

Transforming  
**African dreams**  
into reality...



# CHOPPIES

VALUE FOR YOUR MONEY!  
[www.choppies.co.bw](http://www.choppies.co.bw)

## Annual Report 2012





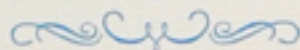
Republic of Botswana

# Presidential Order of Meritorious Service

This Certificate is awarded to  
*Choppies Group of Companies*

in recognition of

Exceptional Service to Botswana



Given under my hand at Gaborone  
this *25<sup>th</sup>* day of *Sept* 20*12*


.....  
President of the Republic of Botswana



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## Choppies Overview

The business was founded by the **Chopdat** family in 1986. The first store was opened in Lobatse, **Wayside Supermarket (Proprietary) Limited**, with a second store which opened in 1993. The Group has grown exponentially since then, having established a further 63 stores, including those in South Africa and has grown to become the largest mass grocery retailer in Botswana. Since it began its aggressive growth in 1999, the Choppies brand has developed into one of the most recognizable brands in Botswana. The Group has increased its market share to the current level of 30% of the total Botswana market, according to an independent survey conducted by Briggs and Associates. The group strives to increase its market share going forward.

The Group has 51 stores in Botswana, making it the largest supermarket chain in the country, with a large footprint in rural locations servicing a previously under-served market. This strategy has resulted in the Choppies name being well recognized throughout the country in both rural and urban locations.

The Group has recently expanded its footprint to the South African market and currently operates 14 stores in the North West, Limpopo and Free State provinces.

The company was listed on the **Botswana Stock Exchange** on **26 January 2012**. Its successful listing made it one of the largest, in terms of market capitalisation, in the non banking sector.

## Current Operations

The Group consists of the following businesses within the value chain:

- **Supermarkets** - The Group operates Superstores and Hyperstores based on size. The key criteria for the application of each are the location and the population density in the area. Within Botswana, each store is housed in, and operated as, a separate subsidiary. In certain instances stores operate under a single subsidiary under a separate trade name.

**Choppies Supermakets SA (Proprietary) Limited** which owns and operates 14 stores in the North West, Limpopo and Free State provinces, is a 100% owned subsidiary of Choppies Enterprises Limited.

- **Distribution and supply** - The distribution centres essentially function as a central sourcing for Choppies stores. The top 200 products are delivered in bulk to the distribution centres and then distributed from there to the stores. Other products are delivered to stores directly. Given that the distribution centres and stores are wholly owned subsidiaries of Choppies, charges made for handling and delivery do not adversely affect the profitability of the Group as any profit made by the subsidiaries are those of the Choppies Group.

The distribution centre in Rustenburg, South Africa, partially commenced its operations, on 15 September 2012.

- **Service and logistics** - Welldone (Proprietary) Limited, a wholly owned subsidiary, is a logistics company that supports the day to day operations of the stores. With a fleet of 245 commercial vehicles including trailers, Welldone (Proprietary) Limited distributes products to all Group stores. The logistics function ensures an efficient distribution and delivery of products, which guarantees an uninterrupted supply to Group stores. The fleet is funded by vehicle finance from Scania, guaranteed by Choppies. The fleet of vehicles, branded with the Choppies logo, enhances brand awareness and perception.

- **Amphora (Proprietary) Limited**, the maintenance subsidiary, provides stores with repair services, such as plumbing, refrigeration, electrical and general repairs. As a result of these services being provided in-house, lead times and maintenance costs are reduced.
- **Meat Distribution** in Botswana is carried out through Sarfrosh (Proprietary) Limited, also a wholly owned subsidiary of Choppies Enterprises Limited.

### *Choppies Footprint in Botswana and South Africa*





## *Chairman's Message*

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This was an eventful year for our company. The positive listing on the BSE, followed by expansion in South Africa in quick succession applied pressure on our resources. Choppies is the most widely held company in Botswana with over 5000 Shareholders. Our success over the years reflects the strength of our mission, principles, people, values and culture.

Our board members, company leaders, managers and associates bring value to our life every day as they serve customers and shareholders.

We are proud of our board members and the processes that we have in place to serve our shareholders. Good corporate governance is good business. As your chairman, I am pleased that we continue to strengthen our structure and best practices.

I am proud to be the Chairman and a shareholder of this unique organization. I am excited about what the future holds for Choppies as we deliver on our mission. I believe, as we represent Choppies shareholders, our principles will continue to guide us and we will be even stronger in the years to come.

I wish everybody prosperity and happiness in the coming year. May your problems all be small ones and fortunes ten times ten.

---

**Festus G Mogae**  
Chairman

## Our Board Members



Robert Neil Matthews  
Non Executive Director

Farouk Essop Ismail  
Executive Deputy Chairman

Festus G. Mogae  
Chairman

Dorcas Kgosietsile  
Non Executive Director

Ramachandran Ottapathu  
Chief Executive Officer

Timothy Gordon Marsland  
Non Executive Director



## CEO's Message

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Dear Stakeholders,

I am pleased to share the Annual Report for your company for the financial year 2011-2012. It was an eventful year, seen in the context of the entity listing and moving closer towards the public from 26 January 2012. We wrote a new chapter in the book of BSE by achieving the largest IPO, which was oversubscribed to a significant extent.

The revenue of the core business of the company grew at 36%. Significant growth levels were achieved in respect of both gross profits and the net margins. The results have been far better in comparison to our comparable peers in the region and we now believe that your company is poised to deliver much more.

In pursuit of our larger dream, the company's efforts of putting in sufficient infrastructure into the South African operations through warehousing and logistics were partially achieved on 15 September 2012, after a few months delay. Fully fledged operations will commence by the end of the calendar year. The 18,000 Sq. meter distribution center will enhance the efficiency of our South African operations to a significant extent. It will also bring a reasonable value addition to the operations in Botswana.

During the financial year we opened 4 stores in South Africa, adding 8,419 Sq.meters. We will be able to open 4 more stores (8,600 Sq meters) before the end of the calendar year 2012 bringing the total retail space in South Africa to 33,319 Sq meters. More leases are being finalized in South Africa for further expansion.



With respect to Botswana, we have planned a further 8 stores (12,624 Sq meters), of which 2 stores (2,400 Sq meters) have already been opened post FY 2011-12; the remaining 6 will be opened before the end of the FY 2012-2013 bringing the total retail space in Botswana to 70,842 Sq meters.

As a part of strengthening the corporate governance in our organisation, we have setup:

- (a) Audit committee - This committee is chaired by Mr. Robert Matthews. The other members are Mrs. Dorcas Kgosietsile and Mr. Manikandan Madakkavil (CFO).
- (b) Remuneration committee - This committee is chaired by Mrs. Dorcas Kgosietsile. The other members are Mr. Timothy Marsland, Mr. Ramachandran Ottapathu (CEO).
- (c) Investment sub committee - This committee reports to the board on all investment decisions. It is chaired by Mr. Timothy Marsland. The other members are Mr. Festus G Mogae, Mr. Ramachandran Ottapathu and Mr. Farouk Ismail.

Our company is in the final stages of implementing an Enterprise Resource Planning (ERP) system. Weaving the ERP system into its fabric will facilitate the flow of quality information and enhance efficiency between all business functions within the organization. The successful implementation of ERP will make it one of the largest of its kind in Botswana and will be a major milestone in the list of our achievements.

As noted from the current budget of the Botswana Government, many development projects will commence from financial year 2013-14. These will improve the overall economic situation generating more opportunity for growth.

As will be seen from the financial statements, our company has achieved an economic value addition of **P642** million to the economy. On the farming and agricultural front we distribute over 75% of the total produce of Botswana. We have provided employment opportunities to 3,911 people in Botswana out of which 146 are physically handicapped. In South Africa we have employed 1,356, bringing the total employee strength of the group to 5,267. Our efforts towards recognizing the less privileged sections of society have never lost their focus.

Our Company recently received the **“Presidential Order of Meritorious Service”** award. This is a true recognition for our contribution to society.

With all the investments in technology, infrastructure, manpower and innovation, we have built an organization that is capable of delivering more growth and productivity. We believe that the best of times are ahead of us. Our systems are time tested which will enable sustainable growth. The African consumption story is yet to take off in its full glory. In all developing economies, retailers are among the largest business, wealth creators and employers. More importantly due to the systems and processes we have put in place, with the infrastructure and the management talent we have created, we have built the foundation for our vision in achieving greater growth and continued good results.

On behalf of the management I thank you for the opportunity that you have afforded us. We also believe we will get your support on a continuous basis enabling the transformation of this very unique organization and adding more **“VALUE FOR YOUR MONEY”**.

Thank you,




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**Ramachandran Ottapathu**  
CEO

## Management discussion and analysis

### Operational Overview

The steps taken by the organization during the previous twelve months to secure, preserve and enhance its economic value creation, has enabled it to provide better returns in the form of economic value, stake holders' satisfaction, compliance and governance. The opportunities utilised have given the organization a firmer ground to build a more efficient and productive business. The investments made in logistics, technology and management are now poised to deliver exponential growth and efficiency. It is also true that, with the company's growth, costs have started to escalate and the organization has to constantly monitor and evaluate options to control these costs. Improving performance and also improving efficiency has been a strategy adopted by the entity throughout its existence.

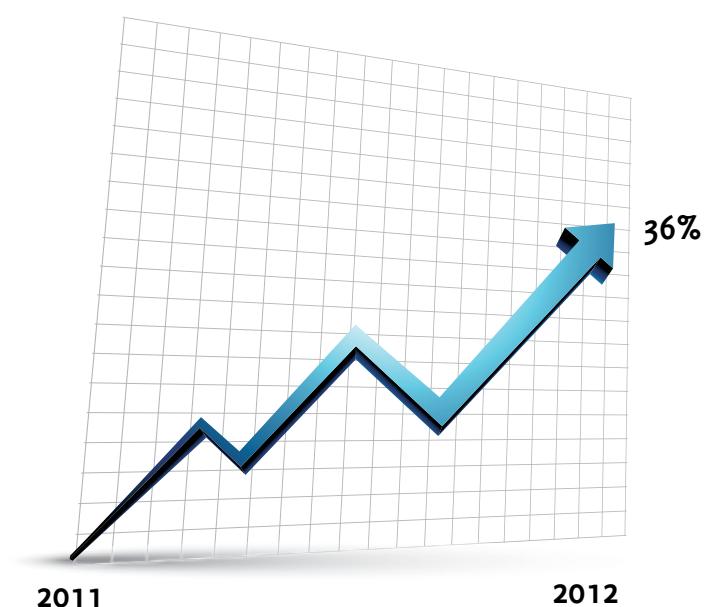
While maintaining its strategy for growing and strengthening market leadership in Botswana the company is also developing specific business strategies for future growth in RSA. The company is continuing its focus on the smaller towns. These towns provide large untapped opportunities and latent demand and has helped the company achieve its targets. Small towns are contributing better margins due to lower fixed costs of operations. Further, the strategies are clear on focusing on the growth of key categories in the retail sector. The efforts on sourcing supplies, as well as supply chain management in order to reduce the carrying cost of the products, have helped these categories to perform better. The better management of the resources and use of technology and tools for the replenishment and supply chain solutions have resulted in improved efficiency and higher customer satisfaction. The significant investments made into logistics have also helped to improve performance.

### Market share in Botswana



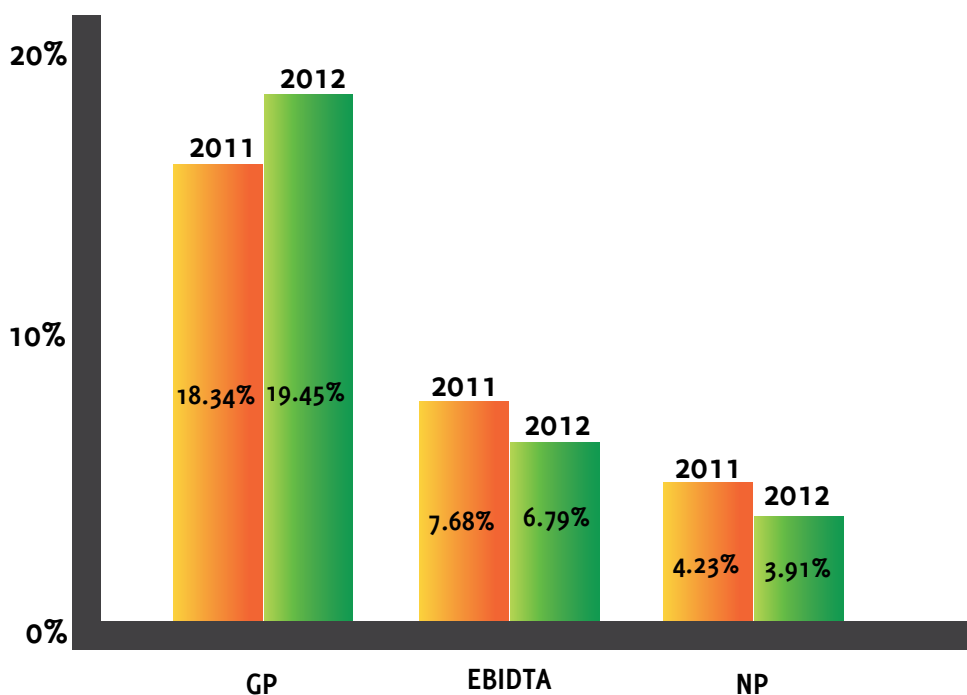
The above graph depicts the market share of our Company in relation to the market. We have a predominant share of 30%. The growth has been driven due to better service offering that our retail outlets offer to consumers, i.e. bigger selection of products, fresher produce, more competitive pricing and more convenient shopping hours and better reach.

## Revenue



*The revenue has grown at a significant rate of 36% from the last year, predominantly on account of growth in the existing stores, new store openings as well as advantages of a well connected distribution system.*

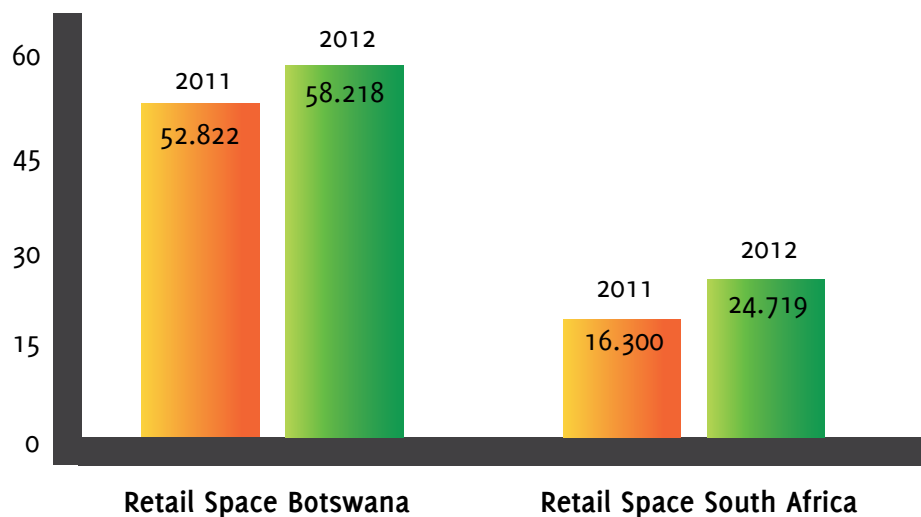
## Margins



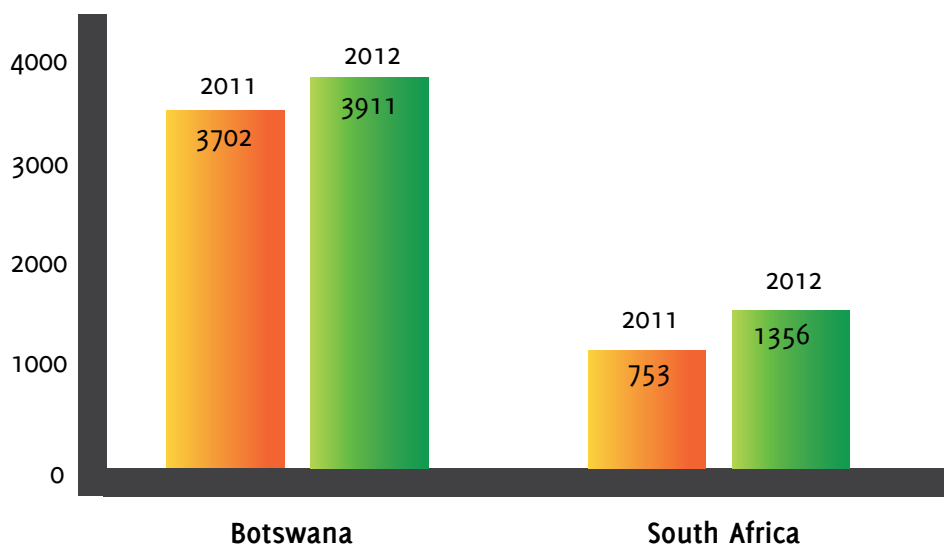
*The lower EBIDTA and net profit margin in 2012 is due to the fact that the new South African operation is still on a path towards full profitability.*



