

# Aspiring into **Africa**

Integrated annual report 2014

## CHOPPIES

**VALUE FOR YOUR MONEY!**



# About our report

Choppies is a Botswana-based mass grocery retailer listed on the Botswana Stock Exchange (BSE). The group's first supermarket was opened in 1986 in Lobatse, Botswana. Since expanding to Gaborone with its third store in 1999, Choppies has maintained a rapid regional growth trajectory which includes more recent expansion into South Africa and Zimbabwe. Choppies now has over 110 stores across sub-Saharan Africa with a full distribution and supply as well as maintenance capability.

## Scope of this report

This is Choppies' first integrated annual report and presents the financial results and the environmental, social and governance performance of the group for the year 1 July 2013 to 30 June 2014. This follows our prior annual report published in October 2013. It is primarily targeted at current stakeholders and potential investors in the group.

Choppies strives to communicate content that is useful and relevant in an open and balanced manner. The report therefore comprises an honest, measured account of the group's approach to sustainability that takes account of all resources employed by Choppies in its business activities and all resources and groups on which Choppies has an impact. This should enable stakeholders to accurately evaluate Choppies' ability to create and sustain value over the short, medium and long term.

Specifically the report covers the group's performance for the year ended 30 June 2014 and a strategic overview with a focus on the objectives emanating from Choppies' current planning period, ending in 2015.

The information disclosed encompasses Choppies' retail network as well as subsidiaries, as illustrated in the organisational overview on page 3, across all regions of operation. These same entities are included in the company's consolidated financial statements as set out on pages 36 to 81 of this report.

The financial statements are presented in Botswana Pula (BWP), which is considered the functional currency.

There was no change to any measurement techniques, nor were there any restatements of previously reported information. (For more information see the annual financial statements on pages 36 – 81.)

## Corporate information

**(Registration number:** 2004/1681)

**ISIN:** BW0000001072

**Share code:** CHOPPIES

**Bloomberg code:** CHOPPIES BG EQUITY

**Reuters code:** CHOPP.BT

**Listing date:** January 2012

**Shares in issue:** 1 174 207 583

A hard copy of this integrated annual report is available on request and is also posted online at [www.choppies.co.bw](http://www.choppies.co.bw).

For additional contact details please see the inside back cover. We welcome your feedback and any suggestions you have for our reports in future. Please forward any comments to:

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**Telephone:** +267 397 1855

**Fax:** +267 397 1806

The group's independent non-executive chairman is His Excellency Festus Mogae, former president of Botswana. The executive directors are Mr Ramachandran Ottappathu (CEO) and Farouk Ismail (deputy chairman), Manikandan Madakkavil is the CFO. The executive directors and CFO can be contacted at the registered office of the company. A full list of the directors is contained on page 36 in the directors' report.

## Applicable reporting requirements

This integrated annual report is prepared in accordance with IFRS, the Listings Requirements of the BSE and the Botswana Companies Act. Choppies complies in all material respects with the principles contained in the BSE Code of Best Practice on Corporate Governance, as encapsulated in the applicable regulations. Any BSE principles which are not applied are explained.

Choppies has considered and applied many of the recommendations contained in the *International Integrated Reporting Framework* issued in December 2013.

## Assurance

The company's external auditors, KPMG, have independently audited the annual financial statements for the year ended 30 June 2014. Their unqualified audit report is set out on page 39. The scope of their audit is limited to the information set out in the annual financial statements on pages 36 to 81.

## Responsibility statement

The audit and risk committee acknowledges its responsibility on behalf of the board to ensure the integrity of this integrated annual report. The committee has applied its mind to the report and believes that it appropriately and sufficiently addresses all key strategic issues, and fairly presents the integrated performance of Choppies and its subsidiaries for the year within the scope and boundary above. The audit and risk committee recommended this integrated annual report to the board for approval which then approved it.

## Forward-looking statements

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the group's expectations as at year-end. Actual results may differ materially from the group's expectations. The group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these. The group disclaims any intention and assumes no obligation to revise any forward-looking statement even if new information becomes available, other than as required by the BSE Listings Requirements or any other applicable regulations.

Leading mass grocery retailer  
in Botswana

**157 755m<sup>2</sup>**  
retail space



**Six distribution centres**  
**41 350m<sup>2</sup>**



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## Snapshot

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### Market share

Choppies is a household retail name in Botswana with a market share of 34%. Its South African footprint spans the North West, Limpopo and northern Free State and Choppies is a recognised leading retailer brand in all the towns in which it operates. In Zimbabwe Choppies has a presence in Bulawayo with over 15% market share.



**Choppies is a southern African-focused mass grocery retailer headquartered in Gaborone, Botswana, with a fast-growing regional footprint.**

**110** stores

**45 000** distinct products

**551** merchandise moving and commercial vehicles

**365 days/24 hour**

distribution and supply chain

### Current footprint



#### Botswana

- 69** Supermarkets
- 3** Distribution entities
- 3** Service entities



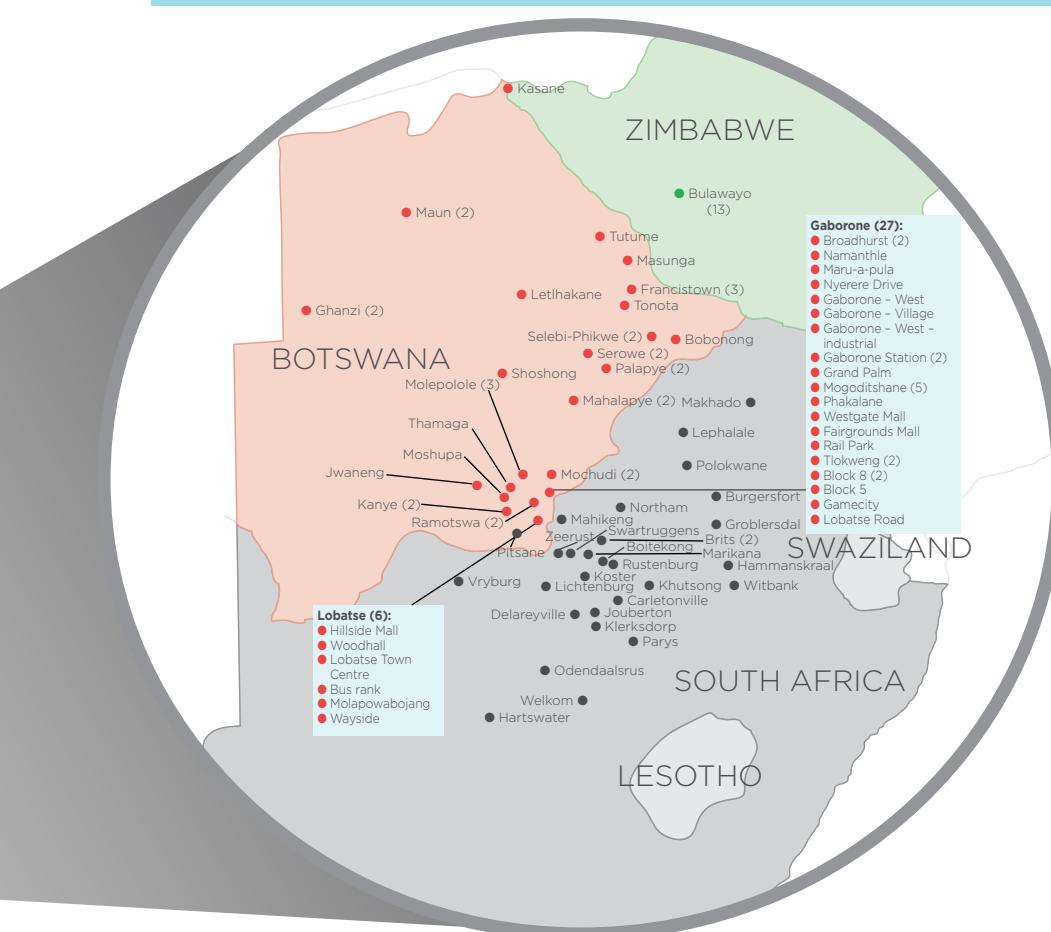
#### South Africa

- 28** Supermarkets
- 2** Distribution entities



#### Zimbabwe

- 13** Supermarkets
- 1** Distribution entity



# Group highlights for 2014

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**Revenue** up by  
**24%**

Good performance from **new stores**  
(c. 11% of Botswana)

Strong same-store sales **growth**

Retail warehouse space  
increased to over **41 350m<sup>2</sup>**

Added **36** stores to our footprint

Zimbabwe expansion  
**outperforming expectations**



**Gross profit margin** up  
**31%**

Acquired **SupaSave** and **MegaSave**

Acquired **10 Spar stores**  
in Zimbabwe

Commenced operating  
**distribution centre** in Zimbabwe

## Share performance

Since listing on the BSE in 2012, a consistently strong share performance has seen Choppies become the third largest counter on the exchange with a market capitalisation of over BWP4.9 billion.



# Consistent growth

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	At listing	FY June 2013	FY June 2014	2013 – 2014 %
<b>Revenues</b>				
Gross profit (BWPm)	2 435	4 029	<b>5 012</b>	24
EBITDA (BWPm)	447	822	<b>1 079</b>	31
<b>PAT (BWPm)</b>	207	274	<b>352</b>	29
	124	153	<b>177</b>	16
<b>Total stores</b>	59	73	<b>107</b>	47
Botswana	50	56	<b>68</b>	21
South Africa	9	17	<b>26</b>	53
Zimbabwe	-	-	<b>13</b>	n/a
<b>Retail floor space (m<sup>2</sup>)</b>	79 000	105 100	<b>155 955</b>	48
<b>Warehouse space (m<sup>2</sup>)</b>	13 000	31 000	<b>41 350</b>	33
<b>Employees</b>	3 900	7 209	<b>9 283</b>	29
<b>Total vehicles</b>	245	394	<b>551</b>	40

## Investment case

- Fastest-growing mass grocery retailer in southern Africa
- Market leader in Botswana
- Growing presence in South Africa, Zimbabwe and plans finalised for entry into Zambia and Tanzania
- Exceptional profitability, outperforming industry
- Exceptional share performance on BSE
- Robust strategy and scalable infrastructure
- World-class management team driving value creation
- Oversight from strong board of directors
- Positive macro tailwinds



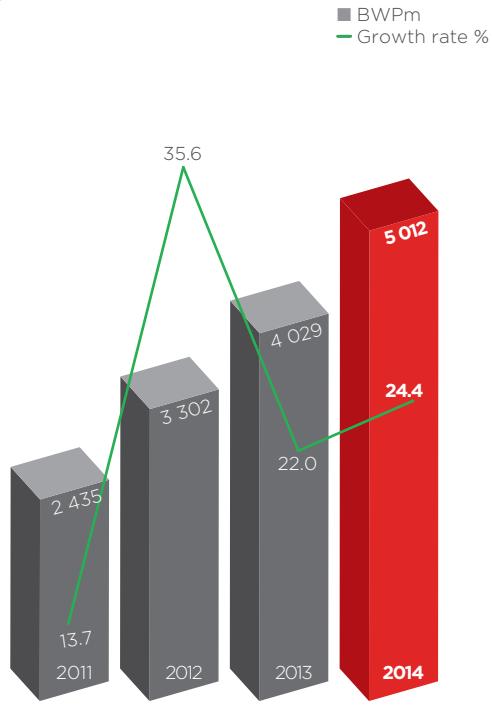
Choppies Enterprises Limited 2014 integrated annual report

Our group	Strategic context	Leadership	Our impacts	Transparency and accountability	Annual financial statements	Shareholder information
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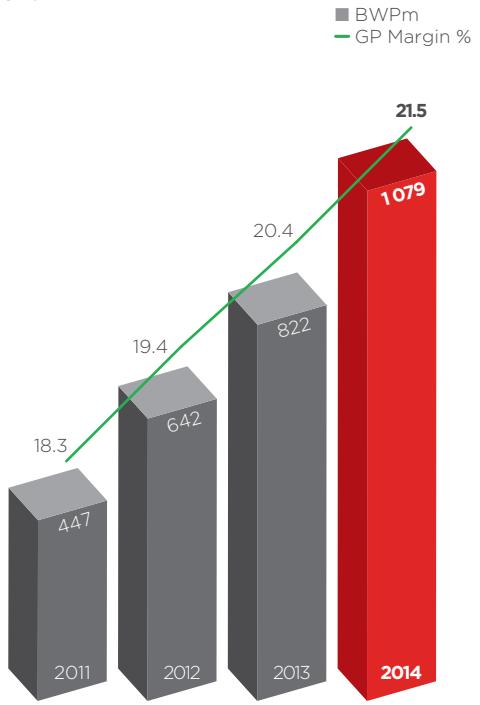
## Consistent growth (continued)

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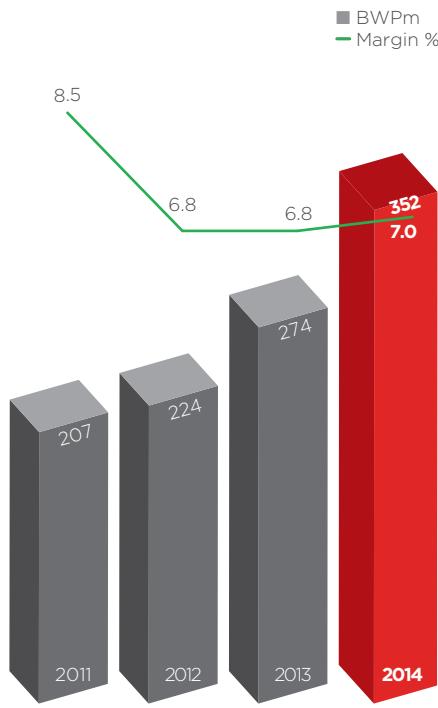
**Revenue**



