Statement of comprehensive income.

1.7 Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. During the year the Company did not have assets in this category.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the Statement of financial position (notes 4.7).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Accounting Policies (continued)

for the year ended 31 March 2012

1.7 Financial assets (continued)

Recognition and measurement

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the Statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the Statement of comprehensive income as part of other income when the Company's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

(a) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists at an individual receivable level, whereafter assessments are made on a portfolio basis by comparing receivables with similar credit characteristics together (into 'portfolios').

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of comprehensive income.

Impairment losses recognised in the Statement of comprehensive income on equity instruments are not reversed through the Statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of financial position.

1.9 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Accounting Policies (continued)

for the year ended 31 March 2012

1.10 Provisions

Provisions for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.11 Stated capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, levy, rebates and discounts.

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

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

1.13 Current and deferred income tax

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

Withholding tax withheld by investees on payment to dividends to the Company is accounted for as current income tax charges in the period when the underlying dividend income is recognised as revenue.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the Reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets arising from deductable temporary differences between the tax bases and carrying amounts of investments in associates are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Accounting Policies (continued)

for the year ended 31 March 2012

1.14 Related parties

Related parties comprise directors of the Company, its associates and companies with common control.

Transactions with related parties are in the normal course of business and on normal commercial terms.

1.15 Earnings per ordinary share

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

1.16 Segmental reporting

The Company operates as an investment holding Company, currently holding two investees which operate in essentially the same market and under the same economic circumstances.

The Board of Directors acts as the Company's Chief Operating Decision maker as defined by IFRS 8. In this capacity, the Board monitors the overall financial results and financial positions of the two associate companies, and their ability to pay dividends to the Company The key financial indicators and performance of these investments as monitored by the Board of Directors are clearly presented in the annual financial statements of the Company, specifically through disclosures of dividend income and detailed disclosures of the summarised Statement of comprehensive incomes and Statement of financial positions of the associate companies in note 4.6.

Financial Risk Management

for the year ended 31 March 2012

2 Financial Risk management

2.1 Financial risk factors

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

a) Market risk

i) Foreign currency risk

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

ii) Price risk

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

iii) Cash flow and fair value interest rate risk

The Company may from time-to-time have interest-bearing assets and liabilities. The Company management ensures that cash resources are placed with financial institutions giving the best interest rates to mitigate any significant changes in interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates.

b) Credit risk

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

Financial Risk Management (continued)

for the year ended 31 March 2012

2 Financial Risk management (continued)

2.1 Financial risk factors (continued)

b) Credit risk (continued)

The table below shows an age analysis of other receivables at their carrying value respectively as at the Reporting date.

	31 March 2012			
	Total P'000	Fully performing P'000	Past due P'000	Impaired P'000
Receivables				
Other receivables	130	130	—	—
Total	130	130	—	—

	31 March 2011			
	Total P'000	Fully performing P'000	Past due P'000	Impaired P'000
Receivables				
Other receivables	92	92	—	—
Total	92	92	—	—

There were no assets at fair value through the profit and loss, liabilities at fair value through the profit and loss, derivatives used for hedging or available for sale financial instruments as at year end.

None of the financial assets that are fully performing have been renegotiated during the year.

c) Liquidity risk

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

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

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

At the reporting date, the company held liquid cash assets of P1,147,000 (2011: P113 000) for managing liquidity risk.

In addition cash for expansion or dividends payouts to shareholders is fully funded through dividends receipts from Investec associate companies.

2.2 Capital risk management

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

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

Critical Accounting Estimates and Judgements

for the year ended 31 March 2012

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Company is subject to income taxes. Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of investments in associates

The Company makes an assessment of the potential impairment of the investments in associates whenever events or circumstances may indicate the presence of impairment indicators.

Key factors considered include the current and projected future financial results and financial positions of the associates, and their ability to maintain positive dividend payout policies. The Company also assesses the potential impact of changes in the business and operating environments of the associates.

These include monitoring of the economic and regulatory environments under which the associates operate, as well as the status of the associates' alliances and agreements with their strategic partner, the SABMiller PLC group.

The alcohol levy introduced during late 2008 has placed the associates' businesses under strain through reduction in sales volumes. However, during the year, revenue from associates has increased compared to previous year as a result of changes in the manner in which the alcohol levy is applied to the associates' products (as opposed to those of imported competitors). This has restored its associates pricing advantage relative to imports.