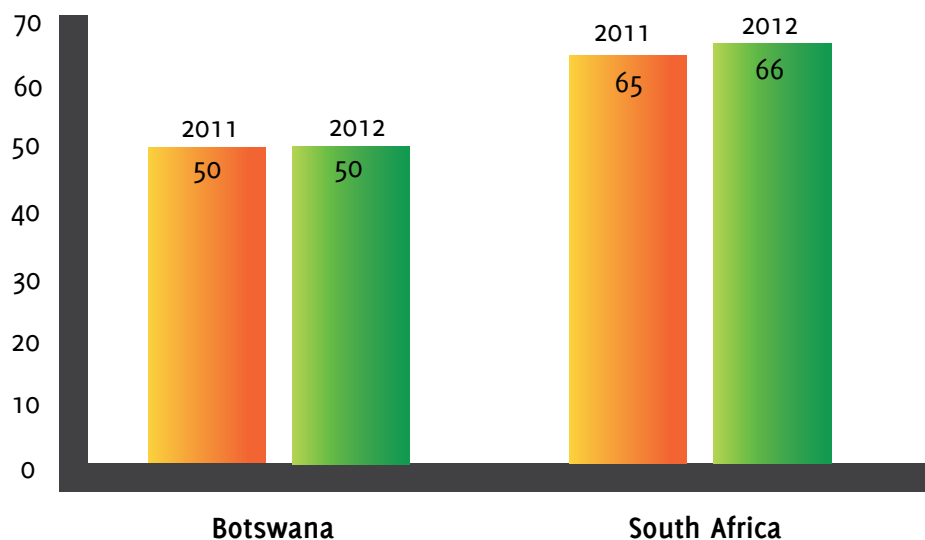
## Retail Space



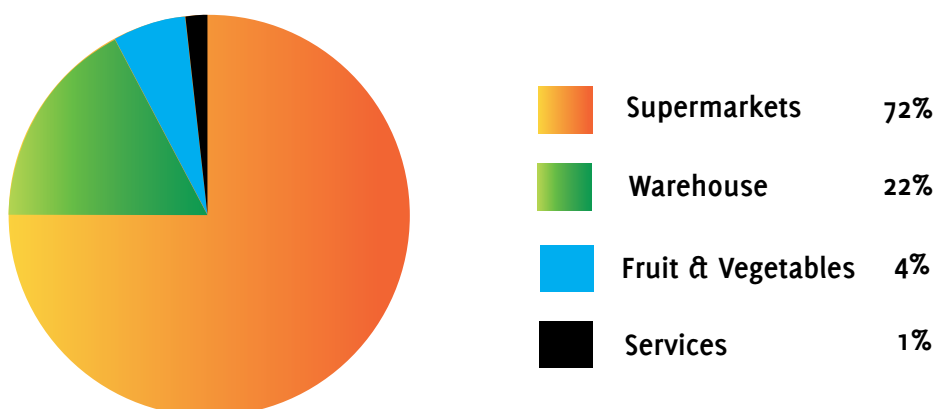
## No. of Employees



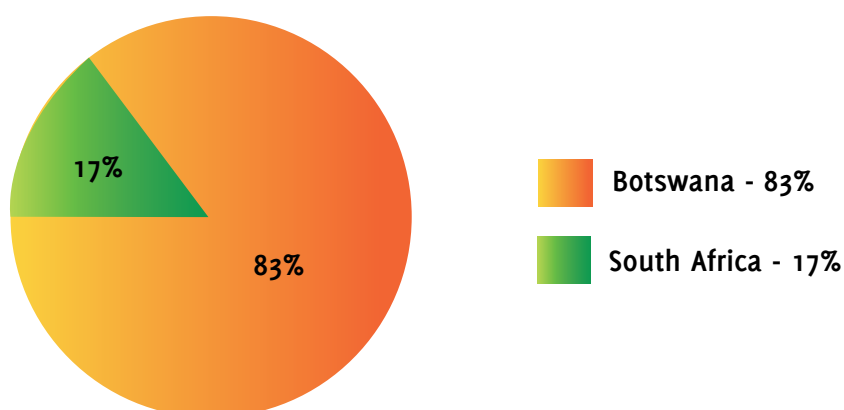
## Basket value



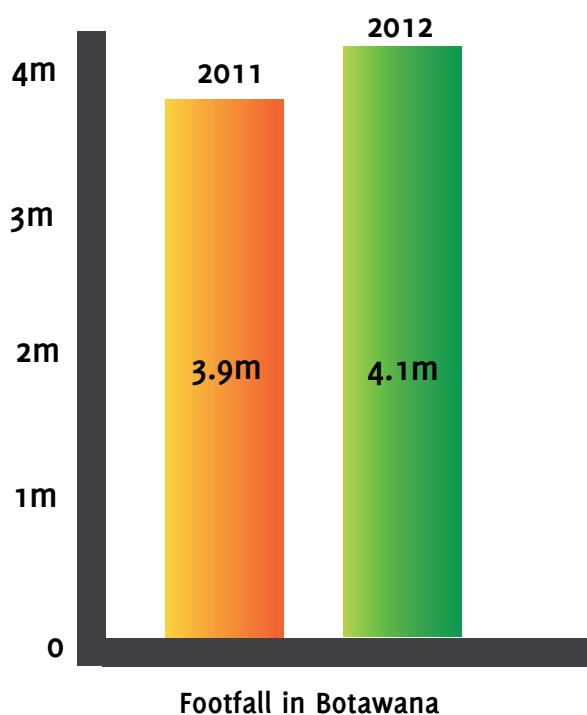
### A. Segment wise revenue analysis



### B. Geographical segment wise revenue analysis



### Number of footfall (In millions per month)



## Market Overview

Current growth in South Africa and Botswana in the FMCG market is limited to inflationary growth. Economic growth in both countries has been subdued in the last few years. This has been due to a slump in the American and European economies leading to low demand for diamonds, mineral resources, volatility of oil prices, increase in the price of electricity and high unemployment.

On 20 July 2012, the South African Reserve Bank dropped the repo rate by 50 basis points, the first cut since November 2010. This has come with mixed expectations from various sources. There is a fear that, instead of consumers consolidating debt and reducing capital loans, it could cause an increase in consumer spending. Consumers in South Africa are battling to meet high costs of food, fuel and electricity. This interest rate cut will help them meet those costs.

Due to Botswana being heavily reliant on the import of FMCG products from South Africa, we are directly affected by changes in South Africa's economy. Interest rate cuts will be beneficial to Botswana's FMCG market if South Africa producers pass on savings via price reductions. However, the cost of a basic food basket in South Africa has risen by an average of 16% per year over the last 5 years.

Botswana's high interest rates are forcing consumers to expend large portions of their income in servicing debt. Lower salary increases for government employees in the past few years have resulted in consumers having to deal with reduced real earnings and high inflation. The official inflation rate in Botswana in September 2012 was 7.1%. In an independent survey on household consumable products, June 2012 vs June 2011 inflation was measured at 8.9%. Coupled with the high inflation/interest rates is the preponderance of consumers resorting to taking out loans from micro lenders at exorbitant interest rates. The afore-mentioned factors all combine to limit real growth in the FMCG market for the short term.

Market growth will stay static in terms of real volumes, but there will be a continued move from wholesale to retail trade. This retail growth will be accompanied by continued inflationary pressure so that the total value of the FMCG trade will actually increase.

## House Brands

The Company is working on developing Choppies branded products, across all the key categories. Dedicated and cross-functional teams are working on the private brands business and this is leading to continuous improvement in the share of the house brands in key categories as well as improvement in overall margins. The Company is concentrating on developing special products, as per specific regional needs and encashing its local knowledge about the demand for various local products. Partnerships with manufacturers, for product improvement and innovation will also help in the better performance of the house brands.



## Human Resource Initiatives

The Company has achieved its current scale and growth, due to its employees and the value they bring with them to deliver a holistic experience to customers. This benefit is reaped by the organization in the form of better efficiency and profitability. The continuous learning and training inculcate the group ethos and policies set on the basis of the African way of life, with respect to its spirit of ingenuity, enterprise and community. This helps to create a better shopping environment and experience for the customers. The Company values the various needs of each person in the organization ranging from economic training, career needs and tries to address each of them to bring out the full potential of each person. This in turn, benefits the company by improving productivity and efficiency. With good bonding developed between employees, the attrition level has been maintained at low levels.

The leadership programmes for developing leaders and managers from within, makes the people more committed and yet competitive. In addition, the Company has also attracted key talent from across industries to enhance its management and operation teams.

Management is confident of growing its committed team. The Company conducted 12 training programmes for semi skilled staff, which comprises 1300 members. We have provided employment opportunities to 3911 people in Botswana out of which 146 are physically handicapped; in South Africa we have employed 1356, bringing the total employee strength of the group to 5,267. The company has employed a total number of 407 people in Botswana and 195 in South Africa, in the managerial/supervisory positions.

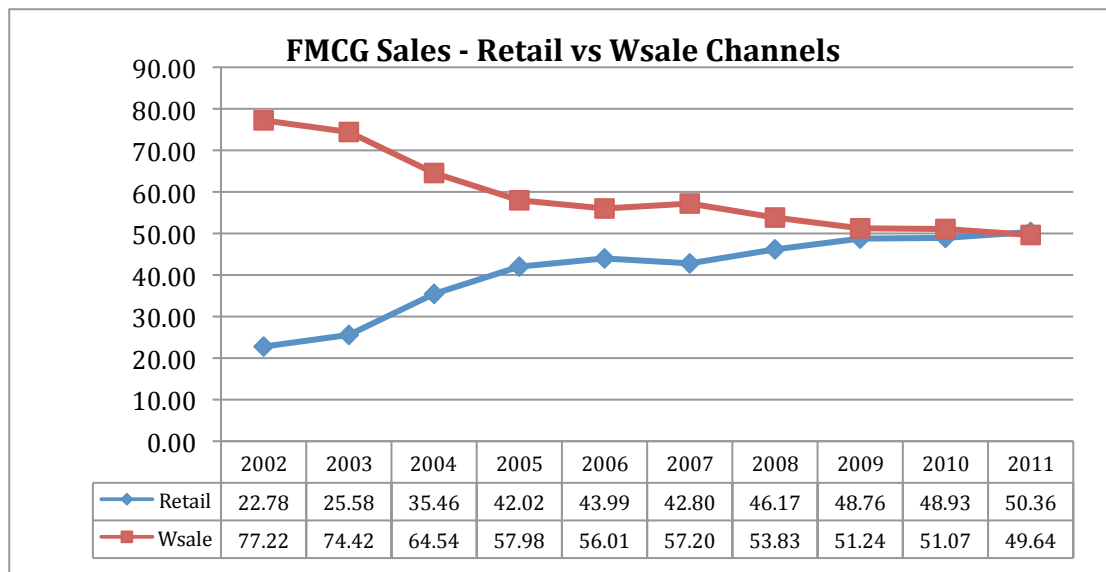
## Opportunities

As the FMCG market has become more formalized and the number of chain retail outlets has increased, consumers have changed their buying habits. As the chain stores have expanded, consumers have been exposed to more product offerings at competitive prices. Consumers now have much bigger choices as to the brands and products that they can purchase. This has had the effect of increasing consumer expectations and demands for alternative products. This gives us the opportunity to import products from outside South Africa and improve margins.

The levels of increase in demand are difficult to determine accurately. However, with speculation of Government implementing public sector salary increases of up to 5%, there could be an increase in demand for consumable products.

The Botswana FMCG market has shown dramatic changes in the past 10 years. With the advent of shopping malls and new retailers moving into Botswana, the consumer has been given access to new shopping experiences, new products and new retail outlets to buy from. These changing opportunities have manifested particularly in the purchasing venues. In this 10 year period, there has been a substantial move from wholesale to retail trade. The following graph depicts Retail vs Wholesale sales volumes on an annual cumulative basis. In a matured economy, the share of wholesale should be 20%, hence we still feel there will be a greater shift towards organized retailing.

The Sub Saharan economy is expected to grow at a steady rate of over 4% over the next 5 years and therefore planned investments in these economies will certainly offer opportunities for growth for retail.



The growth has been driven due to the better service offering that our retail outlets offer to consumers, i.e. bigger selection of products, fresher produce, competitive pricing, convenient shopping hours and better reach. This has also contributed, amongst other factors in the market, to wholesale trade losing share from 77% in 2002 of total FMCG sales to 49% as at end 2011-2012. This trend will probably continue for the foreseeable future, but will probably stabilize at the 60-40% (Retail to wholesale) range in the medium term and to 75 - 25% in the long-term. This should continue to improve our market share as well.

**Choppies Enterprises Limited**  
**Value added Statement**

Value added statement Particulars	2012		2011	
	Adjustments	Amount	Adjustments	Amount
Revenue		3,313,654,444		2,463,775,666
Direct expenses		(2,899,862,279)		(2,137,534,384)
<b>Value added from operations</b>		<b>413,792,165</b>		<b>326,241,282</b>
			100	100
Contribution to employees		182,477,297		103,199,640
Community investments		4,014,245		2,773,091
Providers of capital		13,797,676		11,728,858
Central and local governments		27,954,224		47,559,175
Re- investment into the group				
- Depreciation	56,225,322			
- Profits ploughed back for the expansion	129,323,401			
			36,889,689	
			124,090,829	
		185,548,723		160,980,518
			45%	48%
<b>Value applied</b>		<b>413,792,165</b>		<b>326,241,282</b>



## ***Choppies “A Good Corporate Citizen ”***

We always tried to be a good Corporate Citizen and participated in most of the social activities in the areas we operated.

### **CSR highlights for 2011-2012:**

In addition to the various social and charitable services provided by us, we have:

1. Built a clinic in Eretsha
2. Completed 5 houses in Etsa under the presidential housing appeal
3. Constructed 5 destitute houses in Lobatse under the presidential housing appeal
4. Contributed on a largest scale to Lady Khama Charitable Trust
5. Employed 146 Physically Handicapped people

Total spent on CSR were **P4,014,245**

Major achievement was the Presidential Meritorious Service Award for the year 2012.

*Mr.Ramachandran Ottapathu, CEO of Choppies receiving Honarary Presidential order of Meritorious Service Award from His Excellency Lieutenant General Seretse Khama Ian Khama, President of Botswana, in recognition of exceptional service to Botswana.*

## ***Choppies “A Good Corporate Citizen ”***

### **Lady Khama Charitable Trust**



### **Handing over food hampers**





## ***Choppies “A Good Corporate Citizen ”***

### **KHWEE - Handing over Houses**



### **Francistown - Handing over Wheel Chairs**





## ***Choppies “A Good Corporate Citizen ”***

### **Handing over Blankets to the needy**



### **Handing over First Aid kits to schools in rural areas far from hospitals**



## ***Choppies “A Good Corporate Citizen ”***

### **Hartswater - Choppies assisting in a project to feed children**



### **Choppies sponsored and supported the London 2012 Olympic Silver Medalist, Nigel Amos, along with Amantle Montsho**





# Group Annual Financial Statements





## **Choppies Enterprises Limited**

### **Directors' report**

### **for the year ended 30 June 2012**

The directors have pleasure in presenting their report and the annual group and company financial statements of Choppies Enterprises Limited for the year ended 30 June 2012.