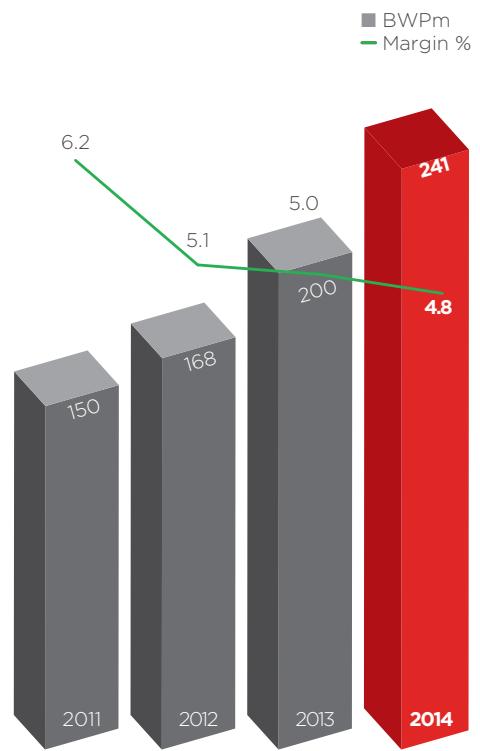
**Gross profit**

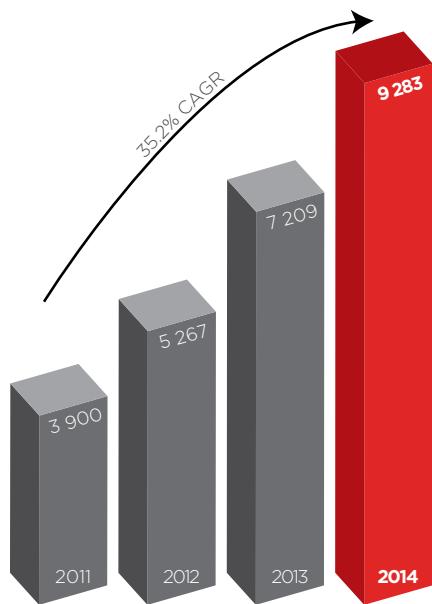
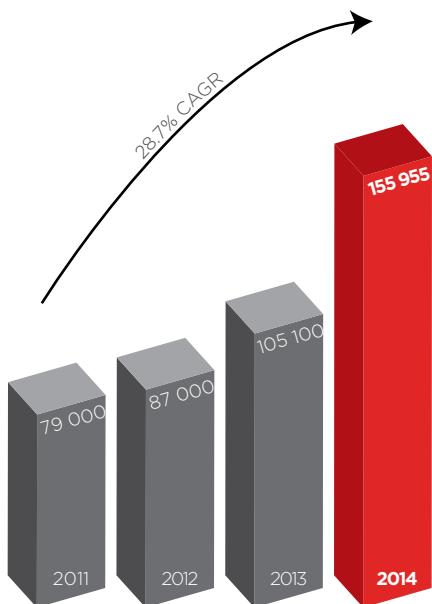
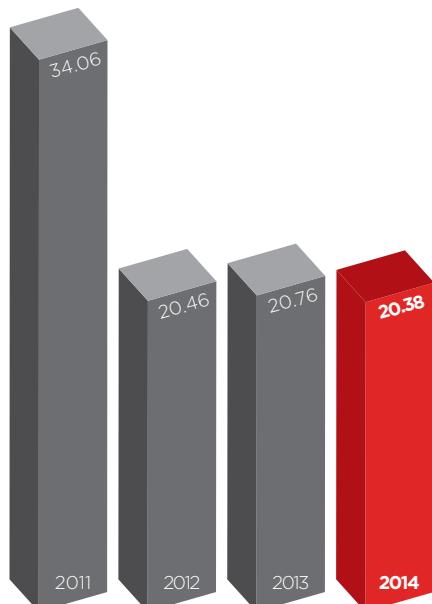
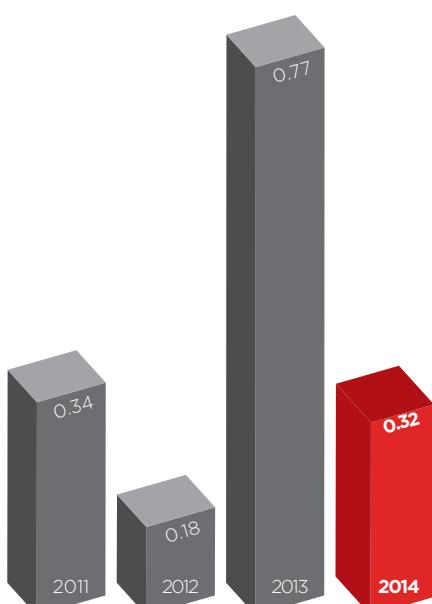


**EBITDA**



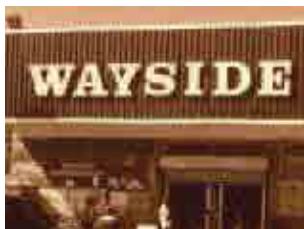
**EBIT**



**Employees****Retail space****ROE****Debt to equity**

## Our transformation and evolution

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1986

**First store** opened in Lobatse, Botswana



1993

**Second store** opened in Lobatse, Botswana

2004

**Acquired** Chathley, Food Mart and MultiSave

2008

**Opened** first store in South Africa



1999

**Superstore** opened in Gaborone, Botswana

2011

Largest Choppies Hyperstore opened in Rail Park Mall, Gaborone, Botswana



2003

**Hyperstore** opened in Gaborone, Botswana

2012

**Listed** on BSE



2013

Acquired MegaSave and SupaSave



Acquired network of 10 Spar stores in Zimbabwe

Opening of South African distribution centre in Rustenburg

2014 

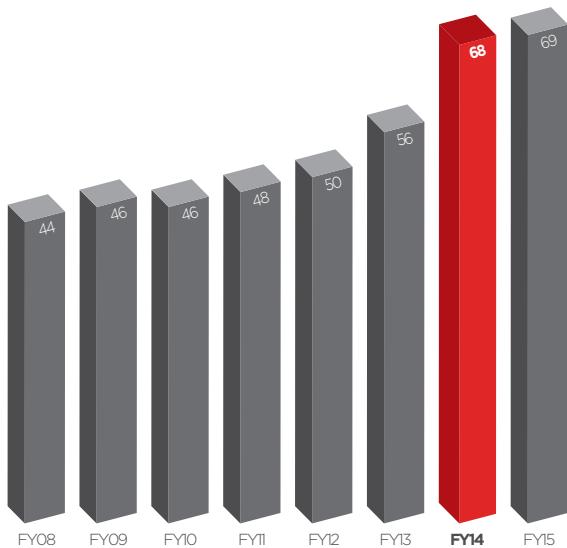
**Distribution centre** opened in Zimbabwe



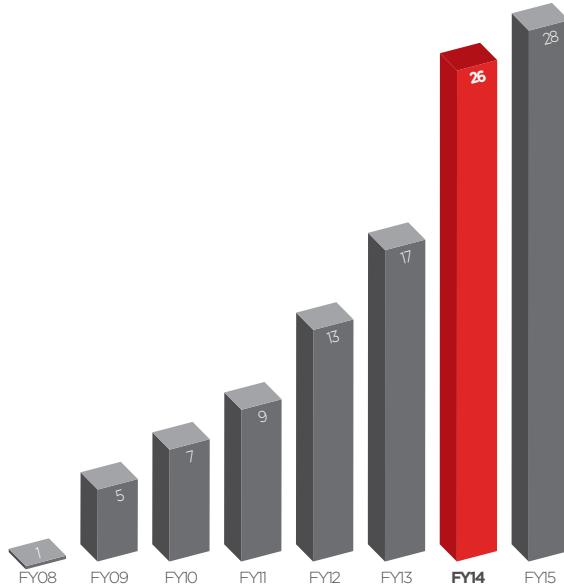
# Store growth

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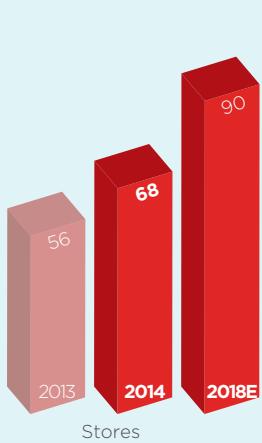
Botswana store growth



South Africa store growth

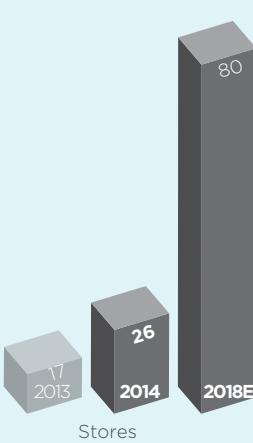


Botswana



- Extensive logistics infrastructure enables focus on rural expansion
- Experiencing lower levels of deflation due to the weakening Rand, still a large opportunity to expand formal retail

South Africa



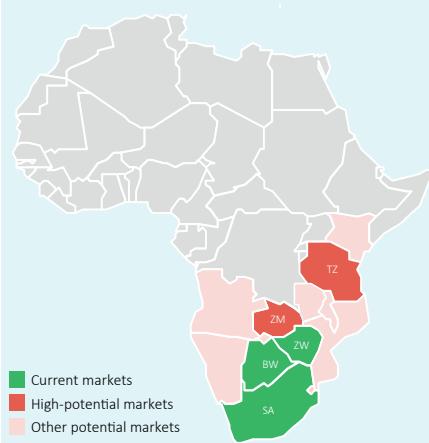
- Strong store pipeline of over 30 high potential locations
- Target small towns in Mpumalanga, Limpopo, North West and northern Free State

Zimbabwe



- Zimbabwe significantly less penetrated by formal retail
- Expansion from Bulawayo hub to the north; potential for 30 stores in the medium term

New markets



- Strong regional GDP and population growth of c. 5% to 9% and c. 2% to 4%, respectively
- Strong grocery market growth of c. 8% to 9%
- High-potential markets have a range of 3m<sup>2</sup> to 6m<sup>2</sup> of formal retail for every 1 000 people compared to 94m<sup>2</sup> and 150m<sup>2</sup> in Botswana and South Africa, respectively

# Who we are

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## Our business

Choppies is the leading supermarket chain in Botswana targeting the lower to middle-income sectors of society but increasingly attracting upper middle class consumers.

The supermarket retail offering includes leading international food brands and fast moving consumer goods (FMCG) products as well as Choppies' own private label for value-minded consumers. The private label goods are high quality, affordable products in categories ranging from food and beverages to home cleaning and currently comprise 16% of sales in Botswana.

In South Africa we are finalising plans to increase the range of private label products. In Zimbabwe we have recently introduced new brands in the form of private label products.

### Our business activities include:

#### Butchery



- Wholly owned meat supply business in Botswana
- Daily deliveries to stores through the well-developed internal logistics system throughout Botswana
- Best performing margins in peer group
- Locally sourced meat and chickens through contracts with local producers

#### Fresh produce



- Highest quality fresh fruits and vegetables sourced directly from South African and Botswana farmers
- Fruit and vegetable distribution centre unique in Botswana
- Setting up similar facility in South Africa
- Strong support from farming community leading to better pricing and stock availability

**Choppies is keenly focused on our customers' needs and we pride ourselves in providing an enjoyable shopping experience at affordable, competitive prices. Stores are well-lit, spacious, well-stocked and immaculately clean. Choppies pioneered longer shopping hours in Botswana.**

**The stores are categorised into Value Stores, Superstores and Hyperstores, determined by the floor area, and cover both semi-urban and historically underserviced rural areas. With more than 22 stores in Gaborone alone, Choppies has more outlets than any other retail chain represented in the city.**



## Bakery



- Daily freshly baked goods such as fresh bread, cakes and patisseries
- Range commensurate with profile of each store
- Production based on local demand

## Take away



- Products sold include Choppies Fried Chicken (CFC), chips, curries and combination meal packs (combos)
- Daily menu depending on customer profile in every location

**Choppies operates six distribution centres that function as the central sourcing channel for Choppies stores, and a logistics company with trucks and support vehicles to keep the stores stocked. The warehouses are located in Gaborone, Lobatse, Francistown, Rustenburg and Bulawayo.**

**In addition Choppies has its own maintenance subsidiary catering to all maintenance-related services for group companies in Botswana. We are setting up the same services in South Africa and Zimbabwe.**

# Business model

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## How Choppies will drive growth



# Our stakeholders

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**Communication with our stakeholders is integral to the way we do business. The outcome of our stakeholder engagement informs and supports our key strategic discussions and enables us to execute our objectives. We engage in open and timeous communication with our stakeholders and treat them all equitably.**

Stakeholder group	What matters to them
Shareholders	<ul style="list-style-type: none"><li>• Profitability</li><li>• Return on investment (share price and dividends)</li><li>• Cash generation</li><li>• Corporate and ethical governance compliance</li><li>• Risk management</li><li>• Growth prospects</li><li>• Reputational issues</li><li>• King III report compliance</li></ul>
Lenders/providers of capital	<ul style="list-style-type: none"><li>• Capital management</li><li>• Sustainability</li><li>• Profitability</li><li>• Cash generation</li><li>• Governance and compliance</li><li>• Risk management</li></ul>
Employees	<ul style="list-style-type: none"><li>• Pride – brand reputation</li><li>• Job security</li><li>• Respect</li><li>• Inclusive communication</li><li>• Contributing to own and community's improvement</li><li>• Skills development</li><li>• Remuneration and incentives</li></ul>



**We communicate with shareholders via results presentations, one-on-one meetings, the annual general meeting and ongoing inclusive informal discussions.**

**We have identified the following key stakeholders and outlined the issues that matter to them:**

Stakeholder group	What matters to them
<b>Suppliers/landlords</b>	<ul style="list-style-type: none"> <li>• Payment record</li> <li>• Ethical business practices</li> <li>• Credibility</li> <li>• Profitability</li> <li>• Sustainability</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Product range</li> <li>• Product quality and food safety</li> <li>• Affordability</li> <li>• Convenience</li> <li>• Value</li> <li>• Brand promise and delivery</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Economic stimulus</li> <li>• CSR initiatives</li> <li>• Governance</li> <li>• Risk management</li> <li>• Community upliftment</li> <li>• Job creation</li> <li>• Compliance including payment of taxation</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Compliance</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Community upliftment and value creation in the society</li> </ul>



## Ethical leadership

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We are committed to the highest standards of honesty, integrity and fairness, and have zero tolerance for the commissioning or concealment of fraudulent acts by our people, from the board downwards. The group also has a code of conduct in place and ensures that structures and processes in terms of this code govern standards of conduct and ethical behaviour within the group and in its interactions with stakeholders.

In addition Choppies has adopted a global anti-corruption policy which outlines its expectations of employees and business partners with regard to the prevention of corruption. Accordingly all anti-corruption and whistle-blowing policies were implemented during the year.

In each region Choppies' businesses must comply with the Republic of Botswana's Corruption and Economic Crime Act 1994, United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act and other legislation enacted

in accordance with the Organisation for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, as well as anti-corruption laws enacted in the country in which it operates.

To support enforcement the group has a confidential whistle-blowing process in place, which is managed and reported on by an independent third party.