While the continuing impact of these factors cannot be accurately estimated, the associates have made reasonable efforts to mitigate these impacts and to account for these in their profit forecasts and budgets.

Based on the available information, the Company had not identified any impairment of its investments in associates during the current year.

Notes to the Financial Statements

for the year ended 31 March 2012

		2012 P'000	2011 P'000
4.1	**Share of results of associates**		
	Share of results of associates before tax	215,956	172,059
	— Kgalagadi Breweries (Pty) Ltd	126,320	90,938
	— Botswana Breweries (Pty) Ltd	89,636	81,121
	Share of income tax on profits	(38,063)	(14,945)
	— Kgalagadi Breweries (Pty) Ltd	(26,701)	(10,900)
	— Botswana Breweries (Pty) Ltd	(11,362)	(4,045)
		177,893	157,114
4.2	**Administrative expenses**		
	Management fees	919	1,053
	Audit committee fees	26	57
	Audit fees	74	68
	Bank charges	34	17
	Courier and postage	46	18
	Directors' Fees	85	98
	General expenses	14	8
	Printing and stationery	446	59
	Transfer costs	129	116
	Professional fees	14	11
	Insurance general	15	30
	Stock exchange fees	135	106
		1,937	1,641
4.3	**Finance income**		
	Interest income - bank deposit	95	166
4.4	**Income tax expense**		
	Company tax - current year	20	24
	Additional company tax - current year	—	17
		20	41
	Withholding tax on dividends received	14,355	20,286
		14,375	20,327
	Tax reconciliation		
	Profit before income tax	176,051	155,639
	Tax at standard rate of 22%	38,731	38,910
	Income not subject to income tax	(39,136)	(39,279)
	Expenses not deductable for tax purposes	425	410
	Withholding tax on dividends received	14,355	20,286
		14,375	20,327
	Effective tax rate	8.17%	13.06%

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

		2012 P'000	2011 P'000
4.5	**Basic and diluted earnings per share**		
	Basic and diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. There were no changes to the number of shares during the year.		
	Net profit attributable to shareholders (P'000)	161,676	135,312
	Weighted average number of ordinary shares in issue (thousand) (note 4.8)	133,015	133,015
	Basic and diluted earnings per share (thebe)	121.5	101.7
4.6	**Investments in associates**		
	Balance at 1 April	185,508	169,994
	Share of results of associates before tax (note 4.1)	215,956	172,059
	Share of tax of associates (note 4.1)	(38,063)	(14,945)
		363,401	327,108
	Less: Gross dividends received	(138,600)	(141,600)
	Balance at 31 March	224,801	185,508

The financial results of the principal associates, all of which are unlisted and have the same year-end as the company, and aggregated assets (including goodwill) and liabilities, are as follows:

Name	Assets P'000	Liabilities P'000	Revenue P'000	Gross Comprehensive Income P'000	% interest held
2011					
Kgalagadi Breweries (Pty) Ltd	509,299	395,581	946,836	133,397	60
Botswana Breweries (Pty) Ltd	126,577	82,260	329,649	128,460	60
	635,876	477,841	1,276,485	261,857	
2012					
Kgalagadi Breweries (Pty) Ltd	617,337	446,587	1,181,027	166,032	60
Botswana Breweries (Pty) Ltd	147,461	94,684	384,089	130,459	60
	764,798	541,271	1,565,116	296,491	

Both associates are incorporated in the Republic of Botswana. Kgalagadi Breweries (Pty) Ltd brews, imports and distributes clear beer, carbonated soft drinks and purified water. Botswana Breweries (Pty) Ltd brews and distributes traditional beers.

Although the company owns the majority of the issued share capital of these two companies, the constitutions of the investees and operation of various shareholder and management agreements provide, inter alia, for the minority shareholder to control the Boards of Directors of the investees, and assign additional voting rights to the minority shareholders in most matters affecting the operational and budgetary controls of the investees. Accordingly, these investee companies are effectively controlled by the minority