#### **General information**

Choppies Enterprises Limited is a company domiciled in the Republic of Botswana and listed on the Botswana Stock Exchange (BSE). The company Registration Number is 2004/1681.

#### **Nature of business**

The primary business of the group is concentrated in the retail supermarket industry. The Choppies Enterprises Group of companies operates principally in Botswana and South Africa. Choppies Enterprises Limited operates as an investment holding company.

#### **Financial position and results**

The financial position and results for the year under review are reflected in these annual financial statements set out on pages 26 to 79.

#### **Stated capital**

The company issued 130 434 781 ordinary shares in January 2012.

Total number of shares in issue at 30 June 2012 is 1 174 207 583 (2011: 1 043 772 802).

#### **Preference shares**

The wholly owned subsidiaries issued 85 060 preference shares through initial issue on 15 August 2011 and 532 440 preference shares to existing shareholders through a rights issue of 208 shares for every 1 existing share held at 02 February 2012. Subsequent to the preference share issue, a subsidiary reduced its preference shares through a 5.5 to 1 consolidation of existing shares held at 02 February 2012. The total number of shares in issue at 30 June 2012 was 550 000 (2011: Nil). The rights issue and share consolidation had no impact on the preference share amount per the statement of financial position.

#### **Dividends**

No dividends were declared or paid during the current financial year (2011: P123 181 623 gross dividend declared and paid).

#### **Events after reporting date**

A gross dividend of P43,143,909 was declared on 27 September 2012 in respect of the year ended 30 June 2012. The directors are not aware of any matter or circumstance arising since the end of the financial year, not dealt with in the report or annual financial statements which would significantly affect the operations of the group or company or the results of these operations. The directors are not aware of any other event.

#### **Directors**

**Farouk Essop Ismail**

**Ramachandran Ottappathu**

**Timothy Gordon Marsland**

**Festus Gontebanye Mogae**

**Dorcas Kgosietsile**

(appointed 02 November 2011)

**Robert Neil Matthews**

(appointed 07 March 2012)

**Robin Tilney**

(appointed 02 November 2011) (deceased 01 January 2012)

**Choppies Enterprises Limited**  
**Directors' report (continued)**  
**for the year ended 30 June 2012**

**Secretary**  
**Corporate Services (Pty) Ltd**  
**P O Box 406**  
**Kgale Mews, Gaborone**  
**Botswana**

**Registered address**  
**Unit 5, Plot 115**  
**Kgale Mews, Gaborone**  
**Botswana**

**Independent auditors**  
**KPMG**  
**Plot 67977, Off Tlokweng Road**  
**Fairground Office Park**  
**PO Box 1519**  
**Gaborone**  
**Botswana**

**Bankers**  
**Barclays Bank Botswana Limited**  
**First National Bank Botswana Limited**  
**Absa Bank South Africa Limited**  
**Bank of Baroda (Botswana) Limited**  
**Capital Bank Botswana Limited**  
**Nedbank South Africa Limited**  
**Stanbic Bank of Botswana Limited**  
**Standard Chartered Bank Botswana Limited**  
**Standard Bank South Africa Limited**

**Choppies Enterprises Limited**  
**Directors' responsibility statement**  
**for the year ended 30 June 2012**

The directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of Choppies Enterprises Limited, comprising the statements of financial position at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs).

The directors are also responsible for such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management. The directors believe that the reported position at 30 June 2012 is materially accurate.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

The auditor is responsible for reporting on whether the group annual financial statements and annual financial statements of the company are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements and annual financial statements of the company:

The group annual financial statements and annual financial statements of the company, as identified in the first paragraph, were approved by the directors on 27 September, 2012 and are signed on their behalf by:

  
 Director

  
 Director

Telephone +267 391 2400  
Fax +267 397 5261  
Web <http://www.kema.com/>

KPM6

**Date:** 29 October 2012  
**Place:** Gaborone

Partner AG Design - 4200 Canyon Blvd. #100  
Boulder, CO 80501-2697  
Tel Number: 303.440.1111



**Choppies Enterprises Limited**  
**Statements of comprehensive income**  
**for the year ended 30 June 2012**  
*In Pula*

	<i>Notes</i>	<b>Group</b> <b>2012</b>	<b>2011</b>	<b>Company</b> <b>2012</b>	<b>2011</b>
Revenue		3 302 051 918	2 435 488 157	-	-
Dividend income		-	-	-	144 919 554
Cost of sales		(2 659 882 749)	(1 988 765 055)	-	-
Gross profit		642 169 169	446 723 102	-	144 919 554
Other income		8 368 412	4 327 750	-	-
Operating income		650 537 581	451 050 852	-	144 919 554
Expenditure		(482 696 394)	(300 812 300)	(1 627)	(1 949)
Administrative expenses		(366 351 519)	(223 225 945)	(1 627)	(1 949)
Selling and distribution expenses		(26 411 139)	(16 079 433)	-	-
Other operating expenses		(89 933 736)	(61 506 922)	-	-
Operating profit/(loss) before interest		167 841 187	150 238 552	(1 627)	144 917 605
Interest paid		(13 797 676)	(11 728 858)	-	-
Interest received		3 234 114	3 006 407	-	-
Profit/(loss) before taxation	1	157 277 625	141 516 101	(1 627)	144 917 605
Taxation	2	(27 954 224)	(38 378 524)	-	(21 737 931)
Profit/(loss) for the year from continuing operations		129 323 401	103 137 577	(1 627)	123 179 674
Profit from discontinued operations		-	20 953 252	-	25 131 684
Foreign currency translation differences from foreign operations		106 731	-	-	-
Profit/(loss) and total comprehensive income for the year		129 430 132	124 090 829	(1 627)	148 311 358
Profit and total comprehensive income attributable to:					
Owners of the company		129 430 132	121 769 066	(1 627)	148 311 358
Non-controlling interests		-	2 321 763	-	-
		129 430 132	124 090 829	(1 627)	148 311 358

**Choppies Enterprises Limited**  
**Statements of comprehensive income (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

	<i>Notes</i>	<b>Group</b> <b>2012</b>	<b>2011</b>
Earnings per share - Thebe	20		
Basic and diluted		11.73	15.22
Continuing operations		11.73	12.60
Discontinued operation		-	2.62

**Choppies Enterprises Limited****Statements of financial position****at 30 June 2012***In Pula*

		<b>Group</b>		<b>Company</b>	
	<i>Notes</i>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>					
<b>Non-current assets</b>		610 879 548	547 166 952	325 839 029	325 838 629
Property, plant and equipment	3	274 581 060	224 425 201	-	-
Deferred taxation	5	11 259 455	-	-	-
Investment in subsidiaries	19	-	-	325 839 029	325 838 629
Investment in new projects	4.2	23 799 824	21 502 542	-	-
Goodwill	6	301 239 209	301 239 209	-	-
<b>Current assets</b>		474 231 485	276 681 547	136 515 484	3 594 830
Inventories	7	216 648 895	169 914 778	-	-
Investments	4.1	2 900	2 649	-	-
Advances and deposits	8	26 013 537	19 765 967	-	-
Trade and other receivables	9	28 160 756	29 535 705	64 860	-
Amounts due from related entities	10.1	5 335 849	26 106 847	136 346 831	796 101
Amounts due from shareholders	11.1	-	1 289 184	-	2 796 365
Cash and cash equivalents	12	198 069 548	30 066 417	103 793	2 364
<b>Total assets</b>		<b>1 085 111 033</b>	<b>823 848 499</b>	<b>462 354 513</b>	<b>329 433 459</b>
<b>Equity and liabilities</b>					
<b>Equity</b>		631 969 686	364 382 378	448 773 886	310 703 397
Stated capital	13.1	421 474 313	283 402 197	421 474 313	283 402 197
Preference shares	13.2	85 060	-	-	-
Retained earnings		210 303 582	80 980 181	27 299 573	27 301 200
Foreign currency translation reserve		106 731	-	-	-
<b>Non-current liabilities</b>		93 839 198	99 159 854	-	-
Long term borrowings	14	77 272 897	86 074 555	-	-
Deferred taxation	5	-	543 015	-	-
Deferred lease liabilities	15	16 566 301	12 542 284	-	-
<b>Current liabilities</b>		359 302 149	360 306 267	13 580 627	18 730 062
Trade and other payables	16	290 904 824	246 712 121	53 061	1 009 472
Amounts due to shareholders	11.2	-	33 269 705	-	-
Amounts due to related entities	10.2	2 564 684	5 917 950	13 527 566	17 720 590
Taxation payable		10 443 548	12 567 545	-	-
Current portion of deferred lease liabilities	15	1 866 609	2 877 743	-	-
Current portion of long term borrowings	14	34 122 420	36 706 299	-	-
Bank overdraft	12	19 400 064	22 254 904	-	-
<b>Total equity and liabilities</b>		<b>1 085 111 033</b>	<b>823 848 499</b>	<b>462 354 513</b>	<b>329 433 459</b>

# Choppies Enterprises Limited

## Statements of changes in equity for the year ended 30 June 2012

*In Pula*

	Stated capital	Preference shares	Retained earnings	Foreign currency translation reserve	Non- controlling interest	Total
<b>Group</b>						
Balance at 01 July 2010	100	-	104 074 861	-	6 586 349	110 661 310
<b>Total comprehensive income and profit for the year</b>	-	-	121 769 066	-	2 321 763	124 090 829
<b>Transactions with owners</b>						
Issue of ordinary shares	283 402 097	-	-	-	-	283 402 097
Dividend declared	-	-	(123 181 623)	-	-	(123 181 623)
Non-controlling interest acquired by owners of the company	-	-	(21 682 123)	-	(8 908 112)	(30 590 235)
Balance at 30 June 2011	283 402 197	-	80 980 181	-	-	364 382 378
<b>Total comprehensive income and profit for the year</b>	-	-	129 323 401	106 731	-	129 430 132
<b>Transactions with owners</b>						
Issue of ordinary shares	138 072 116	-	-	-	-	138 072 116
Issue of preference shares	-	85 060	-	-	-	85 060
<b>Balance at 30 June 2012</b>	<b>421 474 313</b>	<b>85 060</b>	<b>210 303 582</b>	<b>106 731</b>	<b>-</b>	<b>631 969 686</b>
<b>Company</b>						
Balance at 01 July 2010	100	-	2 171 465	-	-	2 171 565
<b>Total comprehensive income for the year</b>	-	-	148 311 358	-	-	148 311 358
<b>Transactions with owners</b>						
Issue of ordinary shares	283 402 097	-	-	-	-	283 402 097
Dividends declared	-	-	(123 181 623)	-	-	(123 181 623)
Balance at 30 June 2011	283 402 197	-	27 301 200	-	-	310 703 397
<b>Total comprehensive loss for the year</b>	-	-	(1 627)	-	-	(1 627)
<b>Transactions with owners</b>						
Issue of ordinary shares	138 072 116	-	-	-	-	138 072 116
<b>Balance at 30 June 2012</b>	<b>421 474 313</b>	<b>-</b>	<b>27 299 573</b>	<b>-</b>	<b>-</b>	<b>448 773 886</b>

**Choppies Enterprises Limited**  
**Statements of cash flows**  
**for the year ended 30 June 2012**  
*In Pula*

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>				
Profit/(loss) before taxation	157 277 625	141 516 101	(1 627)	144 917 605
Adjusted for:				
Depreciation	56 225 322	56 396 543	-	-
Interest paid	13 797 676	11 728 858	-	-
Interest received	(3 234 114)	(3 006 407)	-	-
Profit on disposal of property, plant and equipment	(4 382 285)	(2 127 605)	-	-
Movement in deferred lease liability	3 012 883	4 797 473	-	-
Increase in fair value of quoted investments	(251)	-	-	-
Foreign currency translation gain	106 731	-	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>222 803 587</b>	<b>209 304 963</b>	<b>(1 627)</b>	<b>144 917 605</b>
Movement in trade and other receivables	1 374 949	(7 317 495)	(64 860)	-
Movement in balances with related entities	17 417 732	4 645 645	(139 743 754)	2 199
Movement in advances and deposits	(6 247 570)	(9 554 457)	-	-
Movement in trade and other payables	44 192 703	43 382 389	(956 411)	-
Movement in inventories	(46 734 117)	(58 527 424)	-	-
<b>Operating profit/(loss) from normal activities</b>	<b>232 807 284</b>	<b>181 933 621</b>	<b>(140 766 652)</b>	<b>144 919 804</b>
Taxation paid	(41 880 691)	(34 019 491)	-	(21 737 930)
Interest received	3 234 114	3 006 407	-	-
Dividends paid	-	(123 181 623)	-	(123 181 623)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>194 160 707</b>	<b>27 738 914</b>	<b>(140 766 652)</b>	<b>251</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(109 925 846)	(160 112 650)	-	-
Proceeds on disposal of property, plant and equipment	7 926 950	4 510 000	-	-
Investment in new projects	(2 297 282)	-	(400)	-
Investment in related entities not under common control	-	83 816 212	-	-
<b>Net cash flow used in investing activities</b>	<b>(104 296 178)</b>	<b>(71 786 438)</b>	<b>(400)</b>	<b>-</b>
<b>Financing activities</b>				
Financing obtained from third parties	30 626 130	67 246 954	-	-
Capital repayment of long term liabilities	(42 011 667)	(36 945 030)	-	-
Interest paid	(13 797 676)	(11 728 858)	-	-
Net proceeds from issue of ordinary shares	150 000 000	-	150 000 000	-
Share issue costs	(11 927 884)	-	(11 927 884)	-
Proceeds from issue of preference shares	85 060	-	-	-
Repayments to shareholders	(33 269 705)	-	-	-
Repayments from shareholders	1 289 184	17 489 198	2 796 365	-
<b>Net cash flow generated from financing activities</b>	<b>80 993 442</b>	<b>36 062 264</b>	<b>140 868 481</b>	<b>-</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>170 857 971</b>	<b>(7 985 260)</b>	<b>101 429</b>	<b>251</b>
Cash and cash equivalents at beginning of year	7 811 513	15 796 773	2 364	2 113
<b>Cash and cash equivalents at end of year</b>	<b>178 669 484</b>	<b>7 811 513</b>	<b>103 793</b>	<b>2 364</b>



**Choppies Enterprises Limited**  
**Statements of cash flows (continued)**  
**for the year ended 30 June 2012**

*In Pula*

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Cash and cash equivalents comprise of the following:</b>				
Cash on hand	4 830 755	3 186 298	-	-
Cash at bank	193 238 793	26 880 119	103 793	2 364
Bank overdraft	(19 400 064)	(22 254 904)	-	-
	<u>178 669 484</u>	<u>7 811 513</u>	<u>103 793</u>	<u>2 364</u>

## **Choppies Enterprises Limited**

### **Significant accounting policies**

### **for the year ended 30 June 2012**

Choppies Enterprises Limited is a company domiciled in the Republic of Botswana and listed on the Botswana Stock Exchange. The company Registration Number is 2004/1681. The consolidated financial statements comprise the company and its subsidiaries (collectively referred to as the “Group”). These financial statements are the company and the Group’s statutory financial statements.

#### **Statement of compliance**

The group and company financial statements (‘the financial statements’) are prepared in accordance with the International Financial Reporting Standards (‘IFRS’).

#### **Basis of preparation**

The financial statements are presented in Pula, which is also the functional currency.

The financial statements are prepared on the historical cost basis, except for financial instruments which are disclosed at fair value. The financial statements incorporate the following accounting policies which are consistent with those applied in the previous year.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRS’s that have a significant effect on the financial statements and estimates with a significant risk of material adjustment relates to the evaluation of goodwill for possible impairment (per notes 6), the evaluation of related party balances receivable for possible impairment (per note 10), the evaluation of investments in subsidiaries for possible impairment (per note 19), the evaluation of depreciation rates and residual values applied to property, plant and equipment items (per note 3), the evaluation of investments for possible impairment (per note 4), the evaluation of trade and other receivables balances for possible impairment (per notes 8 and 9), the evaluation of amounts due from shareholders for possible impairment (per notes 11), the calculation and accrual of income and deferred taxation (per notes 2 and 5) and the evaluation of inventory balances for possible impairment (per note 7).