Choppies' aggressive growth strategy continued unabated, with the group achieving the significant milestone in the year of over 100 stores opened while maintaining market leadership in Botswana. Within this lies the further milestone of continued southern African expansion, with the first stores having rolled out in Zimbabwe in October 2013.

### **Positive investor support**

Choppies has enjoyed considerable success on the BSE since listing in 2012, with the share price opening at BWP1.15 and closing at BWP4.20 at year-end, growth of BWP3.05 being 265% in two years.

### **Sustainability**

Choppies' world-class management team is well supported by the oversight of a strong independently controlled board, which was further strengthened during the year. Effective 17 December 2013 Mr P Baird of Standard Chartered Private Equity, and effective 14 May 2014 Mr S Muller, a veteran in the South African retail industry, were appointed to the board. They bring a wealth and depth of experience to the board and I welcome them both, looking forward to their contributions.

No business can operate or indeed succeed without due appreciation of the environment in which it operates and the impact it has on people. In this regard Choppies is proud to partner with local producers and farmers, and to bring much-needed job creation to small towns and rural areas.

### **Prospects**

There are considerable opportunities for growth in the countries where Choppies has established operations as well as in regions earmarked for future expansion. In the year ahead Choppies expects to roll out a further store footprint in South Africa, Zimbabwe and Botswana and initiate our foray into Zambia and other sub-Saharan African countries.

### **Appreciation**

I commend our CEO Ram for steadily steering the group through this year of rapid growth. Thanks also go to my fellow directors for their support and guidance as well all the Choppies staff for their hard work and dedication. I would also like to express my appreciation for the ongoing and loyal support of our stakeholders as we continue to evolve.

### **Chairman**

*Festus G Mogae*

13 October 2014

Choppies Enterprises Limited 2014 integrated annual report

### In summary

- \* The group continued to grow at rates exceeding the average growth rates of our market peers per region of operation
- \* The watershed year was further reflected in turnover and gross profit, which surpassed the BWP5 billion and BWP1 billion mark, respectively
- \* Revenue increased by 24% to BWP5.0 billion
- \* Gross profit was up 31% to BWP1.1 billion
- \* EBITDA grew by 29% to BWP352 million
- \* PAT grew by 16% to BWP177.2 million



*Ramachandran Ottapathu, CEO*

**The group's financial position remains healthy, with long-term debt at BWP276.4 million compared to total equity of BWP869.3 million and total assets of BWP1.7 billion.**

#### **Review of 2014**

New store openings coupled with an improved product mix and higher private label volumes paved the way for the growth in revenue. Further, both average footfall and spend per head escalated. Ongoing monitoring and analysis of the markets in which we operate, combined with continued investment in supply-chain management and company infrastructure, enabled us to maintain our price advantage without compromising quality and profitability.

Strategies implemented to improve procurement and efficiencies in logistics, such as consolidation of loads and pooling of trucks, boosted the group's bottom line. The implementation of the new enterprise-resource-planning system has been completed in Botswana and Zimbabwe. Implementation in South Africa will commence soon.

We have increased retail space by a total of 49% in all areas, which positions us for future growth. In addition, we have increased warehouse space by 10 350m<sup>2</sup> which underpins our infrastructure for further regional expansion.

The group's financial position remains healthy, with long-term debt at BWP276.4 million compared to total equity of BWP869.3 million and total assets of BWP1.7 billion.

#### **Acquisitions**

At the beginning of the year under review we added 7 799m<sup>2</sup> of retail space to our Botswana footprint with the BWP42 million acquisition of 100% of MegaSave and SupaSave.

In October 2013 Choppies acquired 49% of the business of a supermarket chain which runs 10 retail stores in Zimbabwe, which is operating above expected levels.

#### **OPERATIONAL REVIEW**

##### **Botswana**

###### **Our strategy in action**

Though the economy performed reasonably well, the absence of real wage increases and the government cutting of the development budget put pressure on the disposable income of the public. The impact of this was offset by the weak Rand which lowered costs of South African sourced products. Going forward the increase in mineral revenue is expected to drive growth above 6% in the Botswana market, which will positively contribute to our growth. In addition, economic diversification initiatives and the downstream mineral activities will also contribute to growth in Botswana.

###### **Performance**

The Botswana operations posted increased revenue of BWP3.6 billion with EBITDA increasing to BWP318.6 million and PAT of BWP178 million.

###### **Business environment**

An absence of salary increases in Botswana for government employees squeezed disposable income, which in turn impacted sales. The group maintained its sizeable market share and improved profitability.

###### **Market growth**

Botswana's food retail market weakened in value due to the weakening Rand during the year but is expected to grow at c. 6.5% CAGR from 2014 to 2018 with anticipated inflation in food pricing. Choppies' extensive infrastructure continues to enable the group to focus on expansion. In addition the group's competitive strengths in the country, namely brand loyalty, aggressive pricing, convenience and added value offering, will continue to drive growth.

In the year ahead the focus in Botswana will be on improving pricing where possible and increasing footfall through promotions and KVI enhancements. We intend to refine our value-added offerings of money transfers and other financial services to drive up margins. A number of new store openings are also planned.

# CEO's report and review of operations (continued)

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## **South Africa**

### **Performance**

During the year South Africa incurred a loss of BWP19.1 million, primarily due to the impact of the five-month strike in the platinum sector which induced a drop in sales at all the stores in the platinum belt. In addition, the set-up costs for head office were considerable and the under utilisation of the new distribution centre in Rustenburg further pressured the bottom-line. Given that our African expansion must be supported by a good base in South Africa, we view these as critical investments for the future. The current head office infrastructure can support up to 100 stores.

In the current financial year, following the end of the strike action, performance in South Africa has already significantly improved and we are confident this will continue. We expect to see the region attaining breakeven and then profitability once we have established 32 to 35 stores.

### **Business environment**

The labour unrest on the South African platinum belt had a marked negative impact on the performance of our South African operations. Further, the metal workers union strike affected the timing of certain new store openings. The backlog is still being addressed and we hope to eradicate this before December 2014.

### **Market growth**

South African expansion will continue to focus on semi-urban and urban communities in the North West, northern Free State and Limpopo provinces. The opening of a large distribution centre in Rustenburg, with the potential to service up to 100 stores, paves the way for considerable expansion from the current 28 stores. Although South Africa is already widely served by a number of large retail chains, it is a massive market with sizeable opportunities in semi-urban and urban areas. Despite the negative impact of strikes and consumer spending pressure in South Africa, we maintained our basket size.

While the South African economic environment is and will remain difficult, and our market highly competitive, Choppies is well positioned for growth on the back of our focus on value retail outlets in second and third tier towns. Increased utilisation of our distribution centre in Rustenburg will support the acceleration of our store roll out. We are opening a dedicated fruit and vegetable distribution centre further adding to efficiencies in South Africa,

## **Zimbabwe**

### **Performance**

Choppies acquired 10 stores in Zimbabwe, most of which are in and around Bulawayo (120km east of the Botswana border). All stores have since been rebranded under the Choppies banner. The Zimbabwe expansion outperformed expectations, with results significantly ahead of the acquisition case despite the current deflationary conditions. All stores are profitable and margin realisation has been positive, despite the challenging economic conditions prevalent in Zimbabwe. The Zimbabwe operations recorded revenue of BWP424.5 million, EBITDA of BWP30.1 million and PAT of BWP18.2 million.

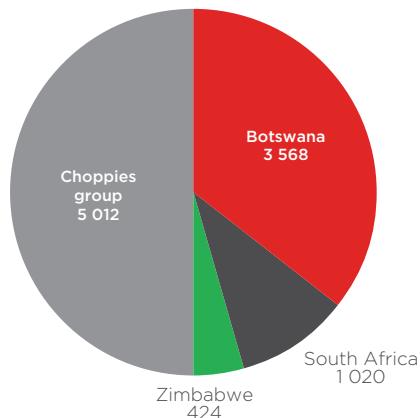
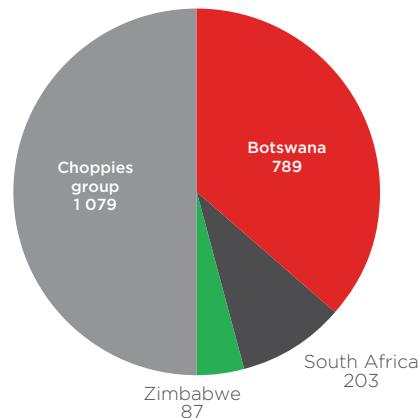
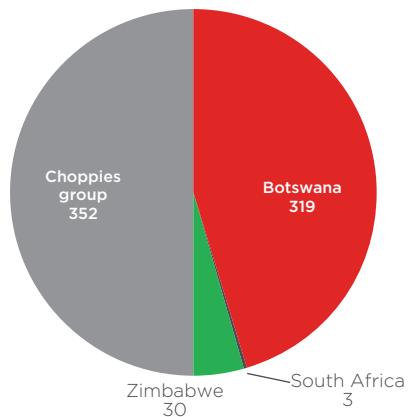
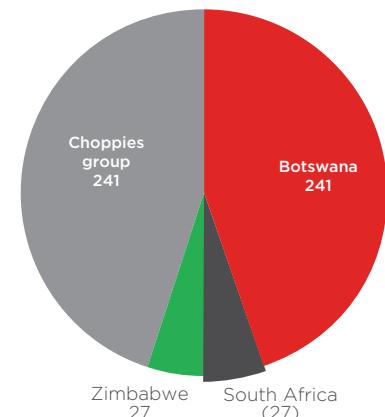
### **Business environment**

Zimbabwe's economy remains very fragile and subdued. Dollarisation continued to put pressure on markets and basket size remained constant. We expect this to continue in the current year.

### **Market growth**

Zimbabwe has significantly less penetration of formal retail with the current offering 7m<sup>2</sup> of formal retail space per 1 000 people. We intend to leverage our presence in Bulawayo as a springboard to expand to the north, with the potential for over 30 more stores in Zimbabwe in the near future. Zimbabwe shows positive growth in a deflationary market.

Choppies is looking to own a few additional stores in Bulawayo and will explore opportunities to acquire stores in Harare. In the long term Choppies is targeting 60+ stores in Zimbabwe. In terms of logistics a new 6 800m<sup>2</sup> warehouse space has been added and is fully functional.

**Geographic revenue split (BWPm)****Geographic gross profit split (BWPm)****Geographic EBITDA split (BWPm)****Geographic EBIT split (BWPm)**

### Private label and new products and services

Choppies is developing its private label products across all key categories. Dedicated, cross-functional teams are continually working on progressing the private label business, which will lead to continuous improvement in our private label's market share in the key categories as well as an improvement in overall margins. Partnerships

with manufacturers, product improvement and innovation also help in improving the performance of the private label.

In the year ahead we will be introducing a range of value-add services such as money transfers and other financial products.

# CEO's report and review of operations (continued)

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## Market growth ahead in our existing markets

We intend to open a further 15 new stores in our established markets before the end of 2014 – four in Botswana, six in South Africa and five in Zimbabwe.

## Expansion into new regions

Going forward Choppies has set its sights on Zambia, Namibia and Tanzania. The group's proven track record of regional expansion will stand us in good stead in this regard. It is underpinned by a world-class distribution capability and logistics, established supply chains which already accommodate specific African challenges and a deep understanding of African consumers.

In Tanzania site identification is ongoing and operations should commence in the second half of the current financial year.

COMPELLING TRENDS						
Existing markets			Potential markets			
Botswana	South Africa	Zimbabwe	Namibia	Zambia	Tanzania	
GDP growth % (2013 to 2018)						
4.6	1.3	4.5	4.7	8.9	8.7	
GDP/capita (USD, real, 2012)						
8 950	7 652	626	5 382	1 475	590	
Population growth % (2013 to 2018)						
1.1	0.7	3.7	2.3	4.2	3.3	
Urbanisation %						
66	68	42	42	42	31	
Formal retail channel %						
55	70	25	50	14	13	
Formal retail penetration (square metre per capita)						
94	150	7	n/a	5	6	

## Dividend

Our dividend policy has always been consistent at a one third payout. This year the Zimbabwean profits were not considered for this payout due to the requirement for expansion capital in Zimbabwe.

Choppies. Thanks also go to my fellow executives and every staff member for the long hours invested in growing our group with unabated enthusiasm.

## Appreciation

I would like to thank our chairperson, His Excellency Honourable FG Mogae, and the board for their continued guidance and support during an exciting year for

**Ram Ottapathu**  
CEO

13 October 2014

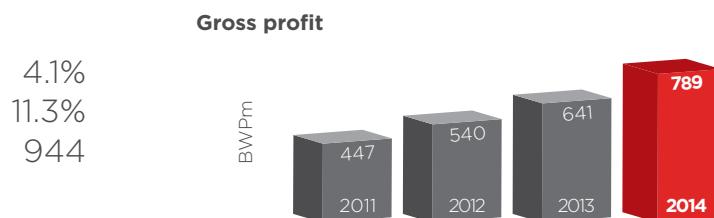
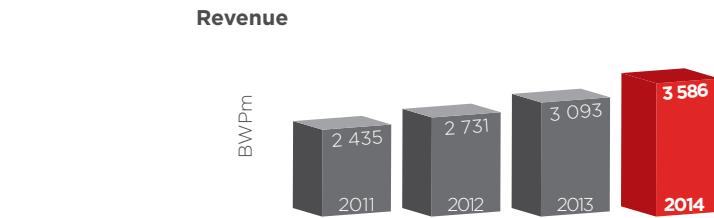
# Operating review – Key indicators

23



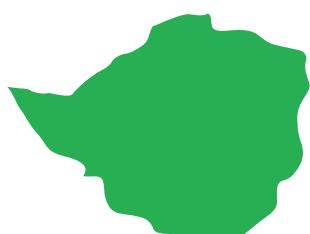
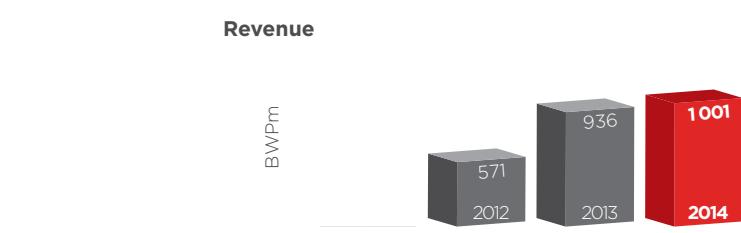
## Botswana

Same-store sales growth  
New stores % of revenue  
Jobs created



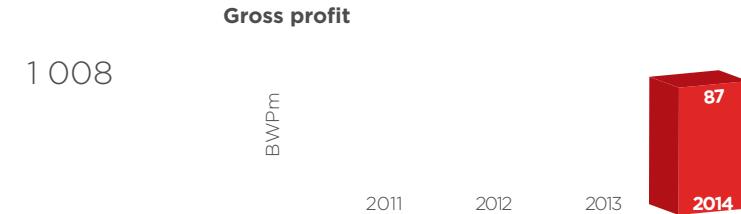
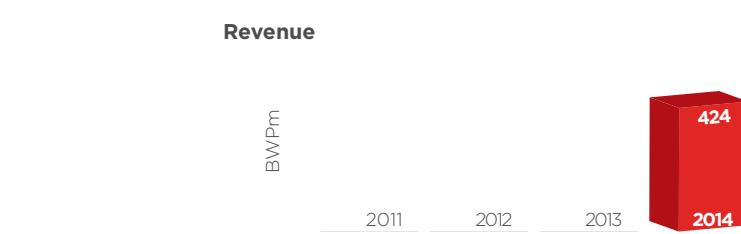
## South Africa

Same-store sales growth  
New stores % of revenue  
Jobs created



## Zimbabwe

Jobs created



# Directorate

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## **His Excellency FG Mogae (75) – Independent non-executive director**

MA (Development Economics), BA (Hons) (Econ)

### **Chairman**

Appointed to the board: 2008

His Excellency FG Mogae was elected as the President of the Republic of Botswana in 1998, in which office he served until his tenure ended in 2008. Rising through the ranks, His Excellency held several portfolios including Minister in Ministry of Finance and

Development Planning, alternate Governor for Botswana at the International Monetary Fund, African Development Bank and International Bank for Reconstruction and Development. He was also the Governor of the Bank of Botswana, Permanent Secretary to the President, Secretary to the Cabinet and supervisor of elections and the Vice President. Further, he has served on various parastatal boards as a director and as chairman. His Excellency is currently the special envoy of the United Nations for HIV/AIDS and good governance in Africa, and was awarded the 2008 Mo Ibrahim prize for his achievement in African leadership for ensuring stability and prosperity.