		2012 P'000	2011 P'000
4.6	**Investments in associates**		
	The balance of the investments in associates represents the following:		
	Cost of investment	241,778	241,778
	Kgalagadi Breweries (Pty) Ltd	146,950	146,950
	Botswana Breweries (Pty) Ltd	94,828	94,828
	Share of net post-acquisition movement in reserves	(16,977)	(56,270)
		224,801	185,508
	Cost of the investments in associates includes goodwill of P90.7mn (2011: P90.7mn).		
	In the opinion of the directors, the fair value of the investments in associates approximates the market capitalisation of the company's shares on the Botswana Stock Exchange, which was P1.5bn at 31 March 2012 (2011: P1.7bn).		
4.7	**Cash and cash equivalents**		
	Call and demand deposits	1,148	113
	Bank overdraft	—	—
		1,148	113
4.8	**Stated Capital**		
	133 014 875 ordinary shares of no par value	233,941	233,941
4.9	**Related party transactions**		
	Related parties comprise directors of the company, the company's associates and entities under common control and ownership. Related party transaction are entered under normal business terms and in the ordinary course of business. Transactions with related parties carried out during the year are:		
	Kgalagadi Breweries (Pty) Ltd - Management fees (note 4.2)	919	1,053
	Directors' fees (note 4.2)	85	98
	Audit Committee fees (note 4.2)	57	57
4.10	**Cash utilised in operations**		
	Operating income before finance income and tax expenses	175,956	155,473
	Adjustment for:		
	Share of profits from associates (note 4.1)	(177,893)	(157,114)
		(1,937)	(1,641)
	Working capital changes:		
	— other payables	(16)	(20)
	— related party balances	—	—
	— other receivables	(38)	(17)
	Net cash utilised in operations	(1,991)	(1,678)

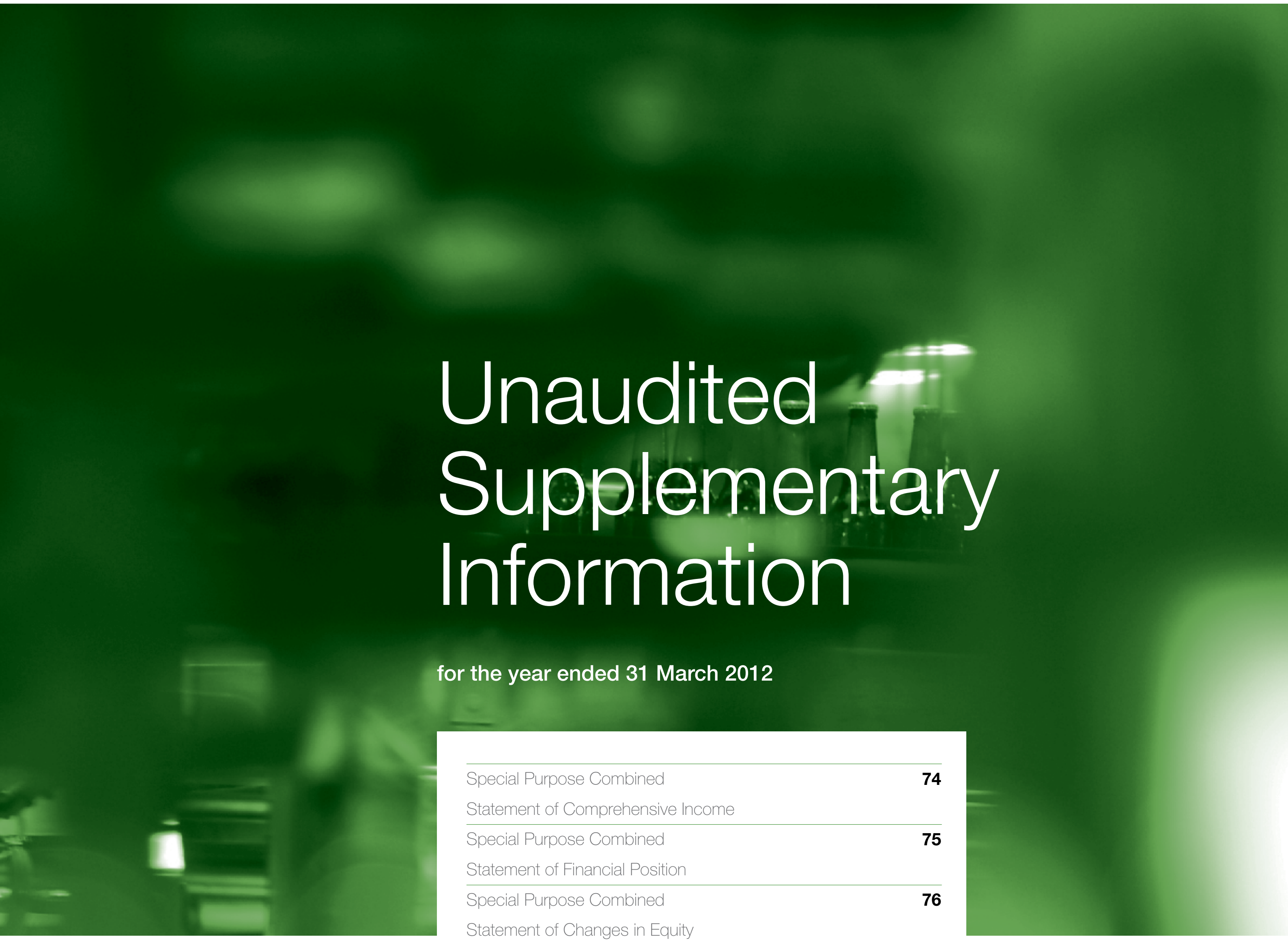
Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	2012 P'000	2011 P'000
4.11 Dividends		
Dividends declared	126,364	118,383
Dividend per share (thebe)		
First interim dividend - paid	20	11
Second interim dividend - paid	22	17
Third interim dividend - paid	36	37
Fourth and final dividend - declared	17	24
Total dividends per share	95	89
Dividends paid		
Dividend payable at beginning of year	(31,924)	(26,739)
Dividend for the year	(126,364)	(118,383)
Dividend payable at end of year	22,613	31,924
Dividend paid	(135,675)	(113,198)
4.12 Dividends received		
Dividend receivable at beginning of year	38,400	32,038
Dividends for the year	138,600	141,600
Dividend receivable at end of year	(24,000)	(38,400)
Dividends received	153,000	135,238