#### **Basis of consolidation**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

## **Choppies Enterprises Limited**

### **Significant accounting policies (continued)**

#### **for the year ended 30 June 2012**

#### **Basis of consolidation (continued)**

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value.

#### ***Depreciation***

Depreciation is charged to the statements of comprehensive income on a straight-line basis over the estimated useful life of each part of property, plant and equipment. The items of property, plant and equipment are depreciated at the following annual rates except for freehold land:

- Leasehold improvements      Over the lease term
- Buildings      2.5%
- Plant and machinery      15 - 20%
- Computer equipment      25%
- Office equipment      20%
- Furniture and fittings      10%
- Motor vehicles      25%
- Aircraft      25%

Freehold land is not depreciated as it is considered to have an indefinite economic life.

The residual value of each part of property, plant and equipment, if not insignificant, is reassessed annually. The useful lives of property, plant and equipment are reassessed annually.

Each part of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and included in the statements of comprehensive income.

Repairs and maintenance costs are charged to the statements of comprehensive income during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

#### **Impairment**

#### ***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of the financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

## **Choppies Enterprises Limited**

### **Significant accounting policies (continued)**

#### **for the year ended 30 June 2012**

#### **Impairment (continued)**

##### ***Financial assets (continued)***

All impairment losses are recognised in the statements of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in the statements of comprehensive income.

##### ***Non-financial assets***

The carrying values of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflow that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the statements of comprehensive income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

#### **Leases**

A lease is classified as a finance lease when it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

##### ***Finance leases***

Finance leases are recognised as liabilities in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance lease charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### ***Operating leases***

Payments made under operating leases are recognised in the statements of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are recognised in the statements of comprehensive income as an integral part of the total lease expense.



## **Choppies Enterprises Limited**

### **Significant accounting policies (continued)**

#### **for the year ended 30 June 2012**

#### **Recognition and de-recognition of assets and liabilities**

The Group recognises an asset when it obtains control of a resource as a result of past events and future economic benefits are expected to flow to the Group. A financial asset is derecognised when the Group loses control over the contractual rights that comprise the asset and consequently transfers the substantive risks and benefits associated with the asset. A financial liability is derecognised when it is legally extinguished.

#### **Goodwill**

Goodwill represents amounts arising on acquisition of business units. The goodwill consists of the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to the individual cash-generating units and is tested annually for impairment. An impairment loss is recognised if the present value of the estimated future cash flows arising from the identified units is exceeded by the carrying amount of goodwill. An impairment loss is recognised in the statements of comprehensive income in the year in which it is identified.

#### **Investments in subsidiaries**

An investment in a subsidiary is recognised when the parent company is able to significantly influence or control the operations and financial performance of the entity in which it has an interest.

The investments in subsidiaries are carried at cost less any accumulated impairment losses.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred and equity instruments issued by the holding company, and
- any costs directly attributable to the purchase of the subsidiary.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The cost of inventories is based on the average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

#### **Deferred taxation**

Deferred taxation is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## **Choppies Enterprises Limited**

### **Significant accounting policies (continued)**

#### **for the year ended 30 June 2012**

#### **Taxation**

Taxation comprises current and deferred taxation. Taxation is recognised in the statements of comprehensive income except to the extent that it related to an item recognised directly in equity in which case the related taxation is also recognised in equity. Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, after taking account of income and expenditure which is not subject to taxation, capital allowances on property, plant and equipment and any adjustment to tax payable in respect of previous years.

Withholding tax of 7.50% is payable on the gross value of dividends.

#### **Employee benefits**

##### *Short term employee benefits*

Employee entitlements to annual leave, bonuses, medical aid, housing benefits and severance benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by the employee up to the reporting date.

##### *Severance benefits*

Employees who are not members of an approved pension scheme are entitled to severance benefits as regulated by the Botswana Labour Regulations. An accrual is recognised for the estimated liability for services rendered by employees up to the reporting date.

##### *Pension contributions*

Payments to an approved defined contribution retirement plan are charged as an expense in the statements of comprehensive income as they fall due.

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable for goods provided and services rendered in the normal course of business.

Revenue from the sale of goods is exclusive of value added tax and discounts granted and are recognised in the statements of comprehensive income when the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is exclusive of value added tax and discounts granted and are recognised in the statements of comprehensive income when the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- The stage of completion of the transaction at the reporting date can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **Choppies Enterprises Limited**

### **Significant accounting policies (continued)**

#### **for the year ended 30 June 2012**

#### **Interest received**

Interest received is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### **Interest paid**

Interest paid is recognised in the statements of comprehensive income in the period in which these expenses are incurred using the effective interest rate method.

#### **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss after taxation attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss after taxation attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which may comprise convertible notes and share options granted to employees.

#### **Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

#### **Segmental reporting**

The Group discloses segmental financial information which is being used internally by the entity's Chief Operating Decision Maker (CODM) in order to assess performance and allocate resources. Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's CODM and for which discrete financial information is available. Operating segments which display similar economic characteristics are aggregated for reporting purposes.

#### **Foreign currency transactions**

##### ***Transactions in foreign currencies***

Transactions in foreign currencies are translated to Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statements of comprehensive income.

##### ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at the monthly weighted average rate of exchange for the year. Profits or losses arising on the translation of assets and liabilities of foreign entities are recognised in other comprehensive income and presented within equity and shown separately in a foreign currency translation reserve.

## Choppies Enterprises Limited

### Significant accounting policies (continued)

#### for the year ended 30 June 2012

#### Financial instruments

##### *Financial assets*

The principal financial assets comprise of the following:

##### *Cash and cash equivalents*

Bank balances and cash are defined as cash on hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

##### *Quoted investments*

Quoted equity securities are originally recognised at the fair value of consideration paid to acquire the securities. The equity securities are subsequently measured at their quoted price, which is derived from the stock exchange on which these securities are listed. Changes in the fair value of the investment are recognised in the statements of comprehensive income at each reporting date.

##### *Trade and other receivables*

Trade and other receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less impairment losses. Impairment losses are recognised in the statements of comprehensive income when collection of the full amount is no longer probable.

##### *Amounts due from related entities*

The amounts due from related parties are stated at original invoice amount less impairment losses. Impairment losses are recognised in the statements of comprehensive income when collection of the full amount is no longer probable.

##### *Amounts due from shareholders*

Amounts due from shareholders are stated at amounts advanced less any impairment losses. Impairment losses are recognised in the statements of comprehensive income when it is probable that the full amount advanced will not be recoverable.

##### *Advances and deposits*

Advances and deposits consist of balances paid to third parties either in advance or to comply with contractual requirements. These amounts are recognised at the original amounts paid. Impairment losses, based on the credit risk assessment of the parties to whom amounts have been advanced or with whom they have been deposited, are recognised in the statements of comprehensive income when it is probable that the full amount paid will not be recoverable.

##### *Financial liabilities*

The principal financial liabilities comprise of the following:

##### *Trade and other payables*

Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.



## **Choppies Enterprises Limited**

### **Significant accounting policies (continued)**

#### **for the year ended 30 June 2012**

#### **Financial instruments (continued)**

##### ***Financial liabilities (continued)***

##### ***Interest bearing loans and borrowings***

Interest bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing/loan. After initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

For liabilities carried at amortised cost (which are not part of hedging relationship), any gain or loss is recognised in the statements of comprehensive income when the liability is derecognised or impaired, as well as through the amortisation process.

##### ***Amounts due to related entities***

The amounts due to related parties are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

##### ***Amounts due to shareholders***

The amounts due to shareholders are carried at cost, which is the fair value of the consideration to be paid in the future for amounts previously advanced.

##### ***Gains and losses on subsequent measurement***

Gains and losses arising from a change in the fair value of financial instruments are included in the statement of comprehensive income in the period in which the change arises.

##### ***Offset***

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Financial guarantees**

Financial guarantee contracts are accounted for as insurance contracts in terms of IFRS 4 Insurance Contracts and are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### **New standards and interpretations not yet adopted**

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2012 and have not been applied in preparing these annual financial statements:

- Amendment to IAS 1 Presentation of Financial Statements: The amendment requires an entity to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories have to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated. The amendment, which becomes effective for the 2013 financial statements, is not expected to have a significant impact on the financial statements of the Group.

## Choppies Enterprises Limited

### Significant accounting policies (continued)

#### for the year ended 30 June 2012

#### New standards and interpretations not yet adopted (continued)

- Amendments to IAS 19 Employee Benefits: Defined benefit plans: This amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted. Past service costs as well as gains and losses on curtailments / settlements are recognised in the statement of comprehensive income. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. The amendment, which becomes effective for the 2014 financial statements, is not expected to have any impact on the financial statements of the Group.
- IAS 27 (2011) Separate Financial Statements: IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. This statement will be incorporated into the financial statements of the Group in the 2014 financial year.
- IAS 28 Investments in Associates and Joint Ventures (2011): IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. The amendments addresses that IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The standard, which becomes effective for the 2014 financial statements, is not expected to have any impact on the financial statements of the Group.
- IFRS 9 (2009) Financial Instruments: The standard addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. This statement will be incorporated into the financial statements of the Group in the 2016 financial year.
- IFRS 9 (2010) Financial Instruments: The standard addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:
  - fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
  - Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

This statement will be incorporated into the financial statements of the Group in the 2016 financial year.

## Choppies Enterprises Limited

### Significant accounting policies (continued)

#### for the year ended 30 June 2012

#### New standards and interpretations not yet adopted (*continued*)

- IFRS 10 Consolidated Financial Statements: The standard introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists:
  - Identify how decisions about the relevant activities are made,
  - Assess whether the entity has power over the relevant activities by considering only the entity's substantive rights,
  - Assess whether the entity is exposed to variability in returns, and
  - Assess whether the entity is able to use its power over the investee to affect returns for its own benefit.

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change. This statement will be incorporated into the financial statements of the Group in the 2016 financial year.

- IFRS 11 Joint Arrangements: The standard will be applied retrospectively, subject to certain transitional provisions. The standard establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities. According to the standard, joint arrangements are divided into two types, each having its own accounting model:
  - Joint operations whereby the jointly controlling parties, known as joint operators, have rights and obligations for the liabilities, relating to the arrangement.
  - Joint ventures whereby the joint controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

In terms of the standard, all joint ventures will have to be equity accounted. The standard, which becomes effective for the 2014 financial statements, is not expected to have any impact on the financial statements of the Group.

- IFRS 12 Disclosure of Interests in Other Entities: The standard combines the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities in a single standard. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard will be incorporated into the financial statements of the Group in the 2014 financial year.

## Choppies Enterprises Limited

### Significant accounting policies (continued)

#### for the year ended 30 June 2012

#### New standards and interpretations not yet adopted (*continued*)

- IFRS 13 Fair Value Measurement: The standard will be applied prospectively and comparatives will not be restated. The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in the standard are as follows:
  - Fair value is an exit price;
  - Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
  - Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
  - Price is not adjusted for transaction costs;
  - Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and
  - The three-level fair value hierarchy is extended to all fair value measurements.

The adoption of the new standard will increase the level of disclosure provided for fair value measurement. This standard will be incorporated into the financial statements of the Group in the 2014 financial year.

- IAS 24: Related Party Disclosures: The new standard requires a reporting entity to disclose transactions with its related parties and relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. This standard will be incorporated into the financial statements of the Group in the 2013 financial year.
- IFRS 7 amendment: Transfer of financial assets: The new standard requires a reporting entity to additionally disclose the transfer of financial assets that are not derecognised entirely or derecognised entirely but for which the entity retains continuing involvement. The revision, which becomes mandatory for the Group's 2014 financial statements, is not expected to have a significant impact on the financial statements of the Group.



# Choppies Enterprises Limited

## Notes to the financial statements

for the year ended 30 June 2012

*In Pula*

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>1. Profit/(loss) before taxation</b>				
The profit/(loss) before taxation is stated after taking into account the following:				
Movement in deferred lease liability	3 012 883	4 797 473	-	-
Depreciation	56 225 322	56 396 543	-	-
Audit fees	2 133 850	2 000 000	-	-
Rent expense	50 977 295	37 014 143	-	-
Interest paid - bank facilities	12 288 160	10 957 042	-	-
Interest paid - bank overdraft	1 509 516	771 816	-	-
Interest received - fixed deposits	(3 234 114)	(3 006 407)	-	-
Donations	2 754 092	2 773 091	-	-
Insurance proceeds received	-	(734 647)	-	-
Profit on disposal of property, plant and equipment	(4 382 285)	(2 127 605)	-	-
Training levy	7 550 778	6 898 571	-	-
Directors' remuneration	21 965 050	10 900 710	-	-
<b>2. Taxation</b>				
Basic company taxation at 22% (2011: 15%)	36 763 157	23 133 945	-	-
(2011:Additional company taxation at 10%)	-	15 422 632	-	-
Normal company taxation	36 763 157	38 556 577	-	-
Prior year under/(over) provision of company taxation	2 993 537	(915 459)	-	-
Deferred taxation movement	(11 802 470)	737 406	-	-
Withholding tax on dividends received	-	-	-	21 737 931
Taxation per statements of comprehensive income	27 954 224	38 378 524	-	21 737 931
Tax losses available for set off against future taxable income are as follows:				
Unutilised tax losses	62 640 574	41 737 835	-	-
Tax losses include:				
- P24 190 539 (2011: P1 509 202) for the subsidiaries in Botswana and				
- P38 450 035 (2011: P40 228 633) for the subsidiary in South Africa.				
Tax losses fall away after five years if not utilised.				
Tax losses are analysed as follows:				
- 2008	607 638	607 638	-	-
- 2009	8 440 474	8 440 474	-	-
- 2010	15 948 622	15 948 622	-	-
- 2011	16 741 101	16 741 101	-	-
- 2012	20 902 739	-	-	-
Total	62 640 574	41 737 835	-	-

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

<b>2. Taxation (continued)</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
Reconciliation of effective tax rate:				
<b>Group</b>				
Profit before taxation		<u>157 277 625</u>		<u>141 516 101</u>
Normal income tax at statutory rate	22.00%	34 601 078	25.00%	35 379 025
Effect of tax rates in foreign jurisdictions	0.57%	893 344	0%	-
Non-deductable expenses	0.81%	1 268 735	1.72%	2 417 916
Movement in tax losses	(2.86%)	(4 491 887)	0.01%	59 326
Impact of difference in the future taxation rate (22%) and current taxation rate (25%) - 3%	-	-	(0.50%)	(719 494)
Change in recognised deductible temporary differences	(4.65%)	(7 310 583)	1.53%	2 152 210
Under/(over) provision of taxation	1.90%	2 993 537	(0.64%)	(915 459)
Taxation per statements of comprehensive income	17.77%	<u>27 954 224</u>	27.12%	<u>38 378 524</u>
<b>Company</b>				
(Loss)/profit before taxation		<u>(1 627)</u>		<u>144 917 605</u>
Normal income tax at statutory rate	(22.00%)	(358)	25.00%	36 229 401
Withholding tax on dividend	-	-	(10.00%)	(14 491 760)
Increment of tax losses	22.00%	358	-	-
Non-deductable expenses	-	-	0.00%	290
Taxation per statements of comprehensive income	-	<u>-</u>	15.00%	<u>21 737 931</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

**3. Property, plant and equipment**

**Group**  
**2012**

	<b>At beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>At end of year</b>
<b>Cost</b>				
Land and buildings	35 648 931	2 357 657	(100 000)	37 906 588
Plant and machinery	138 675 261	49 459 050	(1 466 364)	186 667 947
Computer equipment	12 511 503	3 467 358	(132 640)	15 846 221
Office equipment	3 947 574	-	-	3 947 574
Furniture and fittings	59 382 774	17 630 991	(479 213)	76 534 552
Aircraft	23 940 332	-	-	23 940 332
Motor vehicles	105 790 997	37 010 790	(14 003 654)	128 798 133
	<u>379 897 372</u>	<u>109 925 846</u>	<u>(16 181 871)</u>	<u>473 641 347</u>
<b>Accumulated depreciation</b>		<b>Charge for the year</b>	<b>Disposals</b>	<b>At end of year</b>
Land and buildings	1 921 156	631 193	-	2 552 349
Plant and machinery	66 876 124	18 571 008	(1 219 984)	84 227 148
Computer equipment	10 268 364	1 759 842	(132 640)	11 895 566
Office equipment	1 292 588	47 546	-	1 340 134
Furniture and fittings	22 764 854	6 297 219	(29 734)	29 032 339
Aircraft	10 891 212	5 386 575	-	16 277 787
Motor vehicles	41 457 873	23 531 939	(11 254 848)	53 734 964
	<u>155 472 171</u>	<u>56 225 322</u>	<u>(12 637 206)</u>	<u>199 060 287</u>
<b>Net book value</b>	<u><b>224 425 201</b></u>			<u><b>274 581 060</b></u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