## **Ramachandran (“Ram”) Ottapathu (50) – Executive director**

BCom, CA

### **Chief executive officer**

Appointed to the board: 2008

Ram joined Choppies in 1992 and has been heading the operations since 2000. He has been instrumental in the significant growth of Choppies in Botswana and its expansion into South Africa. Ram has 22 years' experience in the retail industry both in finance and operations, and further experience in other industries such as manufacturing, packaging, milling and medical distribution. He combines entrepreneurial and commercial acumen with excellent management skills. Ram is a fellow of the Institute of Chartered Accountants of India and associate member of the Botswana Institute of Chartered Accountants.



## **Farouk Ismail (61) – Executive director**

### **Deputy chairman**

Appointed to the board: 2008

Farouk is the co-founder of Choppies. He opened the first store in Lobatse in 1986 under the name of Wayside Supermarket and has been instrumental in the group's growth since.



## **Dorcas Ana Kgosietsile (55) – Independent non-executive director**

MSc (Management), BA (Acc, Stats, Econ)

Appointed to the board: 2011

Dorcas is an independent and non-executive director of First National Bank of Botswana, a non-executive director of Botho University and a non-executive director of six wholly owned subsidiaries of FSG Limited. She served as first resident High Commissioner of Botswana to India until 2011 after a short stint as Consul General based in Cape Town, South Africa. Prior to joining the Diplomatic Corp in 2005, she was managing and lead consultant of Business Clinic (Pty) Ltd. She served on various and diverse entities as director including the Public Procurement and Asset Disposal Board (PPADB), the National Development Bank (NDB), regarding development operations and government initiatives such as BIDPA, UNCTAD (Geneva), ADF (USA) and foreign aid funded projects like IDEAA Redesign Process and the Corporate Council on Africa (USA). Passionate about aid for the underprivileged, she is a founder trustee of Dinaletsana that serves autistic and Down's-syndrome children in Botswana.





**Robert Neil Matthews (71) – Independent non-executive director**

*Certified Public Accountant (USA)*

Appointed to the board: 2012

Robert is a fellow of the Institute of Chartered Accountants of England & Wales and the Botswana Institute of Chartered Accountants. He serves as chairman on several audit committees of private and public companies, and acts as an independent non-executive board member. A retired partner of PricewaterhouseCoopers Gaborone, in charge of audit and business advisory services, he has gained extensive professional and commercial experience in audit, taxation, and business services. He currently offers consulting and advisory services to various organisations.

**Sydney Alan Muller (65) – Independent non-executive director**

*BCom (Hons), MBA (UCT), CA(SA), AMP (Harvard)*

Appointed to the board: 2014

Sydney was formerly the executive chairman of Woolworths Holdings Limited and a director of other companies in the Wooltrou Group. He is a director of MMI Holdings Limited, and sits on a number of board subcommittees of that group. He is chairman of Holdsport Limited, as well as of the sub-Saharan review board of Air Liquide S.A. He is chairman of a number of private operating companies.



**Peter Baird (48) Non-executive director**

*MA Eco, CFA, MBA*

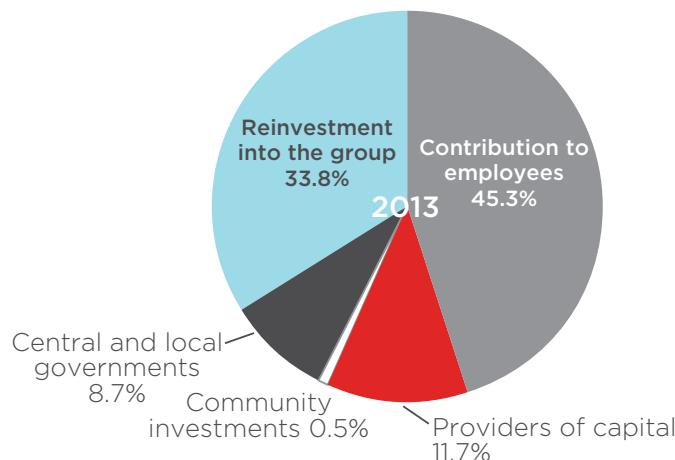
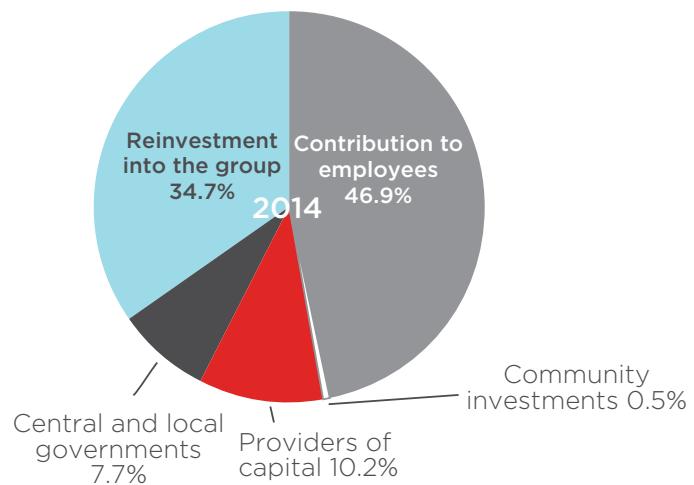
Appointed to the board: 2013

Peter is responsible for Standard Chartered Private Equity (SCPE) across sub-Saharan Africa. He has 18 years' experience in private equity, consulting, and investment banking. He spent 11 years at McKinsey in South Africa and in the USA, where he was a partner in the healthcare practice. From 2006 to 2008, Peter was president of DJO Inc., a Blackstone-led medical-devices LBO. Earlier in his career he was a principal at Brait Capital Partners, and in the M&A group at Lehman Brothers.

# Value added statement

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In BWP	2014 Amount	%	2013 Amount	%
Revenue (including other income)	<b>5 024 735 841</b>		4 045 215 333	
Less: Direct expenses	<b>(4 349 241 821)</b>		(3 521 601 556)	
<b>Value added</b>	<b>675 494 020</b>	100.0	523 613 778	100.0
Contribution to employees	<b>317 025 697</b>	46.9	237 090 630	45.3
Community investments	<b>3 228 835</b>	0.5	2 842 077	0.5
Providers of capital	<b>68 555 103</b>	10.2	61 338 403	11.7
Central and local governments	<b>52 273 611</b>	7.7	45 591 706	8.7
Reinvestment into the group				
- Depreciation	<b>110 239 589</b>		73 374 972	
- Profits ploughed back for expansion	<b>124 171 184</b>		103 375 990	
<b>Value applied</b>	<b>287 400 413</b>	34.7	176 750 962	33.8
	<b>675 494 020</b>		523 613 778	



# Our people

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We regard our employees as critical to our success, especially as Choppies operates in the customer-facing food industry, making our employees an integral element of our brand. We strive to attract and retain employees of the highest calibre to uphold our performance and sustainability, and in parallel prioritise optimal working conditions and opportunities for development.

Choppies adheres to the philosophy of equitable and sustainable development and focuses on providing exciting employment opportunities in the rural areas in Botswana and South Africa.

In Zimbabwe we employ over 1 000 people in the Bulawayo region. In a country where unemployment is as high as 80%, this number is very remarkable.

Local employment is key to our success and in South Africa we employ a total of 2 253 employees.

As employers, the group believes in recognising and rewarding high performers who are committed to their work, organisation and the community through productive and creative contributions. Annual appraisals based on performance indicators are conducted to evaluate performance prior to granting increases or incentives.

In Botswana Choppies employs 6 022 people and is the largest private sector employer.

Discrimination on any level is not tolerated.

## Skills development

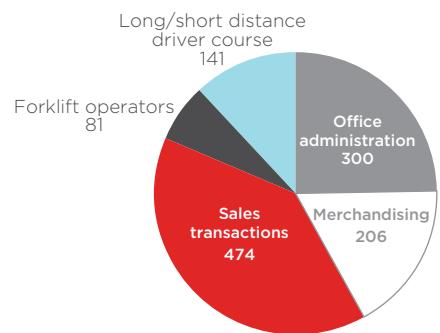
Choppies invested heavily in training and development for the year. The Choppies Retail Academy (CRA) provides training and development for employees in supervisory to managerial roles.

CRA continues to expose all group employees to various forms of training and the courses are accredited by the Botswana Qualifying Authority. The CRA programme

provides a basic knowledge on the science of retail and prepares staff for further tertiary training.

Once it is fully established the Academy will register its courses for accreditation with a university in the SADC region to provide staff, who would otherwise not qualify for enrolment, with the opportunity for further education.

## Training attendance by area of expertise



## Safety framework

Choppies subscribes to a zero-harm policy and we are committed to preventing accidents that may affect our employees, equipment or facilities. A comprehensive group policy in this regard is in place - *Choppies health and safety standards* - which covers safety and health standards and procedures. Regular monitoring in the form of audits is carried out.

## Health

Choppies group has engaged a food safety and auditing company to undertake a food safety and auditing service with the aim of improving food safety and hygiene throughout all the service departments. The auditing is conducted on a quarterly basis at every supermarket and this has been running for seven years. The implementation of the system has been complemented by the development of Choppies safety and hygiene, occupational and safety standards and standard operating procedures.

## Number of Choppies staff

	Botswana		Zimbabwe		South Africa		Total		Total
	Industrial	Supervisory	Industrial	Supervisory	Industrial	Supervisory	Industrial	Supervisory	
Female	2 475	487	354	32	1 182	128	<b>4 011</b>	<b>647</b>	<b>4 658</b>
Male	2 043	1 017	582	40	795	148	<b>3 420</b>	<b>1 205</b>	<b>4 625</b>
Total	4 518	1 504	936	72	1 977	276	<b>7 431</b>	<b>1 852</b>	<b>9 283</b>

## Employees with disabilities

	Botswana		Zimbabwe		South Africa		Total		Total
	Female	Male	Female	Male	Female	Male	Female	Male	
	57	53	2	2	-	-	<b>59</b>	<b>55</b>	<b>114</b>

# Social and environmental performance

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## Environment

Choppies recognises the need to limit our environmental impact for sustainable growth and as such is committed to leading the retail industry in Botswana. The group introduced an environmental policy during the year under review which outlines the key strategic thrusts in this regard:

- Reduce carbon footprint through a formal transportation efficiency and fleet management system
- Promote recycling throughout the group
- Procure products that use recyclable packaging
- Tailor staff incentives to encourage a reduction in wastage
- Use processes and systems that reduce energy consumption
- Install low energy LED lights in stores
- Invest in an electronic control system for refrigeration
- Implement a training programme to raise awareness of environmental issues
- Encourage the adoption of similar principles by suppliers
- Select suppliers based, among other factors, on their environmental performance.

## Corporate social responsibility

### Our formal CSR commitment

- Actively promote health and wellness
- Support community causes and charities
- Improve the lifestyle of vulnerable and disadvantaged groups
- Sports and arts development

In the year under review Choppies was again recognised in the PMR Africa Awards for its contribution to the Botswana economy. The awards measure companies' respective contributions to the economic growth and development of specific regions, levels of management expertise, governance and innovation. The ratings are based on the perceptions of the respondents.

- Top company doing the most for economic empowerment
- Top company – RETAIL STORES (FOOD) – doing the most to stimulate the economic growth and development of Botswana over the past year
- Top two companies – RETAIL STORES (FRESH PRODUCE) – doing the most to stimulate the economic growth and development of Botswana over the past year
- Top company held in high esteem as a good corporate citizen based on Choppies' corporate responsibility initiatives and investments over the past year
- Top company doing the most to enhance the Presidential Task Group's Vision for 2016, a national manifesto for the people of Botswana.

Choppies adopts a collaborative, consultative partnership approach within the communities in which it operates. We aim to invest in development programmes which contribute to quality of life by supporting innovative initiatives in health, education, social services and the environment as well as cultural and civic projects. Another key focus is providing employment and economic opportunities.



The following are some of our CSR initiatives  
**Botswana**

Beneficiary	Choppies' support
<b>2nd African Youth Games</b>	Platinum sponsor
<b>Lady Khama Charitable Trust Fund, which supports vulnerable women and children</b>	Financial donation
<b>UB Foundation</b>	Gold sponsor
<b>My Star Talent Show</b>	Main sponsor
<b>Kabelano Charity Cup</b>	Associate sponsor

#### Supporting local farmers

Over the past few years Choppies has invested in a number of horticultural development projects in Botswana with the farming community. Choppies assists the farmers to procure agricultural machinery, modern farming technology and agricultural fertilisers. This has created more than 350 hectares of new farming area and contributed to increasing their agricultural production. Almost 75% of fresh produce in Botswana is distributed through Choppies outlets. In this endeavour Choppies partnered with the farming community in the Tuli block area and Kgalagadi. We are in the process of replicating this programme in South Africa and Zimbabwe.