4.13 Events after the reporting period

The directors confirm that there were no significant post reporting date requiring adjustment to the amounts and/or disclosures in the financial statements.



Unaudited Supplementary Information

for the year ended 31 March 2012

Special Purpose Combined Statement of Comprehensive Income

for the year ended 31 March 2012

	Combined		Company	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Sales	1,565,116	1,276,485	—	—
Cost of sales	(942,867)	(752,843)	—	—
Gross profit	622,249	523,642	—	—
Dividends income	—	—	138,600	141,600
Sales and distribution costs	(79,178)	(60,033)	—	—
Administrative expenses and operating expenses	(214,581)	(179,888)	(1,937)	(1,641)
Other income	14,731	10,268	—	—
Operating profit	343,221	293,989	136,663	139,959
Finance income	1,416	1,481	95	166
Finance costs	(9,599)	(10,556)	—	—
Profit before income tax	335,038	284,914	136,758	140,125
Income tax expense	(54,396)	(45,235)	(14,375)	(20,327)
Net profit after income tax	280,642	239,679	122,383	119,798
Attributable to:				
Equity holders of the Company	161,676	135,312	122,383	119,798
Minority interest	118,966	104,366	—	—
	280,642	239,679	122,383	119,798
Earnings per share for profit attributable to the equity holders of the company during the year (expressed in thebe per share)				
— Basic	121.5	101.7	92	90
Dividends declared				
— first interim dividend - paid	20	11	20	11
— second interim dividend - paid	22	17	22	17
— third interim dividend - paid	36	37	36	37
— fourth and final interim dividend - declared	17	24	17	24
	95	89	95	89

Special Purpose Combined Statement of Financial Position

at March 2012

	Combined 2012 P'000	Combined 2011 P'000	Company 2012 P'000	Company 2011 P'000
ASSETS				
Non-current assets				
Property, plant and equipment	397,856	332,006	—	—
Intangible assets	90,692	90,692	—	—
Investment in subsidiaries	—	—	241,778	241,778
	488,548	422,698	241,778	241,778
Current assets				
Inventories	112,688	103,863	—	—
Trade and other receivables	157,024	86,583	168	111
Dividend receivable	—	—	24,000	38,400
Cash and cash equivalents	56,874	58,220	1,148	113
	326,586	248,666	25,316	38,624
Total assets	815,134	671,364	267,094	280,402
EQUITY				
Capital and reserves attributable to equity holders of the company				
Stated Capital	233,941	233,941	233,941	233,941
(Accumulated losses)/retained earnings	(6,430)	(42,112)	10,540	14,521
	227,511	191,829	244,481	248,462
Minority interest in equity	89,410	63,214	—	—
Total equity	316,921	255,043	244,481	248,462
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	22,507	12,676	—	—
Long term borrowings	32,014	—	—	—
	54,521	12,676	—	—
Current liabilities				
Bank overdraft	2,122	95,687	—	—
Borrowings	19,049	—	—	—
Trade and other payables	335,876	240,381	—	16
Derivative financial liabilities	6,243	1,204	—	—
Dividends payable	22,613	31,924	22,613	31,924
Dividends payable to minorities	49,700	32,200	—	—
Current income tax liabilities	8,089	2,249	—	—
	443,692	403,645	22,613	31,940
Total equity and liabilities	815,134	671,364	267,094	280,402