**3. Property, plant and equipment (continued)**

**Group**  
**2011**

	<b>At beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>At end of year</b>
<b>Cost</b>				
Land and buildings	7 548 244	28 100 687	-	35 648 931
Plant and machinery	80 901 892	57 775 533	(2 164)	138 675 261
Computer equipment	10 439 331	2 072 172	-	12 511 503
Office equipment	3 947 574	-	-	3 947 574
Furniture and fittings	34 335 659	25 047 115	-	59 382 774
Aircraft	23 940 332	-	-	23 940 332
Motor vehicles	62 544 641	47 117 143	(3 870 787)	105 790 997
	<u>223 657 673</u>	<u>160 112 650</u>	<u>(3 872 951)</u>	<u>379 897 372</u>
<b>Accumulated depreciation</b>		<b>Charge for the year</b>	<b>Disposals</b>	<b>At end of year</b>
Land and buildings	607 226	1 313 930	-	1 921 156
Plant and machinery	45 455 053	21 422 831	(1 760)	66 876 124
Computer equipment	7 019 366	3 248 998	-	10 268 364
Office equipment	1 162 229	130 359	-	1 292 588
Furniture and fittings	15 321 092	7 443 762	-	22 764 854
Aircraft	5 386 576	5 504 636	-	10 891 212
Motor vehicles	25 614 642	17 332 027	(1 488 796)	41 457 873
	<u>100 566 184</u>	<u>56 396 543</u>	<u>(1 490 556)</u>	<u>155 472 171</u>
<b>Net book value</b>	<u><b>123 091 489</b></u>			<u><b>224 425 201</b></u>

Motor vehicles with a net book value of P40 052 668 (2011: P55 263 135), plant and machinery with a net book value of P6 259 691 (2011: P35 625 329) and land and buildings with a net book value of P25 470 061 (2011: P32 344 133) are encumbered under finance leases with various financial institutions as per note 14. The majority of these finance lease obligations and related assets are held by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises Limited.

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

**3. Property, plant and equipment (continued)**

Land and buildings held by the group consist of the following:

- Lease Area 1934-KO, on Lot 38805 in the Gaborone Administrative District, freehold measuring 523 square metres, held under notarial deed of lease No MA 312/2004 commencing 7th October 2004;
- Plot 213, Maun;
- Section 9, Door number 009, Elsienora;
- Lot 1110 Lobatse, measuring 312 square metres held under certificate of registered state title No.334/78 and deed of fixed period state grant no: 671/80 for a period of fifty years commencing 26 January 2009;
- Lot 17488, Gaborone, measuring 300 square metres held under state grant No.462/96 for fifty years commencing 21 June 1996;
- Lot 17489, Gaborone, measuring 300 square metres held under state grant No.335/85 for fifty years commencing 03 June 1985;
- ERF 461 Koster Township, South Africa, registration division, J.P. Province of North-West, freehold measuring 1 139 square metres first transferred by deed of transfer no. T.005874/1915 and held by deed of transfer no. T.099444/2007 commencing on 13 February 2009;
- ERF 462 Koster Township, South Africa, registration division, J.P. Province of North-West, freehold measuring 1 118 square metres first transferred by deed of transfer no. T.005874/1915 and held by deed of transfer no. T.099443/2007 commencing on 13 February 2009;
- ERF 880 Koster Township, South Africa, registration division, J.P. Province of North-West, freehold measuring 2 659 square metres first registered by Certificate of Consolidated Title T115447/2002 with diagram S.G No. 334/2002 relating thereto and held by deed of transfer T99461/2004 commencing on 13 February 2009;
- ERF 676 Rodeon Township, South Africa, registration division, J.P. Province of North-West, freehold measuring 1 664 square metres first registered by Certificate of Consolidated Title T28310/1999 with diagram S.G No. 12323/06 relating thereto and held by deed of transfer T154001/2004 commencing on 23 July 2008;
- ERF 229 Northam Extension 2 Township, South Africa, registration division, K.Q. Province of Limpopo, freehold measuring 1 311 square metres first transferred by deed of transfer T52112/1983 with general plan L.G. A4257/1979 relating thereto and held by deed of transfer T142022/2001 commencing on 10 February 2009;
- ERF 230 Northam Extension 2 Township, South Africa, registration division, K.Q. Province of Limpopo, freehold measuring 1 095 square metres first transferred by deed of transfer T16327/1984 with general plan L.G. A4257/1979 relating thereto and held by deed of transfer T99122/1996 commencing on 10 February 2009; and
- Portion 12 (A portion of portion 4) of the farm Leeuwkopje number 415, registration division K.Q. Province of Limpopo, freehold measuring 4 283 square metres first transferred by deed of grant 18/1935 with diagram annexed thereto and held by deed of transfer T30426/2002 commencing on 10 February 2009.

All properties are encumbered as per note 14.



**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
<b>4. Investments</b>		
<b>4.1 Financial investments</b>		
Investment in shares – listed	<u>2 900</u>	<u>2 649</u>
The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2012 was P2.90 per share (2011: P2.65 per share).		
<b>4.2 Investments in new projects</b>	<b>2012</b>	<b>2011</b>
Capital costs incurred	<u>23 799 824</u>	<u>21 502 542</u>
These amounts relate to capital expenditure incurred with regards to new stores to be opened in the following financial year.		
<b>5. Deferred taxation</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
Deferred taxation is reconciled as follows:		
Opening balance	(543 015)	(5 819 308)
Movement for the year – Statements of comprehensive income	11 802 470	737 406
Movement for the year – Statements of financial position	<u>-</u>	<u>4 538 887</u>
Closing balance	<u>11 259 455</u>	<u>(543 015)</u>
Comprising of the following temporary differences:		
Tax losses carried forward	16 087 928	11 596 041
Accelerated capital allowances on items of property, plant and equipment	(9 203 526)	(15 531 462)
Deferred lease liabilities	<u>4 375 053</u>	<u>3 392 406</u>
	<u>11 259 455</u>	<u>(543 015)</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>

**6. Goodwill**

On acquisition of business units	<u>301 239 209</u>	<u>301 239 209</u>
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The goodwill arose on acquisition of business operations' net assets. The goodwill was recognised with reference to the consideration paid and the fair values of these entities' net assets. The valuation of goodwill at year end was determined by comparing the present value of estimated incremental future cash flows against the carrying amount. This was based on five year cash flow projections on the most recent budgets approved by management and extrapolations of cash flow. The growth rates incorporated in the projections do not exceed the average long term growth rates for the market.

The following assumptions were applied in the evaluation of goodwill:

		<b>2012</b>	<b>2011</b>
Discount rate	(%)	16.3	16.3
Average sales growth rate per year:			
In Botswana	(%)	4 - 15	4 - 15
In South Africa	(%)	8 - 60	8 - 60
Terminal value growth rate	(%)	4	4

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
<b>7. Inventories</b>		
Finished goods	213 985 914	169 642 111
Goods in transit	<u>2 662 981</u>	<u>272 667</u>
	<u>216 648 895</u>	<u>169 914 778</u>

Due to the fast moving nature of the inventories, no impairment allowance was recognised (2011: P Nil). The average inventory turnover days for the Group is 28 days (2011: 31 days). Inventories of P38 109 924 (2011: P37 962 187) are encumbered under the BIFM Promissory Note as per note 14.

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
<b>8. Advances and deposits</b>		
Deposits	1 472 469	2 130 856
Prepayments	18 237 306	12 632 642
Rent advances	4 628 542	1 410 334
Salary advances	1 584 689	1 931 333
Other advances	<u>90 531</u>	<u>1 660 802</u>
	<u>26 013 537</u>	<u>19 765 967</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>9. Trade and other receivables</b>				
Trade receivables	16 788 013	15 426 787	-	-
Other receivables	11 372 743	10 683 437	-	-
VAT refundable	-	3 425 481	64 860	-
	<u>28 160 756</u>	<u>29 535 705</u>	<u>64 860</u>	<u>-</u>

Trade and other receivables of P14 327 734 (2011: P12 937 169) are encumbered as per note 14.

**10. Related party balances**

Related party transactions consist of amounts due to and from entities under common ownership or control of directors and shareholders. The directors confirm that transactions with related parties are carried out at arm's length basis at prevailing market related prices and rates in the normal course of business.

Balances with related parties for the company and group are disclosed by nature below.

**10.1 Amounts due from related entities**

The following amounts were due from entities which are considered related parties through common ownership and were excluded from being consolidated into the Choppies Enterprises Group:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Amounts due from related entities	<u>5 335 849</u>	<u>26 106 847</u>	<u>136 346 831</u>	<u>796 101</u>

These balances are unsecured, interest free and are repayable as per normal trading terms.

**10.2 Amounts due to related entities**

The following amounts were due to entities which are considered related parties through common ownership and were excluded from being consolidated into the Choppies Enterprises Group:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Amounts due to related entities	<u>2 564 684</u>	<u>5 917 950</u>	<u>13 527 566</u>	<u>17 720 590</u>

These balances are mainly trading related, are at arm's length and are unsecured and interest free and are payable as per normal trading terms. Refer to note 23 for the details of related party balances.

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
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	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>11. Amounts due from/to shareholders</b>				
<b>11.1 Amounts due from shareholders</b>				
Aboobaker Chopdat	-	1 289 184	-	-
Ramachandran Ottappathu	-	-	-	1 398 183
Farouk Essop Ismail	-	-	-	1 398 182
	<u>-</u>	<u>1 289 184</u>	<u>-</u>	<u>2 796 365</u>
<b>11.2 Amounts due to shareholders</b>				
Associated Investment Development Corporation	-	362 986	-	-
Ramachandran Ottappathu	-	18 555 063	-	-
Farouk Ismail	-	11 084 421	-	-
Hon. Festus Mogae	-	2 823 410	-	-
Moitsheki Thabo Lekalake	-	180 000	-	-
Younis Adam	-	263 825	-	-
	<u>-</u>	<u>33 269 705</u>	<u>-</u>	<u>-</u>

Amounts due from and to shareholders were unsecured, interest free and had no fixed repayment terms. These amounts were settled in full during the current financial year.

**11.3 Amounts paid to key personnel**

Key personnel comprise of executive directors who are involved in the day to day operations of the Group.

Amounts paid to key personnel during the year as short term employee benefits/remuneration for services rendered were P21 965 050 (2011: P10 900 710).

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>12. Cash and cash equivalents</b>				
Cash on hand	4 830 755	3 186 298	-	-
Cash at bank	<u>193 238 793</u>	<u>26 880 119</u>	<u>103 793</u>	<u>2 364</u>
	198 069 548	30 066 417	103 793	2 364
Bank overdraft	<u>(19 400 064)</u>	<u>(22 254 904)</u>	<u>-</u>	<u>-</u>
Total	<u>178 669 484</u>	<u>7 811 513</u>	<u>103 793</u>	<u>2 364</u>

The group's bank facilities are secured by an unlimited guarantee from Choppies Enterprises Limited and personal guarantees from the executive directors. The majority of the banking facilities have been granted to Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises Limited, and have been allocated within the group as required. The facilities are thus reflected in both the financial statements of the individual subsidiaries and in the consolidated group financial statements. A call deposit of R1 417 591 (2011: R2 918 884) is pledged as guarantee per note 14.

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
*In Pula*

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>

**13. Stated capital and preference shares**

**13.1 Stated capital**

1 174 207 583 (2011: 1 043 772 802)

authorised and issued ordinary shares at

no par value

421 474 313	283 402 197	421 474 313	283 402 197
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The holders of issued shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank pari passu with regards to the company's residual assets.

	<b>Group</b>		<b>Company</b>	
	<b>Shares</b>	<b>Value</b>	<b>Shares</b>	<b>Value</b>
<b>Reconciliation of the stated capital:</b>				
<b>2012</b>				
Opening balance at 01 July 2012	1 043 772 802	283 402 197	1 043 772 802	283 402 197
Movements during the year	130 434 781	138 072 116	130 434 781	138 072 116
Issued ordinary shares	304 347 826	350 000 000	304 347 826	350 000 000
Repayment of existing shareholders	(173 913 045)	(200 000 000)	(173 913 045)	(200 000 000)
Capitalised prelisting expenses	-	(11 927 884)	-	(11 927 884)
Closing balance at 30 June 2012	1 174 207 583	421 474 313	1 174 207 583	421 474 313
<b>2011</b>				
Opening balance at 01 July 2010	2 000	100	2 000	100
Revised opening balance after share split (share split on 30 June 2011 - 400 000 shares per share)	800 000 000	100	800 000 000	100
Shares issued on:				
-Acquisition of non-controlling interest	21 947 486	25 515 404	21 947 486	25 515 404
-Acquisition of Choppies Supermarkets SA (Pty) Ltd	229 394 830	266 686 757	229 394 830	266 686 757
-Acquisition of Sarfrosh Holdings (Pty) Ltd	14 047 988	16 331 720	14 047 988	16 331 720
-Disposal of Ilo Industries (Pty) Ltd	(21 617 502)	(25 131 784)	(21 617 502)	(25 131 784)
Closing balance at 30 June 2011	1 043 772 802	283 402 197	1 043 772 802	283 402 197

The company issued 260 869 565 shares through a private placement at a price of P1.15 each, and a public offer for a subscription of 43 478 261 shares at a price of P1.15 each. The company was subsequently listed on Botswana Stock Exchange on 26 January 2012. A payment to existing shareholders of P200 000 000 (173 913 045 ordinary shares) was made. The total number of shares authorised and in issue at 30 June 2012 was 1 174 207 583 (2011: 1 043 772 802).

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>

**13. Stated capital and preference shares (continued)**

**13.2 Preference shares**

550 000 preference shares at no par value	<u>85 060</u>	<u>-</u>	<u>-</u>	<u>-</u>
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5% redeemable preference shares were issued on 15 August 2011 with no par value. These shares are redeemable at the sole option of the various subsidiaries. These preference shares do not carry (i) any voting rights and/or (ii) any rights to any distribution of capital or income other than limited profit participation. The profit participation is limited to 5% of profit after taxation (annually) depending on budgeted targets agreed with preference shareholders.

Subsequent to the preference share issue:

- A subsidiary reduced preference shares through a 5.5 to 1 consolidation of existing shares held at 02 February 2012. The total number of preference shares in issue for the subsidiary before the consolidation was 82 500. The total number of shares in issue at 30 June 2012 was 15 000 (2011: Nil). The consolidation had no impact on the value of preference shares disclosed in the statement of financial position for the subsidiary.
- The relevant subsidiaries issued a further 532 440 preference shares at no par value through a rights issue with average of 208 shares for every 1 existing share held at 02 February 2012. The total number of preference shares in issue at 30 June 2012 was 535 000 (2011: Nil). The rights issue had no impact on the preference shares amount.

<b>Reconciliation of the preference shares:</b>	<b>Group</b>		<b>Company</b>	
	<b>Shares</b>	<b>Value</b>	<b>Shares</b>	<b>Value</b>
Issued preference shares during the year	85 060	85 060	-	-
Effect of the share consolidation during the year	(67 500)	-	-	-
Effect of the rights issue during the year	<u>532 440</u>	<u>-</u>	<u>-</u>	<u>-</u>
Preference shares at end of year	<u>550 000</u>	<u>85 060</u>	<u>-</u>	<u>-</u>

**13.3 Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, redeemable preference shares and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year.