#### South Africa

Beneficiary	Choppies' support
<b>Boshoek School, Rustenburg</b>	Painted classrooms, sandblasted windows for privacy and provided book-bags and curtains made by members of the community who had lost their income during the mining strike
<b>Rustenburg community</b>	Food donated to communities during strike
<b>Kindermusik</b>	Sponsored children in Kindermusik competition
<b>Race4Rhino/Boshoek village school</b>	Donated cycling kits promoting rhino awareness
<b>Meridian Primary</b>	Donated clothing, stationery, educational toys and funded classroom improvements
<b>Lephalele community</b>	Sponsorship of hygiene day Assisted the community after flooding including household goods, bedding, clothing, medicine and educational supplies

#### Zimbabwe

Beneficiary	Choppies' support
<b>Enthembeni elderly people's home</b>	Donated groceries
<b>Mpilo Hospital</b>	Donated toiletries and necessities
<b>Tsholotsho flood victims</b>	Donated groceries
<b>Bulawayo Public Library</b> Three clean-up campaigns: • Nkulumane Shopping Complex • Sekusis Nkulumane • The Bulawayo CBD	Supplying of cleaning material and staff participation in cleaning

# Governance

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## Highlights FY2014

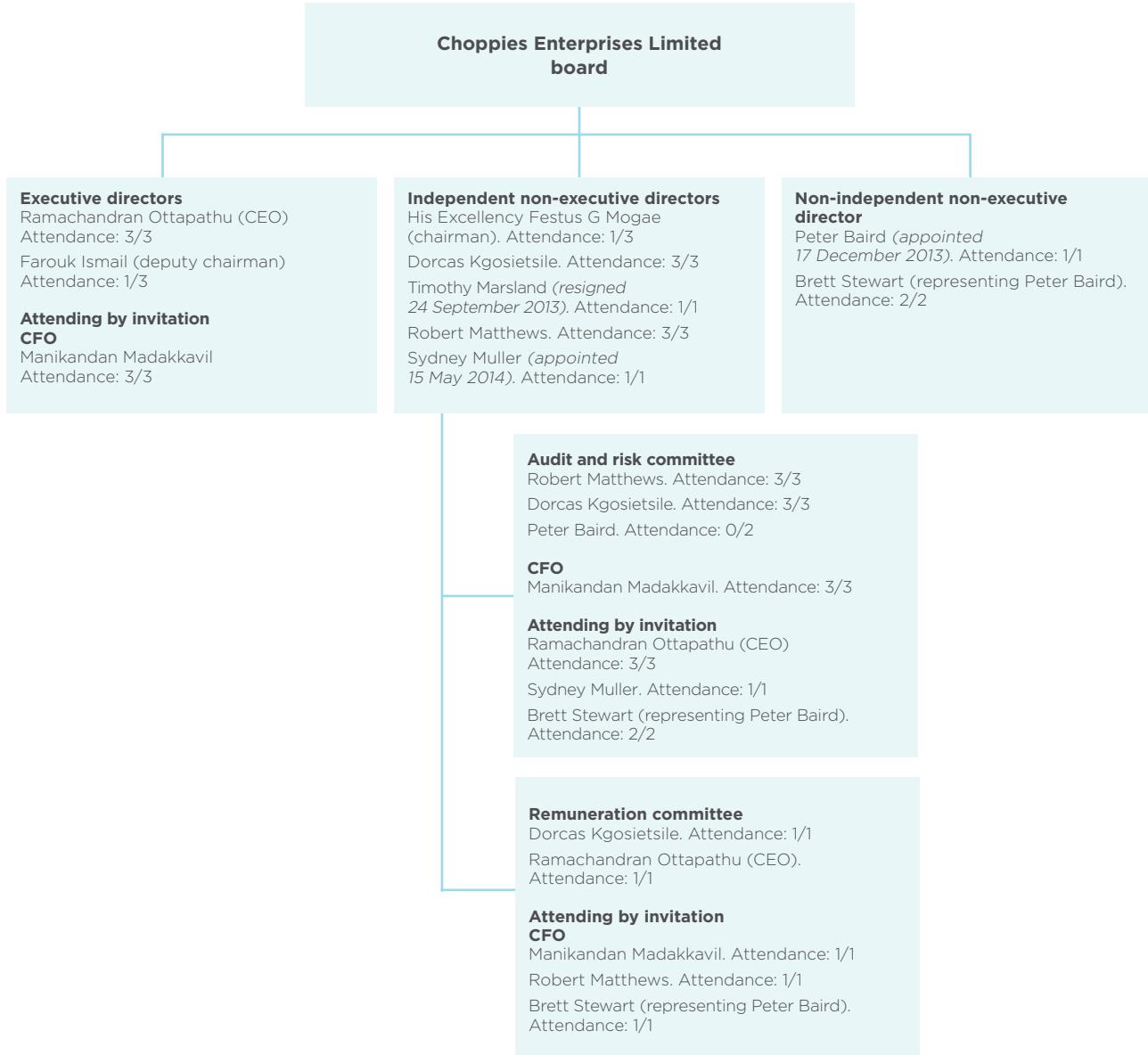
New independent non-executive director appointed with retail experience in Woolworths – Sydney Muller

Non-executive director Peter Baird, appointed to represent new investor

## Governance practices and reporting

The company's disclosure standards are regulated by the Botswana Companies Act, the BSE Listings Requirements and The BSE Code of Best Practice on Corporate Governance. Choppies' board appreciates that effective corporate governance is a key driver of sustainability and acknowledges its responsibility in this regard, including to report openly thereon to stakeholders.

## Governance structure



Governance structure	Roles and responsibilities
<b>Choppies board</b>	<p>The board is responsible and accountable for the performance and affairs of the group, and has full control over all subsidiaries. Specific responsibilities include:</p> <ul style="list-style-type: none"> <li>• <i>Organisational development</i> – determining the organisation's vision and mission, as well as growth strategy.</li> <li>• <i>Executive management</i> – selecting, remunerating and evaluating the CEO and the CFO. The board's management of and relationship with the CEO are critical to the success of the organisation.</li> <li>• <i>Finance</i> – although the day-to-day financial management is the responsibility of management, the board remains responsible for ensuring the integrity and reliability of the group's financial systems. The board also reviews and approves the annual budget.</li> <li>• <i>Compliance</i> – overseeing and ensuring that the company complies with all relevant legislation and regulations.</li> <li>• <i>Audit and control</i> – ensuring proper processes related to audit and controls. The board may delegate the responsibility to the audit and risk committee.</li> <li>• <i>Organisational policies</i> – reviewing and approving organisational policies.</li> <li>• <i>Succession</i> – Through the remuneration committee, ensuring that there is a succession plan for board members as well as the CEO and senior executives.</li> </ul>
<b>Audit and risk committee</b>	<p>The role of the audit and risk committee is to assist the board in its governance oversight responsibilities in relation to the company's financial reporting, internal control structure, risk management systems and external audit functions. In doing so it is the responsibility of the committee to maintain free and open communication between the committee, external and internal auditors and management of the company.</p>
<b>Remuneration committee</b>	<p>The committee is responsible for making recommendations regarding:</p> <ul style="list-style-type: none"> <li>• Remuneration of the CEO and the CFO</li> <li>• Remuneration of non-executive directors</li> <li>• Granting of shares in terms of the employee share incentive scheme</li> <li>• Succession plans for the group's key management positions</li> </ul>

## Board processes

### Rotation of directors

Board members are formally appointed for a period of three years and retire on a rotation basis. Retiring directors may make themselves available for re-election.

### Board performance

The performance of the board as a whole and of individual directors is assessed annually.

### Independent advice

All non-executive directors have unrestricted access to management at any time as well as to the group's external auditors. Further, all directors are entitled to seek independent professional advice on any matters pertaining to the group as they deem necessary and at the group's expense.

## Company secretary

Corporate Services (Pty) Limited are the appointed company secretary and the board is satisfied that they are appropriately qualified, competent and experienced to fulfil this function.

### IT governance

Proper IT systems governance and compliance systems are in place.

## Risk management

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Risk management remains integral in the day-to-day operation of our business. In the ordinary course of business the group is exposed to a wide range of risks that may have serious consequences for our operations and performance, and therefore our sustainability. Effective management of this supports the delivery of our objectives and achievement of sustainable growth.

At board level the audit and risk committee is responsible for monitoring risk management, including identifying areas of risk which may impact the group and suggesting appropriate controls for mitigation.

During the year an internal audit department was introduced. In the year ahead this will be further equipped to function as a fully fledged internal audit department capable of covering most operational and financial risks to which the business is exposed. In addition, in the year under review, the senior management team attended a risk workshop.

Risks are identified and recorded in a risk register and designated "avoidable" or "manageable". Risks are generally categorised into strategic and operational risks. The risk register is a working document which is updated and amended on a regular basis.



# Audit and risk committee report

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## Audit and risk committee

The audit and risk committee is a committee appointed by the board of directors. The committee has its own charter, which is approved by the board. The committee currently consists of four non-executive members and the CFO. The external auditor, chief audit executive and CEO attend by invitation. Other executives may be requested to attend sections of meetings as required. The chairman of the committee is an independent non-executive director. The make-up of the committee complies with advised corporate governance credentials and has the expected levels of experience of members.

## Meetings of the committee

Three meetings of the committee were held during the year. The major topics dealt with at the meetings were:

- Planning for the external audit process, including discussions on key issues related to the external audit process, the proposed fee for the audit and other related matters.
- Year-end planning for clearance of the audited financial statements and receipt of the external audit reports on issues raised in the external audit process relating to the group.
- Review of the integrity of the integrated annual report.
- Review of press releases, specifically for six month and annual financial reporting purposes.
- Review of current management accounts and related activity reports.
- Review of the risk register for an understanding of key risks related to the group categorised into strategic and operational risk.
- Oversight over the progress of Information Technology with regard to projects and risks concerning business continuity and disaster recovery possibilities. Overall the committee is satisfied that the Enterprise-wide Risk Management system is currently being put in place.
- Activities of the internal audit department and

discussions with the chief audit executive with regard to progress with his department in achieving the objectives set out in the internal audit charter.

- The combined assurance model provides assurance through management controls, internal and external audit. The committee is satisfied that basic internal financial controls are in place. The internal audit department is being enhancing to bolster these important financial controls.
- Progress on compliance with the BSE Code of Best Practice on Corporate Governance, specifically with regard to adoption of King III. Specific attention being given to code of conduct, whistleblowing, fraud and ethics issues, board charter, audit and risk committee charter and internal audit charter.
- Compliance with regulatory issues relating particularly to the BSE, the Botswana Companies Act, the Trading Act and the Income Tax Act.

## Reporting to the board

The committee reports on issues raised at its meetings at the next board meeting following the committee meeting.

Reporting to the board is on all relevant key issues, making recommendations on topics that require board approval. Such topics include external audit recommendations, clearance of non-audit work and the approval of fees paid to the external auditor; progress of the internal audit department; progress of the corporate governance model; information technology issues; risk register for strategic and operational risks; recommendation for adoption of the integrated annual report; press releases related to six month and annual financial information; application of the solvency test and the declaration of the dividend payable to shareholders, and other matters considered to be of relevance to the deliberations of the board.

## Committee membership and member attendance

Name of member	Sep 2013	March 2014	June 2014
Robert N Matthews	Y	Y	Y
Dorcus A Kgosietsile	Y	Y	Y
Peter Baird (alternative Brett Stewart)	N/A	Y by invitation	Y
Sydney A Muller	N/A	N/A by invitation	Y
Ramachandran Ottapathu	Y	Y	Y
Manikandan Madakkavil	Y	Y	Y

**Note** - Mr Baird was appointed to the committee at the March 2014 board meeting and Mr Muller at the September 2014 board meeting. In the absence of Mr Baird, Mr Brett Stewart of Standard Chartered Private Equity attends committee meetings on his behalf. Prior to their appointments, Mr Baird and Mr Muller attended committee meetings by invitation and all their attendances have been included above.

## Chairman – Audit and risk committee

Robert N Matthews

13 October 2014

Choppies Enterprises Limited 2014 integrated annual report

# Remuneration committee report

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The remuneration committee assists the board in ensuring that group remuneration and recruitment is aligned with the overall business strategy, with the aim of enabling Choppies to attract and retain personnel who will create long-term value for all stakeholders.

The remuneration committee comprises independent non-executive directors, Dorcas Kgosietsile (chairman), Peter Baird and the CEO Ramachandran Ottapathu. The CFO, Manikandan Madakkavil, attends by invitation. The composition and scope of the committee are set out in written terms of reference. The chairman of the committee reports directly to the board at each scheduled board meeting providing feedback and recommendations. The individual members of the committee have full access to all financial information relating to any employee in respect of whom the committee will be making its remuneration recommendations.

## Remuneration philosophy and policy

### Review of 2014 packages

In 2014 the following general remuneration increase parameters were established:

- Increases to take effect in July annually
- Five KPI scoring systems.

Increases were effected as follows:

Botswana – 1 June

South Africa – 1 February

Specific footnotes were then added for the following categories of employees:

#### *Industrial class workers*

Increases are based on government policy and/or inflation. Employees are graded according to an annual performance appraisal.

#### *Directorate*

The downward adjustment of the deputy chairman package is commensurate to his reducing scope of work on a gradual basis, this assures the stability necessary to cope with the business dynamics.

#### *Management*

Increases are linked to meeting and exceeding set performance standards. Employees are continually assessed and receive a performance appraisal annually.

The group has a mandatory staff pension scheme which is in line with its commitment to life long staff welfare.