Special Purpose Combined Statement of Changes in Equity

for the year ended 31 March 2012

	Stated capital P'000	(Accumulated loss)/Retained earnings P'000	Total P'000	Non controlling interest P'000	Total equity P'000
COMBINED					
Balance at 1 April 2010	233,941	(58,668)	175,273	52,875	228,148
Total comprehensive income for the year	—	134,939	134,939	104,739	239,678
Dividends declared	—	(118,383)	(118,383)	(94,400)	(212,783)
Balance at 31 March 2011	233,941	(42,112)	191,829	63,214	255,043
Balance at 1 April 2011	233,941	(42,112)	191,829	63,214	255,043
Total comprehensive income for the year	—	162,046	162,046	118,596	280,642
Dividends declared	—	(126,364)	(126,364)	(92,400)	(218,764)
Balance at 31 March 2012	233,941	(6,430)	227,511	89,410	316,921
COMPANY					
Balance at 1 April 2010	233,941	12,738	246,679	—	246,679
Total comprehensive income for the year	—	119,798	119,798	—	119,798
Dividends declared	—	(118,383)	(118,383)	—	(118,383)
Balance at 31 March 2011	233,941	14,153	248,094	—	248,094
Balance at 1 April 2011	233,941	14,153	248,094	—	248,094
Total comprehensive income for the year	—	122,751	122,751	—	122,751
Dividends declared	—	(126,364)	(126,364)	—	(126,364)
Balance at 31 March 2012	233,941	10,540	244,481	—	244,481

Special Purpose Combined Statement of Cash Flows

for the year ended 31 March 2012

	Combined		Company	
	2012 P'000	2011 P'000	2012 P'000	2011 P'000
Cash flows from operating activities				
Cash generated from/(used in) operations	374,998	294,591	(1,991)	(1,678)
Interest paid	(9,599)	(10,556)	—	—
Income tax paid	(62,178)	(42,122)	(14,394)	(20,363)
Net cash generated from/(used in) operating activities	303,221	241,914	(16,385)	(22,041)
Cash flows from investing activities				
Purchases of property, plant and equipment	(85,331)	(59,362)	—	—
Proceeds from sale of property, and equipment	1,097	4,852	—	—
Proceeds from Related party borrowing	31,328	—	—	—
Dividends received	—	—	153,000	135,238
Interest received	1,416	1,481	95	166
Net cash (used in)/Generated from investing activities	(51,490)	(53,029)	153,095	135,404
Cash flows from financing activities				
Dividends paid to group shareholders	(135,675)	(113,198)	(135,675)	(113,198)
Repayment of borrowings	78,163	(60,000)	—	—
Dividends paid to minority interests	(102,000)	(90,153)	—	—
Net cash used in financing activities	(159,512)	(263,351)	(135,675)	(113,198)
Changes in cash and cash equivalents	92,219	(74,466)	1,035	165
Movement in cash and cash equivalents				
At beginning of the year	(37,467)	36,999	113	(52)
Changes in cash and cash equivalents	92,219	(74,466)	1,035	165
At end of the year	**54,752**	**(37,467)**	**1,148**	**113**
Cash and cash equivalents comprises:				
Cash in hand and at bank	56,874	58,220	1,148	113
Bank overdraft	(2,122)	(95,687)	—	—
	54,752	**(37,467)**	**1,148**	**113**

Notes to the Special Purpose Combined Financial Statements

for the year ended 31 March 2012

1. Basis of preparation

These special purpose combined financial statements have been prepared to present the operations of Sechaba Holdings Limited, Kgalagadi Breweries (Pty) Ltd (KBL) and Botswana Breweries (Pty) Ltd (BBL) as a single economic entity, using the same accounting policies, estimates and judgements as used in the preparation of the statutory financial statements of Sechaba Brewery Holdings Limited, as set out elsewhere in the Annual Report, except as set out below.

2. Segmental information

Sechaba Brewery Holdings Limited, through its operating entities manufactures, imports, markets and distributes a variety of alcoholic and non-alcoholic beverages in Botswana in accordance with trade, licensing and similar agreements SABMiller PLC, the ultimate controlling shareholder of KBL and BBL.