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	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
<b>14. Long term borrowings</b>		
Bank of Baroda Botswana Limited	2 940 171	8 567 939
Bank Gaborone Limited	8 046 509	13 342 755
Botswana Investment Fund Management Capital (Bifm)	35 000 000	35 000 000
Capital Bank Botswana Limited	-	138 890
Botswana Power Corporation	297 128	507 451
First National Bank of Botswana Limited	1 869 311	1 970 642
National Development Bank	1 497 221	1 683 197
Nedbank South Africa Limited	179 537	210 436
Scania Finance Southern Africa	50 833 311	48 492 481
Standard Bank South Africa	8 471 034	12 071 925
Wesbank Botswana Limited	<u>2 261 095</u>	<u>795 138</u>
	111 395 317	122 780 854
Less : Current portion transferred to current liabilities	<u>(34 122 420)</u>	<u>(36 706 299)</u>
	<u>77 272 897</u>	<u>86 074 555</u>

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**14. Long term borrowings (continued)**

The group's borrowings are secured as follows :

**Bank of Baroda Botswana Limited**

*Finance lease liabilities:*

Finance lease liabilities are secured over motor vehicles with a net book value of P3 157 777 (2011: P2 376 102). These liabilities bear interest at the prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

**Botswana Investment Fund Management Capital ("Bifm")**

*Promissory Notes:*

Bifm subscribed to two (2) Promissory Notes, A & B issued by Winforever Investments (Proprietary) Limited (the holding company of the Choppies Group of Companies which legally changed its registered name to Choppies Enterprises Limited). Funds were disbursed for use by its wholly owned subsidiary, Choppies Distribution Centre (Proprietary) Limited ("CDC").

*Promissory Note A:*

The Note bears interest at a fixed rate of 12% per annum commencing at 12 December 2007 and is redeemable on 31 December 2015 for P15 million.

*Promissory Note B:*

The Note bears interest at a fixed rate of 12% per annum commencing at 12 December 2007 and is redeemable on 31 December 2017 for P20 million.

*Securities:*

- Principal shareholders' guarantees and pledge;
- Issuer deed of subordination, deed of cession and pledge;
- CDC guarantee, deed of hypothecation and deed of subordination;
- Insurance cover in respect of furniture and fittings; and
- CDC deed of hypothecation over trade and other receivables and inventory.

**Bank Gaborone Limited**

*Finance lease liabilities:*

- unlimited surety by Ramachandran Ottappathu, a director and shareholder in Choppies Enterprises Limited; and
  - unlimited surety by Farouk Essop Ismail, a director and shareholder in Choppies Enterprises Limited.
- These liabilities bear interest at the prime lending rate per annum and is repayable in 48 monthly instalments.

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**14. Long term borrowings (continued)**

**First National Bank of Botswana Limited**

*Term loan of P 2 200 000 secured by:*

- First covering Mortgage Bond for P2 400 000 over Lease Area No 1934 - KO, a portion of Lot 38805, Gaborone and Lot 1110, Lobatse. The properties are owned by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises Limited;

The loan is repayable in 180 monthly instalments commencing 1 April 2007 and bears interest at the prime lending rate.

**Nedbank South Africa Limited**

*Mortgage bond secured by:* A mortgage bond over the property for the sum of R262 500 commencing on 1 January 2002 and concludes on 31 December 2021. The property is situated at Section 9, Door Number 0009, Elsienora. The property is owned by Choppies Distribution Centre (Proprietary) Limited, (a wholly owned subsidiary of Choppies Enterprises Limited) with a net book value of P467 365 (2011: P475 793). . The loan is repayable in 240 monthly instalments of R 2 551 (2011: R 2 551) each and bears interest at 10.10% (2011: 10.10%) per annum.

**Scania Finance Southern Africa**

*Finance lease liabilities:* These lease liabilities are secured over motor vehicles with a net book value of P65 487 215 (2011: P 47 254 400). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 48 monthly instalments.

**Wesbank Botswana Limited**

*Finance lease liabilities:* These lease liabilities are secured over motor vehicles with a net book value of P2 407 877 (2011: P906 908). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

**Capital Bank Botswana Limited**

*Finance lease liabilities:* These lease liabilities were secured over motor vehicles with a net book value of P330 937. These liabilities did bear interest at the prime lending rate plus 2% per annum and were repayable in 36 monthly instalments. These liabilities were settled in full in the current financial year.

**Botswana Power Corporation**

This balance is unsecured and bears interest at the prime lending rate less 0.25%, being repayable in 60 equal monthly instalments of P34 232 each, commencing 26 March 2010.

**National Development Bank**

This balances bears interest at a fixed rate of 15% per annum and is repayable over 144 equal monthly instalments of P40 523 commencing 30 August 2006. The facility is secured by:

- First covering mortgage bond for P2 820 000 over Plots 17488 and 17489 in Gaborone owned by Genuine Passions (Proprietary) Limited with a net book value of P2 464 233 (2011: P2 218 955), a wholly owned subsidiary of Choppies Enterprises Limited;
- Personal guarantees by Farouk Essop Ismail and Moitsheki Lekalake for P744 000 each with continuing interest;
- Personal guarantees by Sadique Kebonang for P168 000 with continuing interest; and
- Deed of hypothecation over plant and equipment with a net book value of P904 043 (2011: P882 550).

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**14. Long term borrowings (continued)**

**Standard Bank South Africa**

*Term loan of R 4,000,000 secured by:*

- A first continuing covering mortgage bond for R4 000 000 over Erf 676, Rodeon Township (note 3);
- Unrestricted cession of material damage insurance policy providing comprehensive insurance cover over Erf 676, Rodeon Township; and
- Unlimited suretyship by Farouk Essop Ismail and Ramachandran Ottappathu.

*Term loan of R 7,700,000 secured by:*

- A first continuing covering mortgage bond for R7 700 000 over Portion 12 of the farm Leeuwkopje 415, Erf 229 and Erf 230 Northam Ext 2 Township (note 3);
- Unrestricted cession of material damage insurance policy providing comprehensive insurance cover over Portion 12 of the farm Leeuwkopje 415, Erf 229 and Erf 230 Northam Ext 2 Township;
- Unlimited suretyship by Farouk Essop Ismail and Ramachandran Ottappathu; and
- Unlimited pledge of funds held on the call deposit of R1 417 591 (2011: R2 918 884).

*Term loan of R 5,040,000 secured by:*

- A first continuing covering mortgage bond for R5 040 000 over Erf 880, Erf 461 and Erf 462, Koster (Note 3);
- Unrestricted cession of material damage insurance policy providing comprehensive insurance cover over Erf 880, Erf 461 and Erf 462, Koster;
- Unlimited suretyship by Farouk Essop Ismail and Ramachandran Ottappathu;
- Cession of life Policy with minimum life cover of R 4 000 000 - Life assured Ramachandran Ottappathu; and
- Cession of life Policy with minimum life cover of R 4 000 000 - Life assured Farouk Essop Ismail.

The term loans, bearing interest at a rate of 9.6% (9.6%:2011), are for the land and buildings in South Africa owned by Choppies Supermarkets SA (Proprietary) Limited with a net book value of P22 847 556 (2011: P24 185 664), a wholly owned subsidiary of Choppies Enterprises Limited

*Finance lease liabilities:*

Finance lease liabilities are secured over motor vehicles and plant and machinery with a net book value of P2 080 158 (2011: P2 286 718) and P2 034 814 (2011: P4 201 889) respectively (note 3). These liabilities bear interest at the prime lending rate per annum and are repayable in 60 monthly instalments.

**Choppies Enterprises Limited**  
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**15. Deferred lease liabilities**

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
Opening balance	15 420 027	10 622 554
Charge for the year	<u>3 012 883</u>	<u>4 797 473</u>
Closing balance	<u><u>18 432 910</u></u>	<u><u>15 420 027</u></u>
The deferred operating lease liabilities reverse as follows:		
Within 1 year	1 866 609	2 877 743
2 - 5 years	10 241 067	11 308 504
6 - 10 years	<u>6 325 234</u>	<u>1 233 780</u>
	<u><u>18 432 910</u></u>	<u><u>15 420 027</u></u>
Current portion of deferred lease liabilities	1 866 609	2 877 743
Non-current portion of deferred lease liabilities	<u>16 566 301</u>	<u>12 542 284</u>
	<u><u>18 432 910</u></u>	<u><u>15 420 027</u></u>
At year end the following future non-cancellable minimum lease rentals for premises occupied by the Group are payable:		
Within 1 year	47 131 313	32 988 918
2 - 5 years	151 683 155	110 591 444
6 - 10 years	<u>54 366 690</u>	<u>19 517 016</u>
	<u><u>253 181 158</u></u>	<u><u>163 097 378</u></u>

The Group has entered into various non-cancellable operating lease agreements in respect of rented premises. Leases are contracted for periods of up to 10 years, some with renewal options, and escalate at fixed percentages of 5% to 10% per annum. Rentals comprise minimum monthly payments.

**Choppies Enterprises Limited**  
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	<b>Group 2012</b>	<b>2011</b>	<b>Company 2012</b>	<b>2011</b>
<b>16. Trade and other payables</b>				
Trade payables	273 378 048	225 911 751	-	-
VAT payable	299 699	4 317 423	-	-
Withholding tax payable	1 217 271	856 638	-	-
Other payables	<u>16 009 806</u>	<u>15 626 309</u>	<u>53 061</u>	<u>1 009 472</u>
	<u>290 904 824</u>	<u>246 712 121</u>	<u>53 061</u>	<u>1 009 472</u>

**17. Financial instruments**

Transactions in financial instruments result in the Group assuming financial risks. These include market risk, credit risk, foreign currency risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

**Interest rate risk**

Fluctuation in interest rates impact on the value of short-term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the Group does not make use of financial instruments to manage this risk.

The Group invests with reputable institutions and has obtained borrowings and overdraft facilities, which are subject to normal market interest rate risk. The effective annual interest rates on the Group's call deposits, long term borrowings and bank overdrafts at year-end were as follows:

	<b>Group 2012</b>	<b>Group 2011</b>
<b>Botswana</b>		
Wesbank Botswana Limited	Prime less 2%	Prime less 2%
Bank of Baroda (Botswana) Limited	Prime less 1%	Prime less 1%
Bank overdraft	8.5%	8.5%
Capital Bank Botswana Limited	N/A	Prime less 2%%
First National Bank of Botswana Limited	Prime lending rate	Prime lending rate
Nedbank South Africa Limited	10.10%	10.10%
Bank Windhoek	Prime lending rate	Prime lending rate
Botswana Investment Fund Management Capital (Bifm)	12.00%	12.00%
<b>South Africa</b>		
Standard Bank South Africa	Prime lending rate	Prime lending rate
Scania Finance Southern Africa	Prime less 2%	Prime less 2%



**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

***Interest rate risk (continued)***

	<b>Group 2012</b>	<b>Group 2011</b>
<b>Botswana</b>		
Botswana Power Corporation	Prime less 0.25%	Prime less 0.25%
National Development Bank	15%	15%
Call account denominated in Pula	4.00% to 6.00%	4.00% to 6.00%
Call account denominated in foreign currencies	3.00%	3.00%
Fixed deposits with banks	<u>7.00% to 11.50%</u>	<u>7.00% to 11.50%</u>

The following are the Pula equivalent of the balances susceptible to interest rate risk:

	<b>Group 2012</b>	<b>2011</b>
Long term borrowings	(111 395 317)	(122 780 854)
Bank overdraft	(19 400 064)	(22 254 904)
Call account denominated in Pula	1 145 913	1 145 913
Call account denominated in foreign currencies	484 123	678 237
Fixed deposits with banks	<u>103 263 157</u>	<u>4 732 452</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

***Interest rate risk (continued)***

With average interest rates as noted above, a decrease of 50 basis points in the interest rates during the reporting period would have increased the Group's profit before taxation as shown below:

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
Long term borrowings	556 977	613 904
Bank overdraft	97 000	111 275
Call accounts denominated in Pula	(5 730)	(5 730)
Call accounts denominated in foreign currencies	(2 421)	(3 391)
Fixed deposits with banks	(516 316)	(23 662)
<b>Increase in profit before taxation</b>	<b>129 510</b>	<b>692 396</b>

An increase of 50 basis points in the interest rates would have had an equal but opposite effect on the Group's profit before taxation to the amounts shown above, on the basis that all other variables remain constant.

***Credit risk***

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- amounts due from related entities,
- amounts due from shareholders,
- trade and other receivables,
- cash and cash equivalents, and
- advances and deposits.

The Group limits the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. The Group has no significant concentration of credit risk and exposure to third parties is monitored as part of the credit control process.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana and South Africa. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Trade receivables	16 788 013	15 426 787	-	-
Other receivables	11 372 743	10 683 437	64 860	-
Advances and deposits	26 013 537	19 765 967	-	-
Amounts due from related entities	5 335 849	26 106 847	136 346 831	796 101
Amounts due from shareholders	-	1 289 184	-	2 796 365
Cash and cash equivalents	193 238 793	26 880 119	103 793	2 364
	<b>252 748 935</b>	<b>100 152 341</b>	<b>136 515 484</b>	<b>3 594 830</b>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

***Credit risk (continued)***

The aging of trade receivables (Group) at the reporting date is analysed as follows:

	<b>Gross 2012</b>	<b>Impairment 2012</b>	<b>Gross 2011</b>	<b>Impairment 2011</b>
Not past due	4 454 318	-	2 886 401	-
Past due 1 - 30 days	4 511 538	-	1 459 017	-
Past due 31 - 120 days	7 822 157	-	11 081 369	-
	<u>16 788 013</u>	<u>-</u>	<u>15 426 787</u>	<u>-</u>

Trade receivables were evaluated for impairment at the reporting date. The majority of amounts outstanding are either with Government bodies or reputable trading entities. No impairment was recognised at the reporting date as probable future cash flows are estimated to cover the carrying amounts of outstanding balances.

***Liquidity risk***

The Group is exposed to daily operational payments and payment of trade payables and long term borrowings. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The following are classified as non-derivative financial liabilities:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Long term borrowings	111 395 317	122 780 854	-	-
Amounts due to related entities	2 564 684	5 917 950	13 527 566	17 720 590
Amounts due to shareholders	-	33 269 705	-	-
Bank overdraft	19 400 064	22 254 904	-	-
Trade payables	273 378 048	225 911 751	-	-
Other payables	16 009 806	15 626 309	53 061	1 009 472
	<u>422 747 919</u>	<u>425 761 473</u>	<u>13 580 627</u>	<u>18 730 062</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

***Liquidity risk (continued)***

The following are the contractual maturities of the non-derivative financial liabilities, excluding estimated interest payments and the impact of netting agreements:

<b>Group</b>	<b>Carrying</b>	<b>Contractual</b>	<b>12 months or</b>	<b>More than 1</b>
<b>2012</b>	<b>amount</b>	<b>cash flows</b>	<b>less</b>	<b>year</b>
Long term borrowings	111 395 317	(111 395 317)	(34 122 420)	(77 272 897)
Amounts due to related entities	2 564 684	(2 564 684)	(2 564 684)	-
Bank overdraft	19 400 064	(19 400 064)	(19 400 064)	-
Trade payables	273 378 048	(273 378 048)	(273 378 048)	-
Other payables	16 009 806	(16 009 806)	(16 009 806)	-
	<u>422 747 919</u>	<u>(422 747 919)</u>	<u>(345 475 022)</u>	<u>(77 272 897)</u>

**Group**  
**2011**

Long term borrowings	122 780 854	(122 780 854)	(36 706 299)	(86 074 555)
Amounts due to related entities	5 917 950	(5 917 950)	(5 917 950)	-
Amounts due to shareholders	33 269 705	(33 269 705)	(33 269 705)	-
Bank overdraft	22 254 904	(22 254 904)	(22 254 904)	-
Trade payables	225 911 751	(225 911 751)	(225 911 751)	-
Other payable	15 626 309	(15 626 309)	(15 626 309)	-
	<u>425 761 473</u>	<u>(425 761 473)</u>	<u>(339 686 918)</u>	<u>(86 074 555)</u>

**Company**  
**2012**

Amounts due to related entities	13 527 566	(13 527 566)	(13 527 566)	-
Other payables	53 061	(53 061)	(53 061)	-
	<u>13 580 627</u>	<u>(13 580 627)</u>	<u>(13 580 627)</u>	<u>-</u>

**Company**  
**2011**

Amounts due to related entities	17 720 590	(17 720 590)	(17 720 590)	-
Other payables	1 009 472	(1 009 472)	(1 009 472)	-
	<u>18 730 062</u>	<u>(18 730 062)</u>	<u>(18 730 062)</u>	<u>-</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

***Foreign currency risk***

The Group is exposed to foreign currency risk for transactions which are denominated in currencies other than the Pula. These transactions mainly related to the Group's distribution and retail trading business and its investment in foreign operations. These transactions are predominantly denominated in South African Rand, United States Dollar and British Pound Sterling.