## Directors' remuneration

	Attendance fee	Retainer fee	Salaries	Total
Festus G Mogae	100 000	573 508	–	673 508
Timothy Gordon Marsland*	29 338	–	–	29 338
Robert Neil Matthews	332 037	128 550	–	460 587
Dorcas Kgosietsile	300 788	128 550	–	429 338
Farouk Ismail	–	–	7 498 011	7 498 011
Ramachandran Ottapathu	–	–	11 631 743	11 631 743
Peter Baird	–	–	–	–
<b>Total</b>	<b>762 163</b>	<b>830 608</b>	<b>19 129 754</b>	<b>20 722 525</b>

\* Resigned 24 September 2013

## Directors' holdings – 2013/2014

Name of director	Number of shares held 2014	Percentage of shares held 2014	Number of shares held 2013	Percentage of shares held 2013
Dorcas Kgosietsile	<b>565 000</b>	<b>0.1</b>	565 000	0.1
Festus Gontebanye Mogae	<b>30 100 000</b>	<b>2.6</b>	30 100 000	2.6
Ramachandran Ottapathu	<b>326 956 136</b>	<b>27.9</b>	401 956 136	34.2
Farouk Ismail	<b>270 160 647</b>	<b>23.0</b>	302 705 658	25.8
Robert Neil Matthews	<b>21 816</b>	<b>0.0</b>	21 816	0.0
Peter Baird	–	–	–	–
Sydney Alan Muller	–	–	–	–
<b>Total</b>	<b>627 803 599</b>	<b>53.6</b>	735 348 610	62.7

### Chairman remuneration committee

*Dorcas Kgosietsile*

13 October 2014

## Group annual financial statements and annual financial statements

for the year ended 30 June 2014

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## Directors' report

for the year ended 30 June 2014

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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 2014.

### General information

Choppies Enterprises Limited is a company registered and 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. Choppies Enterprises Limited and its subsidiaries operate in Botswana, South Africa and Zimbabwe. Choppies Enterprises Limited operates as an investment holding company.

### Financial position and results

The financial position and results for the year are reflected in these financial statements set out on pages 36 to 81.

### Stated capital

There was no movement in the company's stated capital during the year (2013: Nil).

### Preference shares

25 000 preference shares at a value of BWP135 were issued in the group (2013: 60 000 preference shares at a value of BWP105 were issued). The total number of preference shares in issue at 30 June 2014 was 635 000 (2013: 610 000).

### Dividends

A gross dividend of BWP49 924 988 was declared and paid during the current financial year (2013: BWP43 143 909).

### Events after reporting date

The directors are not aware of any matters or circumstances arising since the close of the financial year to the date of this report, not dealt with in the annual financial statements, which would have a material effect on the financial results, position or operations of the group.

### Directors

His Excellency Festus Gontebanye Mogae (chairman)

Farouk Essop Ismail

Ramachandran Ottapathu

Dorcus Ana Kgosietsile

Robert Neil Matthews

Peter Baird - Appointed 17 December 2013

Sydney Alan Muller - Appointed 14 May 2014

Timothy Gordon Marsland - Resigned 24 September 2013

**Secretary**

Corporate Services (Proprietary) Limited  
 PO Box 406  
 Kgale Mews, Gaborone  
 Botswana

**Registered address**

Plot 115, Unit 5  
 Kgale Mews, Gaborone  
 Botswana

**Independent auditor**

KPMG  
 Plot 67977, off Tlokweng Road  
 Fairground Office Park  
 PO Box 1519  
 Gaborone  
 Botswana

**Bankers**

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

## Directors' responsibility statement

for the year ended 30 June 2014

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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 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (IFRS).

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

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 these businesses will not be going concerns in the year ahead.

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:

The group annual financial statements and annual financial statements of Choppies Enterprises Limited, as identified in the first paragraph, were approved by the board on 16 September 2014 and are signed on its behalf by:



Ramachandran Ottapathu  
Director



Robert N Matthews  
Director

## Independent auditor's report

for the year ended 30 June 2014

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### Chartered accountants

#### Audit

Plot 67977, Off Tlokweng Road,  
Fairground Park  
PO Box 1519, Gaborone, Botswana

Telephone +267 391 2400  
Tax +267 397 5281  
Web <http://www.kpmg.com/>

#### To the members of Choppies Enterprises Limited

We have audited the accompanying consolidated financial statements and the financial statements of Choppies Enterprises Limited, which comprise the consolidated and separate statements of financial position at 30 June 2014, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 81.

#### Directors' responsibility for the financial statements

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

#### Auditor's responsibility

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

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

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of Choppies Enterprises Limited at 30 June 2014 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards

**KPMG**

**KPMG**

**Certified auditors**

**Practising member:** Francois Roos (20010078:45)

29 October 2014

Gaborone

KPMG, a partnership domiciled in Botswana and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Partners: AG Davin\*, NP Dixon-Warren, FJ Roos\*\*  
\*British \*\*South African  
VAT number: PO3623901112

Choppies Enterprises Limited 2014 integrated annual report

Our group	Strategic context	Leadership	Our impacts	Transparency and accountability	<b>Annual financial statements</b>	Shareholder information
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## Statements of profit or loss and other comprehensive income

for the year ended 30 June 2014

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In BWP	Notes	Group		Company	
		2014	2013	2014	2013
Revenue		<b>5 012 417 788</b>	4 028 826 000	-	-
Dividend income		-	-	<b>49 924 988</b>	43 143 909
Cost of sales		<b>(3 933 346 939)</b>	(3 206 857 837)	-	-
Gross profit		<b>1 079 070 849</b>	821 968 163	<b>49 924 988</b>	43 143 909
Other income		<b>8 729 415</b>	6 270 715	-	-
Operating income		<b>1 087 800 264</b>	828 238 878	<b>49 924 988</b>	43 143 909
Expenditure		<b>(846 389 003)</b>	(628 051 397)	<b>(187 129)</b>	(187 083)
Administrative expenses		<b>(650 278 245)</b>	(489 706 550)	<b>(187 129)</b>	(187 083)
Selling and distribution expenses		<b>(44 976 349)</b>	(33 256 662)	-	-
Other operating expenses		<b>(151 134 409)</b>	(105 088 185)	-	-
Operating profit before interest		<b>241 411 261</b>	200 187 481	<b>49 737 859</b>	42 956 826
Interest cost		<b>(15 565 463)</b>	(11 413 415)	-	-
Interest income		<b>3 588 638</b>	10 118 618	-	-
Profit before taxation	1	<b>229 434 436</b>	198 892 684	<b>49 737 859</b>	42 956 826
Taxation	2	<b>(52 273 611)</b>	(45 591 706)	-	-
<b>Profit for the year</b>		<b>177 160 825</b>	153 300 978	<b>49 737 859</b>	42 956 826
Attributable to:					
Owners of the company		<b>167 881 985</b>	153 300 978	<b>49 737 859</b>	42 956 826
Non-controlling interests		<b>9 278 840</b>	-	-	-
<b>Other comprehensive income</b>					
<i>Items that will be reclassified to profit or loss:</i>					
Foreign currency translation differences from foreign operations		<b>3 486 538</b>	(3 526 014)	-	-
Attributable to:					
Owners of the company		<b>5 616 409</b>	(3 526 014)	-	-
Non-controlling interests		<b>(2 129 871)</b>	-	-	-
<b>Profit and total comprehensive income for the year</b>		<b>180 647 363</b>	149 774 964	<b>49 737 859</b>	42 956 826
Attributable to:					
Owners of the company		<b>173 498 394</b>	149 774 964	<b>49 737 859</b>	42 956 826
Non-controlling interests		<b>7 148 969</b>	-	-	-
Earnings per share - Thebe		<b>180 647 363</b>	149 774 964	<b>49 737 859</b>	42 956 826
Basic and diluted	21	<b>14.30</b>	13.06		
Dividend per share - Thebe	21	<b>4.25</b>	3.67		

## Statements of financial position

at 30 June 2014

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In BWP	Notes
<b>Assets</b>	
<b>Non-current assets</b>	
Plant and equipment	3
Deferred taxation	5
Investments in subsidiaries	20
Investments in new projects	4.2
Goodwill	6
<b>Current assets</b>	
Inventories	7
Investments	4
Advances and deposits	8
Trade and other receivables	9
Amounts due from related entities	10.1
Cash and cash equivalents	12
<b>Total assets</b>	
<b>Equity and liabilities</b>	
<b>Equity</b>	
Stated capital	13.1
Preference shares	13.2
Retained earnings	
Non-controlling interests	
Foreign currency translation reserve	
<b>Non-current liabilities</b>	
Long-term borrowings	14
Deferred operating lease liabilities	15
<b>Current liabilities</b>	
Trade and other payables	16
Amounts due to related entities	10.2
Taxation payable	
Current portion of deferred operating lease liabilities	15
Current portion of long-term borrowings	14
Bank overdraft	12
<b>Total equity and liabilities</b>	

	Group		Company	
	2014	2013	2014	2013
<b>1 094 807 693</b>	683 270 752	<b>340 325 395</b>	325 840 529	
<b>597 039 928</b>	346 611 836	<b>-</b>	-	
<b>15 217 237</b>	14 108 564	<b>-</b>	-	
<b>-</b>	-	<b>340 325 395</b>	325 840 529	
<b>28 508 764</b>	21 311 143	<b>-</b>	-	
<b>454 041 764</b>	301 239 209	<b>-</b>	-	
<b>654 663 505</b>	623 265 136	<b>121 985 767</b>	136 330 955	
<b>407 871 118</b>	265 534 517	<b>-</b>	-	
<b>2 900</b>	2 900	<b>-</b>	-	
<b>53 872 087</b>	54 761 254	<b>-</b>	-	
<b>84 082 710</b>	51 606 163	<b>18 792</b>	-	
<b>5 335 757</b>	4 521 641	<b>121 747 140</b>	136 129 285	
<b>103 498 933</b>	246 838 661	<b>219 835</b>	201 670	
<b>1 749 471 198</b>	1 306 535 888	<b>462 311 162</b>	462 171 484	
<b>869 323 356</b>	738 600 846	<b>448 399 674</b>	448 586 803	
<b>421 474 313</b>	421 474 313	<b>421 474 313</b>	421 474 313	
<b>85 300</b>	85 165	<b>-</b>	-	
<b>438 417 648</b>	320 460 651	<b>26 925 361</b>	27 112 490	
<b>7 148 969</b>	-	<b>-</b>	-	
<b>2 197 126</b>	(3 419 283)	<b>-</b>	-	
<b>244 447 259</b>	80 641 928	<b>-</b>	-	
<b>210 164 307</b>	60 381 063	<b>-</b>	-	
<b>34 282 952</b>	20 260 865	<b>-</b>	-	
<b>635 700 583</b>	487 293 114	<b>13 911 488</b>	13 584 681	
<b>404 159 338</b>	373 993 018	<b>233 822</b>	57 015	
<b>101 404 205</b>	33 486 110	<b>13 677 666</b>	13 527 666	
<b>14 151 526</b>	19 000 528	<b>-</b>	-	
<b>4 139 340</b>	2 850 369	<b>-</b>	-	
<b>66 186 147</b>	26 254 446	<b>-</b>	-	
<b>45 660 027</b>	31 708 643	<b>-</b>	-	
<b>1 749 471 198</b>	1 306 535 888	<b>462 311 162</b>	462 171 484	

## Statements of changes in equity

for the year ended 30 June 2014

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In BWP	Stated capital	Preference shares	Retained earnings	Foreign currency translation reserve	Non-controlling interests	Total
<b>Group</b>						
Balance at 1 July 2012	421 474 313	85 060	210 303 582	106 731	-	631 969 686
<b>Total comprehensive income for the year</b>	-	-	153 300 978	(3 526 014)	-	149 774 964
Profit	-	-	153 300 978		-	153 300 978
Other comprehensive income	-	-	-	(3 526 014)	-	(3 526 014)
<b>Transaction with owners</b>						
Dividend declared	-	-	(43 143 909)	-	-	(43 143 909)
Issue of preference shares	-	105	-	-	-	105
Balance at 30 June 2013	<b>421 474 313</b>	<b>85 165</b>	<b>320 460 651</b>	<b>(3 419 283)</b>	<b>-</b>	<b>738 600 846</b>
<b>Total comprehensive income for the year</b>	-	-	167 881 985	5 616 409	7 148 969	180 647 363
Profit	-	-	167 881 985	-	9 278 840	177 160 825
Other comprehensive income	-	-	-	5 616 409	(2 129 871)	3 486 538
<b>Transaction with owners</b>						
Dividend declared	-	-	(49 924 988)	-	-	(49 924 988)
Issue of preference shares	-	135	-	-	-	135
<b>Balance at 30 June 2014</b>	<b>421 474 313</b>	<b>85 300</b>	<b>438 417 648</b>	<b>2 197 126</b>	<b>7 148 969</b>	<b>869 323 356</b>
<b>Company</b>						
Balance at 1 July 2012	421 474 313	-	27 299 573	-	-	448 773 886
<b>Total comprehensive income for the year</b>	-	-	42 956 826	-	-	42 956 826
Profit	-	-	(43 143 909)	-	-	(43 143 909)
<b>Transaction with owners</b>						
Dividend declared	-	-	-	-	-	(49 924 988)
Balance at 30 June 2013	<b>421 474 313</b>	<b>-</b>	<b>27 112 490</b>	<b>-</b>	<b>-</b>	<b>448 586 803</b>
<b>Total comprehensive income for the year</b>	-	-	49 737 859	-	-	49 737 859
Profit	-	-	(49 924 988)	-	-	(49 924 988)
<b>Transaction with owners</b>						
Dividend declared	-	-	-	-	-	(49 924 988)
<b>Balance at 30 June 2014</b>	<b>421 474 313</b>	<b>-</b>	<b>26 925 361</b>	<b>-</b>	<b>-</b>	<b>448 399 674</b>