While strategic decision-making rights vests in the Boards of KBL and BBL, operational and managerial responsibility vest with Executive Management, which includes the Managing Director, Finance Director and BBL General Manager. For purposes of presenting segmental information, Executive Management has been identified as the Chief Operating Decision maker as defined in IFRS 8 (Operating segments).

"The main reporting segments reviewed by the Chief Operating Decision maker are:

— the manufacturing, import, marketing and distribution of clear beer under brands including St. Louis, St. Louis Export, Carling Black Label, Millers, Peroni, etc., as well as the manufacturing, import, marketing and distribution of carbonated soft drinks and purified water under the brand names Coke, Fanta, Sprite, Sparletta, Source, Bonaqua, etc.
— the manufacturing, marketing and distribution of traditional beer under the brand name Chibuku."

The Chief Operating Decision Maker reviews performance of each segment based on operating profit achieved, total assets employed and net assets employed.

	Clear Beer and Soft Drinks P'000	Traditional Beer P'000	Eliminations and Holding Company P'000	Combined P'000
Year ended 31 March 2012				
Sales	1,181,027	384,089	—	1,565,116
Cost of sales	(785,434)	(157,433)	—	(942,867)
Gross profit	**395,593**	**226,656**	**—**	**622,249**
Sales and distribution costs	(72,014)	(7,164)	—	(79,178)
Administrative expenses and operating expenses	(135,936)	(77,995)	(650)	(214,581)
Other income	13,064	2,586	(919)	14,731
Operating profit	**200,707**	**144,083**	**(1,569)**	**343,221**
Finance income				1,416
Finance costs				(9,599)
Profit before income tax				**335,038**
Income tax expense				(54,396)
Net profit after income tax				**280,642**
At 31 March 2012				
ASSETS				
Non-current assets	340,256	57,600	90,692	488,548
Current assets	277,081	89,861	(40,356)	326,586
Total assets	**617,337**	**147,461**	**50,336**	**815,134**
EQUITY	170,750	52,777	93,395	316,921
LIABILITIES				
Non-current liabilities	51,188	3,333		54,521
Current liabilities	395,399	91,351	(43,059)	443,692
Total equity and liabilities	**617,337**	**147,461**	**50,336**	**815,134**

Sales comprise the fair value of consideration received or receivable for the sale of goods in the ordinary course of business. Sales are shown net of value-added tax, returns, rebates, alcohol levy and discounts and after eliminating sales within the group.

Sales are recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific conditions of each sales arrangement.

Notes to the Special Purpose Combined Financial Statements (continued)

for the year ended 31 March 2012

2. Segmental information (continued)

	Clear Beer and Soft Drinks P'000	Traditional Beer P'000	Eliminations and Holding Company P'000	Combined P'000
Year ended 31 March 2011				
Sales	946,836	329,649	—	1,276,485
Cost of sales	(617,979)	(134,864)	—	(752,843)
Gross profit	328,857	194,785	—	523,642
Sales and distribution costs	(53,393)	(6,640)	—	(60,033)
Administrative expenses and operating expenses	(119,446)	(59,486)	(956)	(179,888)
Other income	9,488	1,833	(1,053)	10,268
Operating profit	165,506	130,492	(2,009)	293,989
Finance income				1,481
Finance costs				(10,556)
Profit before income tax				284,914
Income tax expense				(45,235)
Net profit after income tax				239,679
At 31 March 2011				
ASSETS				
Non-current assets	286,427	45,579	90,692	422,698
Current assets	222,872	80,998	(55,204)	248,666
Total assets	509,299	126,577	35,488	671,364
EQUITY	113,718	44,315	97,010	255,043
LIABILITIES				
Non-current liabilities	9,767	2,909	—	12,676
Current liabilities	385,814	79,353	(61,522)	403,645
Total equity and liabilities	509,299	126,577	35,488	671,364