Foreign currency risks that do not influence the Group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations in the group's reporting currency) are not hedged.

The Group's exposure to foreign currency risk based on notional amounts is analysed as follows:

	<b>Foreign currency amount</b>	<b>Pula equivalent</b>
<b>Group 2012</b>		
South African Rand denominated assets - balances with banks	28 883 824	27 534 627
United States Dollar denominated assets - balances with banks	398 353	3 146 548
British Sterling denominated assets - balances with banks	150 678	1 853 189
South African Rand denominated liabilities	(213 695 823)	<u>(203 713 845)</u>
Net exposure		<u>(171 179 481)</u>
<b>Group 2011</b>		
South African Rand denominated assets - balances with banks	2 702 233	2 655 235
United States Dollar denominated assets - balances with banks	335 391	2 234 448
British Pound Sterling denominated assets - balances with banks	150 378	1 603 906
South African Rand denominated liabilities	(88 916 855)	<u>(87 370 390)</u>
Net exposure		<u>(80 876 801)</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

***Foreign currency risk (continued)***

Year end translation rates:	<b>2012</b>	<b>2011</b>
South African Rand exchange rate	1.0490	1.0177
United States Dollar exchange rate	0.1266	0.1501
British Pound Sterling exchange rate	0.0813	0.0938

A 10 percent strengthening of the Botswana Pula against the above-mentioned foreign currencies at year-end would have increased the Group's profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

**Group**  
**2012**

	<b>Pula</b>
South African Rand denominated assets - balances with banks	(2 503 148)
United States Dollar denominated assets - balances with banks	(286 050)
British Pound Sterling denominated assets - balances with banks	(168 472)
South African Rand denominated liabilities	<u>18 519 441</u>
Net increase in profit before taxation	<u>15 561 771</u>

**Group**  
**2011**

South African Rand denominated assets - balances with banks	(241 385)
United States Dollar denominated assets - balances with banks	(203 132)
British Pound Sterling denominated assets - balances with banks	(145 810)
South African Rand denominated liabilities	<u>7 942 763</u>
Net increase in profit before taxation	<u>7 352 436</u>

A 10% weakening of the Botswana Pula against the above-mentioned currencies at year-end would have had an equal but opposite effect on the Group's profit before taxation to the amounts shown above.



**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

***Fair value hierarchy***

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs in determining these measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All the Group's financial instruments carried at fair value are categorised as level 3 except for investment in shares of P2 900 (2011: P 2649) per note 4.

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

**Analyses of the Group's assets and liabilities:**

Group	Total	Financial assets and liabilities			Other assets and liabilities	Current/ non-current distinction	
		Financial assets designated at fair value	Loans and receivables	Financial assets/ liabilities at amortised costs		Current assets and liabilities	Non-current assets and liabilities
<b>2012</b>							
<b>Assets</b>							
Property, plant and equipment	274 581 060	-	-	-	274 581 060	-	274 581 060
Deferred taxation	11 259 455	-	-	-	11 259 455	-	11 259 455
Goodwill	301 239 209	-	-	-	301 239 209	-	301 239 209
Inventories	216 648 895	-	-	-	216 648 895	216 648 895	-
Investments	23 802 724	2 900	-	-	23 799 824	2 900	23 799 824
Advances and deposits	26 013 537	-	26 013 537	-	-	26 013 537	-
Trade and other receivables	28 160 756	-	28 160 756	-	-	28 160 756	-
Amounts due from related entities	5 335 849	-	5 335 849	-	-	5 335 849	-
Cash and cash equivalents	198 069 548	-	198 069 548	-	-	198 069 548	-
<b>Total</b>	<b>1 085 111 033</b>	<b>2 900</b>	<b>257 579 690</b>	<b>-</b>	<b>827 528 443</b>	<b>474 231 485</b>	<b>610 879 548</b>
<b>Liabilities</b>							
Long term borrowings	111 395 317	-	-	111 395 317	-	34 122 420	77 272 897
Trade and other payables	290 904 824	-	-	290 904 824	-	290 904 824	-
Amounts due to related parties	2 564 684	-	-	2 564 684	-	2 564 684	-
Taxation payable	10 443 548	-	-	-	10 443 548	10 443 548	-
Deferred lease liabilities	18 432 910	-	-	-	18 432 910	1 866 609	16 566 301
Bank overdraft	19 400 064	-	-	19 400 064	-	19 400 064	-
<b>Total</b>	<b>453 141 347</b>	<b>-</b>	<b>-</b>	<b>424 264 889</b>	<b>28 876 458</b>	<b>359 302 149</b>	<b>93 839 198</b>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**17. Financial instruments (continued)**

Group	Total	Financial assets and liabilities			Other assets and liabilities	Current/ non-current distinction	
		Financial assets designated at fair value	Loans and receivables	Financial assets/ liabilities at amortised costs		Current assets and liabilities	Non-current assets and liabilities
<b>2011</b>							
<b>Assets</b>							
Property, plant and equipment	224 425 201	-	-	-	224 425 201	-	224 425 201
Goodwill	301 239 209	-	-	-	301 239 209	-	301 239 209
Inventories	169 914 778	-	-	-	169 914 778	169 914 778	-
Investments	21 505 191	2 649	-	-	21 502 542	2 649	21 502 542
Advances and deposits	19 765 967	-	19 765 967	-	-	19 765 967	-
Trade and other receivables	29 535 705	-	29 535 705	-	-	29 535 705	-
Amounts due from shareholder	1 289 184	-	1 289 184	-	-	1 289 184	-
Amounts due from related entities	26 106 847	-	26 106 847	-	-	26 106 847	-
Cash and cash equivalents	30 066 417	-	30 066 417	-	-	30 066 417	-
<b>Total</b>	<b>823 848 499</b>	<b>2 649</b>	<b>106 764 120</b>	<b>-</b>	<b>717 081 730</b>	<b>276 681 547</b>	<b>547 166 952</b>
<b>Liabilities</b>							
Long term borrowings	122 780 854	-	-	122 780 854	-	36 706 299	86 074 555
Deferred taxation	543 015	-	-	-	543 015	-	543 015
Trade and other payables	246 712 121	-	-	246 712 121	-	246 712 121	-
Amounts due to shareholders	33 269 705	-	-	33 269 705	-	33 269 705	-
Amounts due to related parties	5 917 950	-	-	5 917 950	-	5 917 950	-
Taxation payable	12 567 545	-	-	-	12 567 545	12 567 545	-
Deferred lease liabilities	15 420 027	-	-	-	15 420 027	2 877 743	12 542 284
Bank overdraft	22 254 904	-	-	22 254 904	-	22 254 904	-
<b>Total</b>	<b>459 466 121</b>	<b>-</b>	<b>-</b>	<b>430 935 534</b>	<b>28 530 587</b>	<b>360 306 267</b>	<b>99 159 854</b>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**  
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**17. Financial instruments (continued)**

**Company**

	Total	Financial assets and liabilities			Other assets and liabilities	Current/ non-current distinction	
		Financial assets designated at fair value	Loans and receivables	Financial assets/ liabilities at amortised costs		Current assets and liabilities	Non-current assets and liabilities
<b>2012</b>							
<b>Assets</b>							
Investments in subsidiaries	325 839 029	-	-	-	325 839 029	-	325 839 029
Amounts due from related entities	136 346 831	-	136 346 831	-	-	136 346 831	-
Trade and other receivables	64 860	-	64 860	-	-	64 860	-
Cash and cash equivalents	103 793	-	-	-	103 793	103 793	-
<b>Total</b>	<b>462 354 513</b>	<b>-</b>	<b>136 411 691</b>	<b>-</b>	<b>325 942 822</b>	<b>136 515 484</b>	<b>325 839 029</b>
<b>Liabilities</b>							
Other payables	53 061	-	-	53 061	-	53 061	-
Amounts due to related entities	13 527 566	-	-	13 527 566	-	13 527 566	-
<b>Total</b>	<b>13 580 627</b>	<b>-</b>	<b>-</b>	<b>13 580 627</b>	<b>-</b>	<b>13 580 627</b>	<b>-</b>
<b>2011</b>							
<b>Assets</b>							
Investments in subsidiaries	325 838 629	-	-	-	325 838 629	-	325 838 629
Amounts due from related entities	796 101	-	796 101	-	-	796 101	-
Amounts due from shareholders	2 796 365	-	2 796 365	-	-	2 796 365	-
Cash and cash equivalents	2 364	-	2 364	-	-	2 364	-
<b>Total</b>	<b>329 433 459</b>	<b>-</b>	<b>3 594 830</b>	<b>-</b>	<b>325 838 629</b>	<b>3 594 830</b>	<b>325 838 629</b>
<b>Liabilities</b>							
Other payables	1 009 472	-	-	1 009 472	-	1 009 472	-
Amounts due to related entities	17 720 590	-	-	17 720 590	-	17 720 590	-
<b>Total</b>	<b>18 730 062</b>	<b>-</b>	<b>-</b>	<b>18 730 062</b>	<b>-</b>	<b>18 730 062</b>	<b>-</b>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**18. Contingent liabilities**

The group had the following contingent liabilities at year-end:

**Guarantees:**

Choppies Enterprises Limited has provided an unlimited guarantee on behalf of Choppies Distribution Centre (Proprietary) Limited in respect of an overdraft facility of P23 million.

Choppies Distribution Centre (Proprietary) Limited has provided bank guarantees of P1 606 130 to related companies and unlimited bank guarantees to Choppies Enterprises (Pty) Ltd and Sunrise Holdings (Pty) Ltd.

Choppies Supermarkets SA (Pty) Ltd has the following guarantees with Standard Bank of South Africa:

<b>Beneficiaries</b>	<b>Expiry Date</b>	<b>2012</b>	<b>2011</b>
South African Revenue Service	01/01/2030	57 198	58 956
Parmalat SA (Pty) Ltd	01/01/2030	285 987	294 782
Unilever South Africa (Pty) Ltd	01/01/2030	476 644	491 304
Coca Cola Fortune (Pty) Ltd	01/01/2030	343 184	-
		<b>1 163 013</b>	<b>845 042</b>

**19. Investment in subsidiaries**

Choppies Enterprises Limited held the following interests in the stated capital of subsidiaries consolidated into these financial statements. Voting rights attaching to the stated capital held by the company confer significant influence and control over these entities. The investments are measured at the cost of stated capital less impairment. The historical financial performance as well as the present value of reasonably estimable future cash flows and operating profits of these subsidiaries were considered when assessing each investment balance for impairment. Based on this evaluation, no impairment in these investments was recognised (2011: P Nil).

<b>Name</b>	<b>2012</b>		<b>2011</b>	
	<b>% Ownership</b>	<b>Carrying value of investment</b>	<b>% Ownership</b>	<b>Carrying value of investment</b>
Abbas Enterprises (Proprietary) Limited	100%	3 000	100%	3 000
Accrete Investments (Proprietary) Limited	100%	100	100%	100
Amphora (Proprietary) Limited	100%	100	100%	100
Askrite (Proprietary) Limited	100%	100	100%	100
Atladis (Proprietary) Limited	100%	100	100%	100
Beavers Investments (Proprietary) Limited	100%	4 779 146	100%	4 779 146
Bestlite Investments (Proprietary) Limited	100%	100	100%	100
Bowerbird (Proprietary) Limited	100%	2 364 913	100%	2 364 913
Catbird (Proprietary) Limited	100%	100	100%	100
Chathley Enterprises (Proprietary) Limited	100%	5 035 746	100%	5 035 746
Choppies Distribution Centre (Proprietary) Limited	100%	100	100%	100
Choppies Supermarkets SA (Proprietary) Limited	100%	266 686 757	100%	266 686 757
Daisy Gardens (Proprietary) Limited	100%	290 273	100%	290 273
Deluxe (Proprietary) Limited	100%	5 778 525	100%	5 778 525
Dostana Investments (Proprietary) Limited	100%	1 000	100%	1 000
Flowting Ideas (Proprietary) Limited	100%	100	-	-
Balance carried forward		<b>284 940 160</b>		<b>284 940 060</b>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**19. Investment in subsidiaries (continued)**

	<b>2012</b>		<b>2011</b>	
	<b>% Ownership</b>	<b>Carrying value of investment</b>	<b>% Ownership</b>	<b>Carrying value of investment</b>
<b>Balance brought forward</b>	100%	284 940 160		284 940 060
F & A Enterprises (Proprietary) Limited	100%	734 973	100%	734 973
Freshtake Holdings (Proprietary) Limited	100%	4 033 916	100%	4 033 916
Genuine Passions (Proprietary) Limited	100%	688 755	100%	688 755
Gobrand Holdings (Proprietary) Limited	100%	100	100%	100
Godavari (Proprietary) Limited	100%	100	100%	100
Gritnit (Proprietary) Limited	100%	100	100%	100
Hoovernit (Proprietary) Limited	100%	100	100%	100
Himalayas (Proprietary) Limited	100%	100	100%	100
Jarapino Ventures (Proprietary) Limited	100%	100	100%	100
Jobfine Holdings (Proprietary) Limited	100%	100	100%	100
Kaar Distributors & Marketing Services (Proprietary) Limited	100%	2 170 082	100%	2 170 082
Kanye Friendly Grocer (Proprietary) Limited	100%	439 264	100%	439 264
Lisboa Trading (Proprietary) Limited	100%	3 017 120	100%	3 017 120
Macha Investments (Proprietary) Ltd	100%	2 489 757	100%	2 489 757
Motopi Holdings (Proprietary) Limited	100%	3 365 538	100%	3 365 538
Naivasha (Proprietary) Limited	100%	100	100%	100
Ndongolela Investments (Proprietary) Limited	100%	100	100%	100
New Page (Proprietary) Limited	100%	100	-	-
Ollur Investments (Proprietary) Limited	100%	2 005 193	100%	2 005 193
Ourluck Investment (Proprietary) Limited	100%	425 020	100%	425 020
Pucko Investments (Proprietary) Limited (Mochudi)	100%	2 849 148	100%	2 849 148
Right Time Holdings (Proprietary) Limited	100%	100	100%	100
Rigil (Proprietary) Limited	100%	100	-	-
S & F Enterprises (Proprietary) Limited	100%	100	100%	100
Sarfrosh Holdings (Proprietary) Limited	100%	16 331 720	100%	16 331 720
Shopper's Paradise (Proprietary) Limited	100%	1 300 000	100%	1 300 000
Smoothsail Holdings (Proprietary) Limited	100%	100	100%	100
Summer Queen (Proprietary) Limited	100%	100	-	-
Sunrise Holdings (Proprietary) Limited	100%	239 247	100%	239 247
Tampatrail Investments (Proprietary) Limited	100%	100	100%	100
To Do More Holdings (Proprietary) Limited	100%	100	100%	100
Topshape Holdings (Proprietary) Limited	100%	1 000	100%	1 000
Torinby Investments (Proprietary) Limited	100%	100	100%	100
Roadtight (Proprietary) Limited	100%	100	100%	100
Velocity (Proprietary) Limited	100%	100	100%	100
Walrus (Proprietary) Limited	100%	100	100%	100
Wayside Supermarket (Proprietary) Limited	100%	805 936	100%	805 936
Well Done (Proprietary) Limited	100%	100	100%	100
		<b>325 839 029</b>		<b>325 838 629</b>



**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**20. Basic and diluted earnings per share – Thebe**

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
Basic and diluted (note 20.1)	11.73	15.22
Continuing operations	11.73	12.60
Discontinued operations	-	2.62

**20.1 Basic and diluted earnings per share**

The calculation of basic and diluted earnings per share is based on:

Basic earnings (profit for the year)	129 430 132	121 769 066
	Number of shares	Number of shares

The weighted average number of ordinary shares in issue during the year

1 103 555 410	800 000 000
---------------	-------------

**Weighted average number of ordinary shares in issue:**

	Number of shares	Number of shares
At 01 July	1 043 772 802	2 000
At 30 June 2011 – 2 000 shares were split into 400 000 shares for every one share held	-	800 000 000
Net effect of shares issued on 30 June 2011 (total shares issued – 243 770 802)	-	-
Net effect of shares issued and repaid in January 2012 (net shares issued and repaid – 130 434 781)	59 782 608	-
Weighted average for year to 30 June	1 103 555 410	800 000 000

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>20.2 Dividend per share – Thebe</b>	-	15.40	-	15.40
Dividend declared and paid	-	123 181 623	-	123 181 623
Ordinary shares eligible for dividend	1 174 207 583	800 000 000	1 174 207 583	800 000 000

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**21. Segmental report**

**Group**

Operating segments are identified based on financial information regularly reviewed by the Choppies Enterprises Limited Board (identified as the Chief Operating Decision Maker of the Group for IFRS 8 reporting purposes) for performance assessments and resource allocations.