## Statements of cash flows

for the year ended 30 June 2014

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In BWP	Notes	Group		Company	
		2014	2013	2014	2013
Profit before taxation		<b>229 434 436</b>	198 892 684	<b>49 737 859</b>	42 956 826
Adjusted for:					
Depreciation		<b>122 013 113</b>	73 374 972	-	-
Interest cost		<b>15 565 463</b>	11 413 415	-	-
Interest income		<b>(3 588 638)</b>	(10 118 618)	-	-
Profit on disposal of plant and equipment		<b>(6 425 876)</b>	(3 205 710)	-	-
Increase in deferred lease liabilities		<b>15 311 058</b>	4 678 324	-	-
Foreign currency translation gain/(loss)		<b>3 486 538</b>	(3 526 014)	-	-
<b>Operating profit before changes in working capital</b>		<b>375 796 094</b>	271 509 053	<b>49 737 859</b>	42 956 826
Movement in trade and other receivables		<b>(32 476 555)</b>	(23 445 407)	<b>(18 792)</b>	64 860
Movement in balances with related entities		<b>67 103 979</b>	31 735 634	<b>14 532 145</b>	217 646
Movement in advances and deposits		<b>889 167</b>	(28 747 717)	-	-
Movement in trade and other payables		<b>30 166 320</b>	83 088 194	<b>176 807</b>	3 954
Movement in inventories		<b>(142 336 601)</b>	(48 885 622)	-	-
<b>Operating profit from normal activities</b>		<b>299 142 404</b>	285 254 135	<b>64 428 019</b>	43 243 286
Taxation paid	2.1	<b>(56 190 622)</b>	(39 883 835)	-	-
Interest income		<b>3 588 638</b>	10 118 618	-	-
Dividends paid		<b>(49 924 988)</b>	(43 143 909)	<b>(49 924 988)</b>	(43 143 909)
<b>Net cash flows generated from operating activities</b>		<b>196 615 432</b>	212 345 009	<b>14 503 031</b>	99 377
<b>Investing activities</b>		<b>(359 439 029)</b>	(143 933 900)	-	-
Acquisition of property, plant and equipment		<b>11 828 513</b>	23 190 772	-	-
Proceeds on disposal of plant and equipment		<b>(154 843 219)</b>	-	<b>(14 484 866)</b>	(1 500)
Additional investment in subsidiaries		<b>(25 602 434)</b>	(18 968 229)	-	-
Investments in new projects		<b>(528 056 169)</b>	(139 711 357)	<b>(14 484 866)</b>	(1 500)
<b>Net cash flows used in investing activities</b>		<b>246 941 674</b>	24 386 241	-	-
<b>Financing activities</b>		<b>(57 226 721)</b>	(49 146 049)	-	-
Financing obtained from third parties		<b>135</b>	105	-	-
Capital repayment of long-term liabilities		<b>(15 565 463)</b>	(11 413 415)	-	-
Proceeds from issue of preference shares		<b>174 149 625</b>	(36 173 118)	-	-
Interest cost		<b>(157 291 112)</b>	36 460 534	<b>18 165</b>	97 877
<b>Net cash flows generated from/(used in) financing activities</b>		<b>215 130 018</b>	178 669 484	<b>201 670</b>	103 793
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>57 838 906</b>	215 130 018	<b>219 835</b>	201 670
<b>Cash and cash equivalents at end of year</b>	12				

Choppies Enterprises Limited 2014 integrated annual report

## Significant accounting policies

for the year ended 30 June 2014

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Choppies Enterprises Limited is a company registered and 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 financial statements (the financial statements) are prepared in accordance with the International Financial Reporting Standards (IFRS).

### Basis of presentation

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

The financial statements are prepared on the historical cost basis, except for certain 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, except for the changes below:

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 June 2013:

- IFRS 10 *Consolidated Financial Statements (2011)*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*

### Subsidiaries

As a result of the adoption of IFRS 10 (2011), the group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

### Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRS, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities.

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 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 (refer to note 6), the evaluation of amounts due from related party for possible impairment (refer to note 10), the evaluation of investments in subsidiaries for possible impairment (refer to note 20), the evaluation of depreciation rates and residual values applied to property, plant and equipment items (refer to note 3), the evaluation of investments for possible impairment (refer to note 4), the evaluation of trade and other receivables for possible impairment (refer to notes 8 and 9), the calculation and accrual of income and deferred taxation (refer to notes 2 and 5) and the evaluation of inventory balances for possible impairment (refer to note 7).

### **Basis of consolidation**

#### **Business combination**

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. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (refer to note 6).

#### **Subsidiaries**

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. No changes to the control conclusions were noted as a result of the change in accounting policy. 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.

#### **Transactions eliminated on consolidation**

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.

#### **Non-controlling interest (NCI)**

NCI is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date.

#### **Loss of control**

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

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

#### **Depreciation**

Depreciation is recognised in profit or loss 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	2.50%
• Plant and machinery	15% – 20%
• Computer equipment	25 %
• Furniture and fittings and office equipment	10%
• Motor vehicles	25%
• Aircrafts	25%

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

## Significant accounting policies (continued)

for the year ended 30 June 2014

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### Property, plant and equipment (continued)

#### Depreciation (continued)

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 or losses on disposal are determined by comparing proceeds with the carrying amounts and are recognised in profit or loss.

Repairs and maintenance costs are recognised in profit or loss 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 will flow to the group. Major renovations are depreciated over the remaining useful life of the related asset.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

#### Investments in new projects

Investments in new projects 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 profit or loss when it is probable that the full amount paid will not be recovered.

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

Impairment losses are recognised in profit or loss. 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 profit or loss.

##### Non-financial assets

The carrying values of non-financial assets (except for deferred tax assets and inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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 inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. 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 leased assets are recognised 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 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 profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

### **Goodwill**

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

Goodwill is measured 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 the assets and liabilities of the unit including goodwill or the fair value less the cost to sell off the cash generating unit exceeds the carrying amount of goodwill. An impairment loss is recognised in profit or loss in the year in which it is identified. An impairment loss in respect of goodwill is not reversed.

### **Investment in subsidiaries**

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investments in subsidiaries are stated at cost less any accumulated impairment losses in the company's separate financial statements.

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 weighted 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.

## Significant accounting policies (continued)

for the year ended 30 June 2014

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### 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.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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.

### Taxation

Taxation comprises current and deferred taxation. Taxation is recognised in profit or loss except to the extent it relates to a business combination or items recognised directly in equity or other comprehensive income. 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, and any adjustment to tax payable in respect of previous years.

### 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 employees up to the reporting date.

#### Severance benefits

Employees who are not members of an approved pension scheme or entitled to gratuities per their employment contracts, are entitled to severance benefits as regulated by the Botswana Employment Act. An accrual is recognised for the estimated liability for services rendered by employees up to the reporting date.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to approved defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which the related services were rendered.

### 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 profit or loss 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 profit or loss 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 is an investment holding entity and dividend income is classified as revenue.

#### **Interest income**

Interest received is accrued using the effective interest method.

#### **Interest cost**

Interest costs are recognised in profit or loss 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.

#### **Dividend per share**

Dividend per share is calculated based on the dividends declared during the year compared to the number of ordinary shares in issue at the time of declaration.

Withholding tax of 7.50% is payable on the gross value of dividends and is recognised as part of gross dividends declared.

#### **Stated capital**

Ordinary shares are classified as stated capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### **Preference shares**

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the company's shareholders. Preference shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

#### **Dividend income**

The group recognises dividends when the group's right to receive payment is established. This is on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares.

#### **Dividends paid**

Dividends paid are recognised in equity in the period in which they are approved by the directors. Dividends declared after the reporting date are not recognised as a liability in the statements of financial position.

#### **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, per geographical regions, are aggregated for reporting purposes.

## Significant accounting policies (continued)

for the year ended 30 June 2014

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### Foreign currency transactions

#### Transactions in foreign currencies

Transactions in foreign currencies are translated to BWP 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 BWP at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

### 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, except to the extent that the translation difference is allocated to NCI. 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.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

### Financial instruments

#### Recognition

A financial instrument is recognised if the group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial asset expire or if the group transferred the financial asset to another party without retaining control or substantially all risk and rewards of the asset. Regular way purchases and sales of financial instruments are accounted for at trade date, i.e. the date that the group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

#### Derivative financial instruments

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are accounted for in profit or loss as they arise.

#### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

#### Financial assets

The principal financial assets comprise 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. Cash and cash equivalents are classified as loans and receivables. (Refer to note 18.)

##### Quoted investments

Quoted equity securities are originally recognised at the fair value of the 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 profit or loss at each reporting date. Quoted investments are classified as financial assets designated at fair value. (Refer to note 18.)

#### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an impairment accrual. An accrual for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original credit terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that a trade receivable is impaired. Trade and other receivables are classified as loans and receivables (refer to note 18).

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

The amounts due from related entities are stated at original invoice amount less impairment losses. Impairment losses are recognised in profit or loss when collection of the full amount is no longer probable. Amounts due from related entities are classified as loans and receivables (refer to note 18).

#### **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 profit or loss when it is probable that the full amount paid will not be recovered. Advances and deposits are classified as loans and receivables (refer to note 18).

#### **Financial liabilities**

The principal financial liabilities comprise 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. Trade and other payables are classified as financial liabilities at amortised cost (refer to note 18).

#### **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 are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Interest-bearing loans and borrowings are classified as financial liabilities at amortised cost (refer to note 18).

For liabilities carried at amortised cost, any gain or loss is recognised in profit or loss when the liability is derecognised or impaired, as well as through the amortisation process.

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

The amounts due to related entities 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 related entities are classified as financial liabilities at amortised cost (refer to note 18).

#### **Gains or losses on subsequent measurement**

Gains or losses arising from a change in the fair value of financial instruments are included in profit or loss in the period in which the change arises.

#### **Offset**

Financial assets and financial liabilities are offset and the net amount reported in the statements 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.

## Significant accounting policies (continued)

for the year ended 30 June 2014

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### New standards and interpretations not yet effective

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2014 and have not been applied in preparing these financial statements:

**IFRS 14 Regulatory Deferral Accounts** – IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated. In other words the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

It permits first-time adopters of IFRS to continue using previous GAAP to account for the regulatory deferral account balances. Entities can apply this interim standard only if they accounted for regulatory deferral account balances in their financial statements immediately before transition to IFRS. The standard which is effective for financial reporting years beginning on or after 1 January 2016 (with early adoption permitted) is not expected to have any impact on the group's financial statements.

**IFRS 9 Financial Instruments** – IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities.

On 19 November 2013, the IASB issued a new general hedge accounting standard, part of IFRS 9 *Financial Instruments* (2013). The new standard removed the 1 January 2015 effective date of IFRS 9. A new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalised.

The group will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and micro-hedge accounting guidance is still outstanding. The group will assess the impact once the standard has been finalised and the effective dates are known.

**Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)** – The amendments clarify when an entity can offset financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted. These amendments will have no impact on the group as the group has no master netting arrangements in place.

**Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36)** – The amendment reverses the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The amendment has no impact on the group's financial statements as no impairment losses relating to goodwill or indefinite-lived intangible assets have been recognised or reversed in the current year.

**Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)** – IAS 39 requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy.

These amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship, when a novation was not contemplated and the original hedging documentation meets specific criteria. The group has no hedging instruments that have to be novated to a new clearing counterparty. These amendments are applied retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted.

**Levies IFRIC 21** – Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 *Provisions, Contingent Liabilities and Assets*. This interpretation which is effective for annual periods commencing on or after 1 January 2014 with retrospective application, is not expected to have any impact on the group's financial statements.

**Revenue from contracts with customers IFRS 15** – This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2017 (with early adoption permitted under IFRS). The standard is not expected to have a significant impact on the group due to the nature of its revenue transactions.

**Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)** – The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The impact of these amendments will need to be considered in the group's expansions and acquisitions in the future.

**Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)** – These amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional. These amendments which are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted are not expected to have any impact on the group's financial statements.

**Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)** – These amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan
- linked to service
- independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. These amendments, which are applied retrospectively for annual periods beginning on or after 1 July 2014 (with early adoption permitted), are not expected to have any impact on the group's financial statements.

## Notes to the annual financial statements

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	In BWP	Group		Company	
		2014	2013	2014	2013
<b>1. Profit before taxation</b>					
The profit before taxation is stated after taking into account the following:					
Movement in deferred lease liabilities		<b>15 311 058</b>	4 678 324	-	-
Depreciation		<b>122 013 113</b>	73 374 972	-	-
Audit fees		<b>4 151 750</b>	2 985 150	-	-
- For audit services		<b>2 940 000</b>	2 520 000	-	-
- For non-audit services		<b>1 211 750</b>	465 150	-	-
Rent expense – cash payments		<b>115 728 787</b>	78 575 286	-	-
Interest paid – borrowings		<b>13 974 090</b>	9 976 824	-	-
Interest paid – bank overdraft		<b>1 591 373</b>	1 436 591	-	-
Interest received – fixed deposits		<b>(3 588 638)</b>	(10 118 618)	-	-
Donations		<b>3 228 835</b>	2 842 077	-	-
Salaries and wages		<b>279 986 002</b>	203 815 000	-	-
Pension fund contributions		<b>1 925 090</b>	1 210 048	-	-
Profit on disposal of property, plant and equipment		<b>(6 425 876)</b>	(3 205 710)	-	-
Training levy		<b>9 963 110</b>	8 970 094	-	-
Directors' remuneration (refer to note 11)		<b>20 722 525</b>	22 592 843	-	-
<b>2. Taxation</b>					
Basic company taxation		<b>49 831 789</b>	47 952 242	-	-
Prior year under provision of company taxation		<b>1 509 831</b>	488 573	-	-
Net deferred taxation movement		<b>931 991</b>	(2 849 109)	-	-
Taxation per profit or loss		<b>52 273 611</b>	45 591 706	-	-
Tax losses available for set-off against future taxable income are as follows:					
Unutilised tax losses		<b>104 521 695</b>	88 587 826	-	-
Tax losses include:					
- P39 114 454 (2013: P46 147 826) for the subsidiaries in Botswana and		<b>5 661 225</b>	6 494 347	-	-
- P65 407 241 (2013: P42 440 000) for the subsidiary in South Africa.		<b>14 212 898</b>	16 658 545	-	-
Tax losses in Botswana fall away after five years if not utilised.		<b>13 280 517</b>	26 520 830	-	-
Tax losses are analysed as follows:		-	14 298 423	-	-
- 2009		<b>36 410 254</b>	29 305 305	-	-
- 2010		<b>34 956 801</b>	-	-	-
- 2011		-	(4 689 624)	-	-
- 2012		<b>104 521 695</b>	88 587 826	-	-
- 2013					
- 2014					
- Effects of movement in foreign exchange rates					
<b>Total</b>					