3. Property, plant and equipment

	Leasehold land and buildings P'000	Freehold land and buildings P'000	Plant, machinery, equipment P'000	Motor vehicles P'000	Returnable containers P'000	Total P'000
Year ended 31 March 2012						
Opening net book amount	57,105	7,066	183,004	22,061	62,770	332,006
Additions	5,307	—	42,305	16,724	—	64,336
Disposals	—	—	(994)	(4,304)	—	(5,298)
Container additions	—	—	—	—	20,995	20,995
Container Revaluations	—	—	—	—	17,416	17,416
Transfer	(2,100)	—	—	(2,100)	—	—
Depreciation	(658)	(1,848)	(17,896)	(8,286)	(8,105)	(36,793)
Depreciation disposal	—	—	986	4,208	—	5,194
Closing net book amount	59,654	5,218	207,405	32,503	93,076	397,856
Year ended 31 March 2012						
Cost	89,337	14,388	392,224	86,322	125,662	707,933
Accumulated depreciation	(29,684)	(9,170)	(184,819)	(53,819)	(32,586)	(310,077)
Net book amount	59,654	5,218	207,405	32,503	93,076	397,856
Year ended 31 March 2011						
Opening net book amount	54,696	8,902	168,370	23,489	52,256	307,713
Additions	3,044	—	31,171	6,029	13,718	53,962
Disposals	—	(308)	(1,501)	(1,287)	—	(3,096)
Container additions	—	—	—	—	5,400	5,400
Depreciation	(635)	(1,836)	(16,533)	(7,317)	(8,604)	(34,925)
Depreciation disposal	—	308	1,497	1,147	—	2,952
Closing net book amount	57,105	7,066	183,004	22,061	62,770	332,006
Year ended 31 March 2011						
Cost	86,128	14,388	350,912	70,734	87,252	609,414
Accumulated depreciation	(29,023)	(7,322)	(167,908)	(48,673)	(24,482)	(277,408)
Net book amount	57,105	7,066	183,004	22,061	62,770	332,006

Property, plant and equipment are stated at historical cost less accumulated depreciation. Freehold land is not depreciated. Leasehold land is depreciated over the period of the underlying lease. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives.

Notes to the Special Purpose Combined Financial Statements (continued)

for the year ended 31 March 2012

4. Intangible assets

	Combined	
	2012 P'000	2011 P'000
Balance at 1 April	90,692	90,692
Amortisation for the year		
Balance at 31 March	**90,692**	**90,692**

Intangible assets consist of the amortised cost incurred on the upgrade and implementation of ERP Systems and goodwill on acquisition of the investments in KBL and BBL of P90 692 000 (2011: P90 692 000).

5. Inventories

	2012 P'000	2011 P'000
Raw materials	52,484	51,844
Work in progress	3,748	3,199
Finished goods	46,433	40,697
Consumable stores and spares	10,023	8,123
	112,688	103,863

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of packed clear beer, soft drinks and traditional beer comprises raw materials, packing material, direct labour and other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

6. Trade and other receivables

	Combined	
	2012 P'000	2011 P'000
Trade receivables	138,382	91,120
Less: Debtors impairment provision	(4,069)	(1,389)
Related parties (within the SABMiller PLC Group of Companies)	22,711	(3,148)
Net trade receivables	**157,024**	**86,583**
The pre-impairment credit profile of trade receivables prior to impairment provisioning is summarised as follows:		
Receivables where no impairment provision has been raised:		
— Performance is within normal credit terms	150,813	75,292
— Performance is outside normal credit terms	10,280	9,902
Receivables where impairment provision has been raised	(4,069)	1,389
	157,024	**86,583**

7. Borrowings

	2012 P'000	2011 P'000
Current		
Fixed rate note	51,063	—
Bank overdrafts	2,122	95,687
	53,185	**95,687**

During 2011, KBL got a 3 year loan facility for P60million from Stanbic Bank Botswana. The Loan is unsecured, and attracts interest at 9% p.a. which is paid bi-annually on 31 March and 30 September.

The combined entities have banking facilities of P108 million, which facilities are unsecured and, at the financial year-end, bore interest at 8.44% p.a. to 9% p.a. These rates vary in accordance with the prime overdraft rate.