The Group has 4 operating segments, as described below:

**Supermarkets** – Retail of fast moving consumer goods in Botswana and South Africa.

**Services** – Provision of maintenance and transport services to group companies.

**Fruits and vegetables** - Retail of fruits and vegetables to the consumers and group companies in Botswana.

**Warehouse** - Wholesale of fast moving consumer goods to retail supermarkets under common ownership.

Performance is measured based on the profit before taxation, as management believes that such information is most relevant in evaluating the results of the segments against each other and other entities which operate within the retail industry.

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**21. Segmental report (continued)**

**2012**

	<b>Supermarkets</b>	<b>Warehouse</b>	<b>Fruit and vegetables</b>	<b>Services</b>	<b>Reconciling items</b>	<b>Total per annual financial statements</b>
<b>Statement of comprehensive income</b>						
Revenue:						
Trading income	3 235 477 541	1 005 964 250	192 585 154	66 648 278	(1 198 623 305)	3 302 051 918
Other income	3 522 801	6 800 284	114 778	173 010	(2 242 461)	8 368 412
					(1 200 865)	
Total segment revenue	3 239 000 342	1 012 764 534	192 699 932	66 821 288	766)	3 310 420 330
Reportable segment profit/(loss) before taxation	74 051 671	81 528 231	11 084 329	(10 026 966)	640 360	157 277 625
<b>Statement of financial position</b>						
Reportable segment assets	982 831 818	460 361 879	36 468 408	60 673 907	(455 224 979)	1 085 111 033
Reportable segment liabilities	454 107 834	345 067 750	24 492 894	66 912 605	(437 439 736)	453 141 347

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**21. Segmental report (continued)**

**2011**

***Statement of comprehensive income***

Revenue:

Trading income  
Other income

Total segment revenue

Reportable segment profit/(loss) before taxation

***Statement of financial position***

Reportable segment assets

Reportable segment liabilities

	Supermarkets	Warehouse	Fruit and vegetables	Services	Reconciling items	Total per annual financial statements
	2 291 998 767	878 803 883	172 031 250	47 561 946	(954 907 689)	2 435 488 157
	1 794 511	4 693 530	71 503	1 063 452	(3 295 246)	4 327 750
	<u>2 293 793 278</u>	<u>883 497 413</u>	<u>172 102 753</u>	<u>48 625 398</u>	<u>(958 202 935)</u>	<u>2 439 815 907</u>
	<u>227 978 995</u>	<u>79 748 539</u>	<u>6 626 757</u>	<u>(3 441 413)</u>	<u>(169 396 777)</u>	<u>141 516 101</u>
	699 764 777	293 056 944	20 611 556	56 841 266	(246 426 044)	823 848 499
	<u>361 048 750</u>	<u>242 874 032</u>	<u>17 046 839</u>	<u>57 278 660</u>	<u>(218 782 160)</u>	<u>459 466 121</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**22. Financial support**

Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises Limited, has pledged its continued financial and operational support to certain subsidiaries of Choppies Enterprises Limited in order for these companies to continue operating as going concerns in the foreseeable future. Each of these companies is technically insolvent with their liabilities exceeding their equity and assets.

The financial support provided by the company will continue for each individual company until such time as the equity and assets, fairly valued, exceed the liabilities for each of the respective individual companies.

Based on the ability of Choppies Distribution Centre (Proprietary) Limited to continue providing such support, the individual financial statements of these technically insolvent companies have been prepared on the going concern assumption. The shareholders' deficits for each of the companies are as follows:

<b>Subsidiary</b>	<b>2012</b>	<b>2011</b>
F & A Enterprises (Proprietary) Limited	-	485 418
Choppies Supermarket SA (Proprietary) Limited - ZAR	3 554 664	7 237 293
Himalaya (Proprietary) Limited	-	69 844
New Page (Proprietary) Limited	-	1 423 889
Summer Queen (Proprietary) Limited	749 649	--
Welldone (Proprietary) Limited	6 486 159	846 171
Walrus (Proprietary) Limited	<u>1 298 294</u>	<u>558 428</u>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**23. Details of related party balances and transactions**

**23.1 Amounts due from related entities**

Name	Group	
	2012	2011
Aucor Investments (Pty) Ltd	-	2 739 656
Backwater Holdings (Pty) Ltd	-	32 710
Ballistic Bus (Pty) Ltd	-	40 000
Browalia (Pty) Ltd	-	320 512
Callo (Pty) Ltd	-	1 008 271
Choppies Bottle Store (Pty) Ltd - Carltonville	-	943
Choppies Exim Uganda (Pty) Ltd	-	1 265 922
Choppies Financial Services (Pty) Ltd	-	2 361 877
Choppies Investments (Pty) Ltd	417 310	823 037
Cool Ice Harare (Pty) Ltd	-	74 108
Curlew (Pty) Ltd	-	60 575
Fantique Trade (Pty) Ltd	-	481 317
Ganga (Pty) Ltd	-	11 237
Gironde (Pty) Ltd	-	127 880
Lumpsum Investments (Pty) Ltd	285 506	715 064
Mafila Holdings (Pty) Ltd	-	4 179 720
Magnafit (Pty) Ltd	-	6 997
Maximell Enterprises (Pty) Ltd	-	1 000
Million Touch (Pty) Ltd	-	154 053
Montrose Investments (Pty) Ltd	1 935 757	6 170
Navy Blue (Pty) Ltd	72 512	264 055
Pimmy (Pty) Ltd	-	2 801
Plot 20602 (Pty) Ltd	203 713	-
Pratham Holdings (Pty) Ltd	336 051	439 682
Princieton (Pty) Ltd	2 085 000	2 172 450
Qtique 179 (Pty) Ltd	-	1 389 070
Real Plastics (Pty) Ltd	-	127 440
Rigil Enterprises (Pty) Ltd	-	6 468 782
Road Spot Enterprises (Pty) Ltd	-	42 365
S.M.R. Investments (Pty) Ltd	-	5 470
Shaysons Investments (Hardware) (Pty) Ltd	-	457 617
Stides of Success (Pty) Ltd	-	3 500
Summer Queen (Pty) Ltd	-	39 658
Superprofit Investments (Pty) Ltd	-	38 030
Texo (Pty) Ltd	-	11 980
Venta (Pty) Ltd	-	30 172
Vet Agric (Pty) Ltd	-	76 508
Zappos (Pty) Ltd	-	99 246
ZCX (Pty) Ltd	-	26 972
<b>Total</b>	<b>5 335 849</b>	<b>26 106 847</b>



**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
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**23. Details of related party balances (continued)**

**23.2 Amounts due to related entities**

Name	Group	
	2012	2011
Balsam (Pty) Ltd	-	1 000
Brasslock (Pty) Ltd	38 149	91 567
Electrometric Investments (Pty) Ltd	-	48 611
Feasible Investments (Pty) Ltd	149 739	1 187 063
Gironde (Pty) Ltd	1 773	-
Honey Guide Investments (Pty) Ltd	464 338	863 420
ILO Industries (Pty) Ltd	335 024	2 302 833
Keriotic Investments (Pty) Ltd	29 534	615 943
Matchup (Pty) Ltd	13 400	35 381
Mediland Healthcare Distributors (Pty) Ltd	3 263	75 980
Mont Catering and Refrigeration (Pty) Ltd	305 247	309 714
Morava (Pty) Ltd	991	813
Raywood (Pty) Ltd	50 670	-
Real Plastics & Moulds (Pty) Ltd	103 528	-
Shaysons Investments (Pty) Ltd	78 382	-
Solace (Pty) Ltd	350 044	-
Soresele (Pty) Ltd	-	37 273
Texo (Pty) Ltd	4 336	-
Venta (Pty) Ltd	2 657	34 161
Vet Agri Supplies (Pty) Ltd	403 727	-
Walrus (Pty) Ltd - (Mochudi II)	-	50 000
Weal (Pty) Ltd	229 882	264 191
<b>Total</b>	<b>2 564 684</b>	<b>5 917 950</b>

**Choppies Enterprises Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 30 June 2012**

**23. Details of related party balances (continued)**

**23.3 Amounts due from related entities**

Name	Company	
	2012	2011
Beavers Investments (Pty) Ltd	396 667	396 667
Daisy Gardens (Pty) Ltd	196 640	196 640
Kanye Friendly Grocer (Pty) Ltd	202 794	202 794
Choppies Distribution Centre (Pty) Ltd	135 550 730	-
<b>Total</b>	<b>136 346 831</b>	<b>796 101</b>

**23.4 Amounts due to related entities**

Name	Company	
	2012	2011
Chathley Enterprises (Pty) Ltd	5 035 746	5 035 746
Choppies Distribution Centre (Pty) Ltd	-	4 192 924
F & A Enterprises (Pty) Ltd	3 576 173	3 576 273
Kaar Distributors & Marketing Services (Pty) Ltd	2 170 082	2 170 082
Macha Investments (Pty) Ltd	2 489 757	2 489 757
Walrus (Pty) Ltd	255 808	255 808
<b>Total</b>	<b>13 527 566</b>	<b>17 720 590</b>

**23.5 Related party transactions**

Name	Nature of transactions	Group	
		2012	2011
Keriotic Investments (Pty) Ltd	Purchase of goods	58 670 985	45 547 019
Honey Guide (Pty) Ltd	Purchase of goods	47 021 683	27 802 362
ILO Industries (Pty) Ltd	Purchase of goods	40 381 742	29 853 247
Feasible Investments (Pty) Ltd	Purchase of goods/services	10 775 988	6 729 977
Electrometric Enterprises (Pty) Ltd	Purchase of goods	586 216	1 006 842
Vet Agric Supplies (Pty) Ltd	Purchase of goods	16 812 217	15 858 622
Solace (Pty) Ltd	Purchase of goods	11 962 851	-
Weal (Pty) Ltd	Purchase of goods	151 283	108 137
Real Plastics & Moulds (Pty) Ltd	Purchase of goods	8 677 124	2 703 436
The FAR Property Co (Pty) Ltd	Rent paid	8 520 748	8 549 694
Angarappa (Pty) Ltd	Purchase of capital goods	4 153 508	3 232 847
Mont Catering & Refrigeration (Pty) Ltd	Purchase of capital goods	25 687 164	3 279 102
Mediland Healthcare Distribution (Pty) Ltd	Purchase of medicines.	1 273 509	1 051 261
Angarappa (Pty) Ltd	Sale of stock	(490 804)	(202 940)
Keriotic Investments (Pty) Ltd	Sale of stock	(18 969 476)	(4 245 625)
Honey Guide (Pty) Ltd	Sale of stock	(2 198 278)	(1 692 415)
ILO Industries (Pty) Ltd	Sale of stock	(1 539 649)	(918 251)
Mont Catering & Refrigeration (Pty) Ltd	Sale of stock	(64 615)	(20 279)
Montrose Investments (Pty) Ltd	Sale of stock	(14 957)	(916)

## **CHOPPIES ENTERPRISES LIMITED**

### **NOTICE OF THE 2012 ANNUAL GENERAL MEETING**

Notice is hereby given that the 2012 Annual General Meeting of Shareholders of Choppies Enterprises Limited will be held at Gaborone, Botswana on **7 December 2012, 3.30 pm at Gaborone Sun** for the purpose of transacting the following business:

### **AGENDA**

To read the notice convening the meeting

1. To receive and approve the group audited annual financial statements for the year ended 30 June 2012
2. To elect directors of the company:
  - 2.1 In terms of the constitution, Ramachandran Ottapathu, Farouk Ismail and Excellency Festus G Mogae retire by rotation and being eligible, offer themselves for re-election
  - 2.2 To approve the election of directors appointed during the year, namely Dorcas Ana Kgosietsile and Robert Neil Matthews
3. To approve the remuneration for the directors for the year ended 30 June 2012
4. To approve the remuneration for the auditors for the year ended 30 June 2012
5. To appoint auditors for the ensuing year and to fix their remuneration
6. To transact such other business as may be transacted at an Annual General Meeting

### **PROXIES**

A member entitled to attend and vote may appoint a proxy to attend and vote on their behalf and such proxy need not be a member of the company. The instrument appointing such proxy must be deposited at the office of the Company Secretaries not less than 48 hours before the meeting. A proxy form is enclosed with this notice.

### **By order of the Board**

Corporate Services (Proprietary) Limited  
Company Secretaries  
Unit 5, Kgale Mews  
P O Box 406  
Gaborone, Botswana  
Date: 1 November 2012

**Registered Office**  
**Choppies Enterprises Limited**  
(Incorporated in Botswana on 19 January 2004)  
(Registration number 2004/1681)  
Kgale Mews, Gaborone, Botswana  
Gaborone, Botswana

**Physical Address**  
**Choppies Enterprises Limited**  
Plot 169, Gaborone International Commerce Park,  
Pvt. Bag. 00278, Gaborone, Botswana.  
Tel: +267 3186657/58 Fax: +267 3186656  
www.choppies.co.bw

## PROXY FORM

For completion by holders of Ordinary shares

Please read the notes overleaf before completing this form

For use at the Annual General Meeting of Shareholders of the company to be held at **3.30 pm on the 7th December 2012 at Gaborone Sun International, Chuma Drive, Gaborone, Botswana.**

I/We  
(Name in block letters)

Of  
(Address)

Hereby appoint

1. \_\_\_\_\_ or failing him/her, \_\_\_\_\_
2. \_\_\_\_\_ or failing him/her, \_\_\_\_\_
3. The chairman of the meeting

As my /our proxy to act for me/us at the 2012 Annual General Meeting, to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instruction:

### Number of ordinary shares

		For	Against	Abstain
Ordinary resolution 1				
Ordinary resolution 2				
Ordinary resolution 2.1				
Ordinary resolution 2.2				
Ordinary resolution 3				
Ordinary resolution 4				
Ordinary resolution 5				

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2012

Signature \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

Each shareholder is entitled to appoint one or more proxies (who need not be member/s of the company) to attend, speak and vote in place of the shareholder at the Annual General Meeting. Please read notes 1-7 on the reverse side hereof

1. *A Shareholder must insert the names of two alternative proxies of the Shareholder's choice in the space provided with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.*
2. *A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.*
3. *The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting.*
4. *The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the Shareholder concerned wishes to vote.*
5. *An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.*
6. *The authority of a person signing the form of proxy under power of attorney or on behalf of a company must be attached to the form of proxy.*
7. *Where Ordinary Shares are held jointly, all Shareholders must sign. A minor must be assisted by his/her guardian.*



**The management wishes to thank all the patrons and shareholders for making “African Dreams into reality”**





*Registered Office*

**Choppies Enterprises Limited**

*(Incorporated in Botswana on 19 January 2004)*

*(Registration number 2004/1681)*

Plot 115, Block 5, Kgale Mews, Gaborone, Botswana  
Gaborone, Botswana

*Physical Address*

**Choppies Enterprises Limited**

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