	2012 P'000	2011 P'000
The maturity profiles of borrowings are as follows:		
On demand	2,122	95,687
Within 12 months	19,049	—
Within 12 to 24 months	32,014	—
	53,185	**95,687**

Shareholders' Analysis

for the year ended 31 March 2012

Top 15 Shareholders	No. of Shares	% Held
BOTSWANA DEVELOPMENT CORPORATION LIMITED	34,044,315	25.6%
SABMILLER AFRICA B.V.	22,398,016	16.8%
FNB NOMINEES (PTY) LTD RE: AGRAY BPOPF 10001010	12,509,668	9.4%
MOTOR VEHICLE ACCIDENT FUND	6,568,980	4.9%
SCBN (PTY) LTD RE: BIFM BPOPF BW000000894-2	6,154,578	4.6%
SCBN (PTY) LTD RE: SSB 001/1	5,452,481	4.1%
SCBN (PTY) LTD RE: IAM 030/14	5,403,667	4.1%
STANBIC NOMINEES RE: BIFM	4,845,855	3.6%
SCBN (PTY) LTD RE: AG 211/002	4,758,127	3.6%
SCBN (PTY) LTD RE: SSB 001/77	4,745,300	3.6%
FNB NOMINEES (PTY) LTD RE: CFM BPOPF10001011	4,202,771	3.2%
FNB NOMINEES (PTY) LTD RE: SIMS BPOPF 10001009	1,324,673	1.0%
STANBIC NOMINEES BOTSWANA RE: BNYFR	1,294,166	1.0%
SCBN (PTY) LTD RE: IAM 203/001	1,256,954	0.9%
SCBN (PTY) LTD RE: AG 214/001	1,172,412	0.9%
	116,131,963	87.3%
Other Shareholders	16,882,912	12.7%
	133,014,875	100.0%

Shareholders' Diary

Event	Date
Financial Year End	31 March 2012
Annual General Meeting	20 September 2012

Reports	
Half Year Financial Announcement	November
Year End Financial Announcement	May
Annual Report	August

Dividends	Declaration Date	Payment Date
First	August	September
Second	September	December
Third	February	March
Fourth and final	March	June

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Sechaba Brewery Holdings Limited will be held on Thursday 20th September 2012 at 15h00 at the CSD Boardroom, Kgalagadi Breweries, Coke Plant, to transact the following business;

1. To receive, consider and adopt the financial statements for the year ended 31 March 2012 together with the report of the auditors.

2. To approve the dividends declared by the Directors on:

    - 16 August 2011: First interim dividend of 20 thebe per share
    - 27 September 2011: Second interim dividend of 22 thebe per share
    - 28 February 2012: Third interim dividend of 36 thebe per share
    - 30 March 2012: Fourth and Final dividend of 17 thebe per share

3. To consider and elect directors Mr E W Komanyane and Mr J Kamyuka who retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

4. To confirm the appointment of the following directors in accordance with the Company's Articles of Association:
    - Sean Smuts
    - Trevor Sanderson

5. To note the resignation of Mr Tobake Kobedi from the board of directors

6. To approve the remuneration of the Chairman and non-executive directors.

7. To re-appoint PricewaterhouseCoopers as external auditors for the ensuing year and approve their remuneration for the year ended 31 March 2012

8. To transact any other business that may be transacted at an Annual General Meeting

Any member entitled to attend and vote, if unable to attend for any reason, is entitled to appoint a proxy or proxies to attend, speak, and on a poll, vote in his/her stead, and such proxy need not also be a member of the Company.

Proxy forms should be forwarded to reach the Registered Office of the Company at least 48 hours before the time fixed for holding the meeting.

By Order of the Board

Brian Mphotho
Group Company Secretary

Proxy Form

SECHABA BREWERY HOLDINGS LIMITED

(Please complete in block letters)

I/We* ____

Of ____

being a member of Sechaba Brewery Holdings Limited, hereby appoint:

______________________________ or failing him/her

______________________________ or failing him/her

______________________________ or failing him/her

the Chairman of the meeting as my/our* proxy to vote for me/us* on my/our* behalf at the annual general meeting of the Company, to be held at Kgalagadi Breweries, Coke Plant, in the CSD Boardroom, on Thursday 20th September 2012, at 15h00.

Signed: ____________________ **on this** ____________ **day of** ______________ **2012**

Note:

1. Each member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to act in the alternative, to attend and vote and speak in his/her stead. A proxy need not be a member of the Company.
2. Any alteration or correction made on this form of proxy (including the deletion of alternatives) must be initialed by the signatory/signatories.
3. This form of proxy should be signed and returned so as to reach the Registered Office of the Company, Plot 20768 Kubu Road, Broadhurst Industrial Estate, P O Box 631, Gaborone, not later that 48 hours before the time fixed for holding the meeting.

CHANGE OF ADDRESS

The attention of shareholders is drawn to the necessity of keeping the share register advised of any change in the name and /or permanent address.

(Please complete in block letters)

Shareholder's name in full: ____

New address: ____

Shareholder's signature: ______________________ Date: ______________________