	Group		Company	
	2014	2013	2014	2013
<b>2. Taxation (continued)</b>				
Amounts assessed by SARS (in ZAR)				
2009	<b>47 100 486</b>	40 415 506	-	-
2010	<b>7 100 925</b>	7 100 925	-	-
2011	<b>17 325 523</b>	17 325 523	-	-
2012	<b>16 188 950</b>	16 188 950	-	-
2013	<b>(199 892)</b>	(199 892)	-	-
Amounts still to be assessed by SARS (in ZAR)				
2013	<b>6 684 980</b>	-	-	-
2014	<b>32 630 941</b>	6 795 522	-	-
Total cumulative tax losses (in ZAR)				
Reconciliation of effective tax rates:				
<b>Group</b>				
Profit before taxation (in BWP)				
		229 434 436		198 892 684
Normal income tax at statutory rate	<b>22.00%</b>	50 475 576	<b>22.00%</b>	43 756 390
Effect of tax rates in foreign jurisdictions	<b>1.86%</b>	4 259 068	<b>0.44%</b>	885 066
Non-deductible expenses	<b>0.32%</b>	736 438	<b>0.23%</b>	461 677
Recognition of previously unrecognised tax losses	<b>(1.56%)</b>	(3 578 031)	-	-
Prior year under provision of company taxation	<b>0.66%</b>	1 509 831	<b>0.25%</b>	488 573
Over-provision of deferred taxation	<b>(0.49%)</b>	(1 129 271)	-	-
Taxation per profit or loss	<b>22.78%</b>	52 273 611	<b>22.92%</b>	45 591 706
<b>Company</b>				
Profit before taxation				
		49 737 859		42 956 826
Normal income tax at statutory rate	<b>22.00%</b>	10 942 329	<b>22.00%</b>	9 450 502
Increment of tax losses	<b>0.08%</b>	41 168	<b>(0.10%)</b>	(41 158)
Non-taxable income	<b>(22.08%)</b>	(10 983 497)	<b>(21.90%)</b>	(9 409 344)
Taxation per profit or loss	-	-	-	-
<i>In BWP</i>				
<b>2.1 Taxation paid</b>				
<b>Group</b>				
Taxation payable is reconciled as follows:				
Opening balance				
		<b>19 000 528</b>		10 443 548
Basic company taxation				
		<b>49 831 789</b>		47 952 242
Prior year under provision of company taxation				
		<b>1 509 831</b>		488 573
Taxation payments made				
		<b>(56 190 622)</b>		(39 883 835)
Closing balance				
		<b>14 151 526</b>		19 000 528

## Notes to the annual financial statements (continued)

for the year ended 30 June 2014

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In BWP			
3. Property, plant and equipment	At beginning of year	Additions*	Disposals
Group 2014 Cost			At end of year
Buildings and leasehold improvements	26 196 957	1 652 951	-
Plant and machinery	277 173 627	158 382 078	(4 118 111)
Computer equipment	24 548 759	27 448 564	(362 702)
Office equipment	3 947 574	353 836	-
Furniture and fittings	102 652 782	45 434 215	(1 840 235)
Aircrafts	23 940 332	81 400 203	-
Motor vehicles	152 811 924	63 171 995	(17 344 759)
	611 271 955	377 843 842	(23 665 807)
			965 449 990
In BWP	At beginning of year	Charge for the year	Disposals
Accumulated depreciation			At end of year
Buildings and leasehold improvements	504 563	271 404	-
Plant and machinery	114 562 497	53 180 133	(2 471 926)
Computer equipment	14 609 767	8 589 285	(352 760)
Office equipment	1 508 553	87 408	-
Furniture and fittings	37 339 227	14 046 309	(618 505)
Aircrafts	21 546 299	11 750 064	-
Motor vehicles	74 589 213	34 088 510	(14 819 979)
	264 660 119	122 013 113	(18 263 170)
			368 410 062
Net book value	346 611 836		597 039 928
In BWP	At beginning of year	Additions*	Disposals
Group 2013 Cost			At end of year
Buildings and leasehold improvements	37 906 588	8 890 909	(20 600 540)
Plant and machinery	186 667 947	90 855 668	(349 988)
Computer equipment	15 846 221	8 702 538	-
Office equipment	3 947 574	-	-
Furniture and fittings	76 534 552	26 139 480	(21 250)
Aircrafts	23 940 332	-	-
Motor vehicles	128 798 133	30 802 215	(6 788 424)
	473 641 347	165 390 810	(27 760 202)
			611 271 955
In BWP	At beginning of year	Change for the year*	Disposals
Accumulated depreciation			At end of year
Buildings and leasehold improvements	2 552 349	88 441	(2 136 227)
Plant and machinery	84 227 148	30 543 306	(207 957)
Computer equipment	11 895 566	2 714 201	-
Office equipment	1 340 134	168 419	-
Furniture and fittings	29 032 339	8 317 559	(10 671)
Aircrafts	16 277 787	5 268 512	-
Motor vehicles	53 734 964	26 274 534	(5 420 285)
	199 060 287	73 374 972	(7 775 140)
			264 660 119
Net book value	274 581 060		346 611 836

Motor vehicles with a net book value of P50 693 278 (2013: P53 869 718), plant and machinery with a net book value of P11 752 759 (2013: P2 603 116) and an aircraft with a net book value of P69 650 140 (2013: nil) are encumbered by finance lease agreements with various financial institutions as per note 14.

\* Included in additions are amounts re-classified from investments in projects of P18 404 813 (2013: P21 311 143).

		Group	
		2014	2013
<i>In BWP</i>			
<b>4. Investments</b>			
<b>4.1 Financial investments</b>			
Investment in shares – listed		<b>2 900</b>	2 900
The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2014 was P3.48 (2013: P3.65 per share). No fair value adjustment was processed in the current or prior financial year.			
<b>4.2 Investments in new projects</b>			
Investments in new projects is reconciled as follows:			
Opening balance		<b>21 311 143</b>	23 799 824
Amounts reclassified as additions to property, plant and equipment during the year		<b>(18 404 813)</b>	(21 456 910)
Capital advanced during the year		<b>25 602 434</b>	18 968 229
Closing balance		<b>28 508 764</b>	21 311 143
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>			
Deferred taxation is reconciled as follows:			
Opening balance		<b>14 108 564</b>	11 259 455
Deferred taxation on acquisition		<b>2 040 664</b>	–
Net movement for the year per profit or loss		<b>(931 991)</b>	2 849 109
Prior year over provision		<b>(1 129 271)</b>	–
Current year deferred taxation charge		<b>197 280</b>	2 849 109
Closing balance		<b>15 217 237</b>	14 108 564
Comprising the following temporary differences:			
Tax losses carried forward		<b>27 848 984</b>	21 307 255
Accelerated capital allowances on items of property, plant and equipment		<b>(21 041 535)</b>	(11 720 139)
Unrealised foreign exchange loss/(gain)		<b>288 138</b>	(33 644)
Deferred lease liabilities		<b>8 121 650</b>	4 555 092
		<b>15 217 237</b>	14 108 564

## Notes to the annual financial statements (continued)

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In BWP		Group	2014	2013
<b>6. Goodwill</b>				
Opening balance			<b>301 239 209</b>	301 239 209
Businesses acquired			<b>152 802 555</b>	-
Closing balance			<b>454 041 764</b>	301 239 209
The valuation of goodwill at reporting date was determined by comparing the value in use of the cash-generating units (CGUs) that the goodwill is allocated to the carrying amounts of the assets and liabilities within the CGUs. The value in use is 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 flows. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market.				
Goodwill is allocated to the group's cash-generating units (CGU) as follows:				
Choppies Supermarkets South Africa (Pty) Limited			<b>267 254 947</b>	267 254 947
Number of smaller entities in Botswana			<b>19 146 338</b>	19 146 338
Nanavac Investments (Private) Limited			<b>126 864 675</b>	-
Sarfrosh Holdings (Pty) Limited			<b>14 837 924</b>	14 837 924
SupaSave (Pty) Limited and MegaSave (Pty) Limited			<b>22 666 516</b>	-
Mafila Holdings (Pty) Limited			<b>3 271 364</b>	-
The following assumptions were applied in the evaluation of goodwill:			<b>454 041 764</b>	301 239 209
Discount rate (%)			<b>14 - 16</b>	16.3
Average sales growth rate per year:				
In Botswana (%)			<b>4 - 15</b>	4 - 15
In South Africa (%)			<b>8 - 60</b>	8 - 60
In Zimbabwe (%)			<b>10 - 50</b>	N/a
Terminal value growth rate (%)			<b>4</b>	4
<b>Sensitivity analysis</b>				
The value in use calculations and impairment reviews are sensitive to changes in key assumptions, particularly relating to discount rates and cash flow growth. A sensitivity analysis has been performed based on changes in key assumptions considered to be possible by management:				
• an increase in the discount rate of 0.5%				
• a decrease in the average sales growth rate for adjusted operating cash flow in the five-year forecast period of between 2.0% and 5.0%, depending on the CGU				
• a decrease in terminal value growth rate of 0.5%.				
The sensitivity analysis shows that no impairments would result under each of the sensitivity scenarios.				
<b>7. Inventories</b>				
Finished goods			<b>402 949 252</b>	263 679 012
Goods in transit			<b>4 921 866</b>	1 855 505
Due to the fast moving nature of the inventories, no impairment allowance was recognised (2013: nil). The average inventory turnover days for the group is 37 days (2013: 27 days). Inventories of P52 460 895 (2013: P47 197 067) are encumbered under the Botswana Investment Fund Management Capital Promissory Note as per note 14.			<b>407 871 118</b>	265 534 517
<b>8. Advances and deposits</b>				
Deposits			<b>6 536 032</b>	1 778 949
Prepayments			<b>42 678 005</b>	45 192 781
Rent advances			<b>2 904 717</b>	5 621 699
Salary advances			<b>1 753 333</b>	2 076 125
Other advances			<b>-</b>	91 700
			<b>53 872 087</b>	54 761 254

In BWP	Group		Company	
	2014	2013	2014	2013
<b>9. Trade and other receivables</b>				
Trade receivables	<b>38 412 510</b>	18 088 033	-	-
Other receivables	<b>45 670 200</b>	33 518 130	<b>18 792</b>	-
	<b>84 082 710</b>	51 606 163	<b>18 792</b>	-
Trade and other receivables of P26 696 414 (2013: P17 574 335) are encumbered as per note 14.				
Trade receivables of P3 704 961 (2013: P3 141 956) have been personally guaranteed by the group's executive directors. Refer to note 17 for the details on credit risk.				
<b>10. Related party balances</b>				
The directors confirm that transactions with related entities are carried out at arm's-length basis at prevailing market related prices and rates in the normal course of business.				
Balances with related entities for the company and group are disclosed by nature below.				
<b>10.1 Amounts due from related entities</b>				
The following amounts were due from entities which are considered related entities through common ownership and were excluded from being consolidated into the Choppies Enterprises Limited group:				
Amounts due from related entities	<b>5 335 757</b>	4 521 641	<b>121 747 140</b>	136 129 285
These balances are unsecured, interest free and are repayable under normal trading terms.				
<b>10.2 Amounts due to related entities</b>				
The following amounts were due to entities which are considered related entities through common ownership and were excluded from being consolidated into the Choppies Enterprises Limited group:				
Amounts due to related entities	<b>101 404 205</b>	33 486 110	<b>13 677 666</b>	13 527 666
These balances are trading related, are at arm's length and are unsecured and interest free and are payable under normal trading terms.				
Refer to note 24 for the details of related-party balances and transactions.				
<b>11. Amounts paid to key personnel</b>				
Key personnel comprise of executive directors who are involved in the day to day operations of the group and non-executive directors to the board.				
Amounts paid to key personnel during the year as short-term employee benefits/remuneration for services rendered were P20 722 525 (2013: P22 592 843). This consisted of P19 154 017 (2013: P20 744 335) for executive directors and P1 568 508 (2013: P1 848 508) for non-executive directors.				

## Notes to the annual financial statements (continued)

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	In BWP	Group		Company	
		2014	2013	2014	2013
<b>12. Cash and cash equivalents</b>					
Cash on hand		<b>9 029 413</b>	5 884 419	-	-
Cash at bank		<b>94 469 520</b>	240 954 242	<b>219 835</b>	201 670
Bank overdrafts		<b>103 498 933</b>	246 838 661	<b>219 835</b>	201 670
		<b>(45 660 027)</b>	(31 708 643)	-	-
		<b>57 838 906</b>	215 130 018	<b>219 835</b>	201 670

The Group has the following banking facilities

- P23 000 000 overdraft facility from Barclays Bank of Botswana Limited secured by a cross company guarantee of P27 000 000 issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of Barclays Bank of Botswana Limited over all movable assets limited to P27 000 000 issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date P22 712 101 (2013: P21 833 197) of this facility was utilised.
- P40 000 000 overdraft facility from Standard Chartered Bank Botswana Limited secured by a cross guarantee of P34 411 200 issued by Choppies Enterprises Limited. At the reporting date P22 947 926 (2013: P9 875 446) of this facility was utilised.
- P100 000 000 term loan facility from Botswana Investment Fund Management Capital (Bifm Capital). At the reporting date P35 000 000 (2013: P35 000 000) of this facility was utilised. Refer note 14 for security details.
- The banking facilities have been granted to Choppies Distribution Centre (Pty) 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.

In BWP	Group		Company	
	2014	2013	2014	2013
<b>13. Stated capital and preference shares</b>				
<b>13.1 Stated capital</b>				
1174 207 583 issued ordinary shares at no par value				
The holders of ordinary 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>13.2 Preference shares</b>				
635 000 (2013: 610 000) preference shares at 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. No dividends were declared or paid to preference shareholders during the current or previous financial year.				
Reconciliation of preference shares:				
	Group 2014		Group 2013	
	Shares	Value	Shares	Value
Preference shares at beginning of year	<b>610 000</b>	85 165	<b>550 000</b>	85 060
Preference shares issued during year	<b>25 000</b>	135	<b>60 000</b>	105
Preference shares at end of year	<b>635 000</b>	85 300	<b>610 000</b>	85 165

### 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 monitors the return on capital as well as the level of dividends to ordinary and preference share 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.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2014

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	In BWP	Group	
		2014	2013
<b>14. Long-term borrowings</b>			
Bank of Baroda Botswana Limited	<b>186 897</b>	488 379	
Botswana Investment Fund Management Capital	<b>35 000 000</b>	35 000 000	
Bank Gaborone Limited	<b>-</b>	3 653 414	
Scania Finance South Africa Limited	<b>48 963 713</b>	46 008 431	
WesBank Botswana Limited	<b>65 809 623</b>	1 272 882	
Botswana Power Corporation	<b>45 941</b>	72 809	
Standard Bank South Africa Limited	<b>57 804</b>	139 594	
Barclays Bank of Botswana Limited	<b>126 286 476</b>	-	
Less: Current portion transferred to current liabilities	<b>276 350 454</b>	86 635 509	
	<b>(66 186 147)</b>	(26 254 446)	
	<b>210 164 307</b>	60 381 063	

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 P330 244 (2013: P461 611). These liabilities bear interest at the Botswana prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

### Botswana Investment Fund Management Capital (Bifm Capital)

#### Promissory notes:

Bifm subscribed to two (2) Promissory Notes, A & B issued by Winforever Investments (Pty) 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 (Pty) 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.

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

**Bank Gaborone Limited**

**Finance lease liabilities:**

- Unlimited surety by Ramachandran Ottapathu, 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 bore interest at the Botswana prime lending rate per annum and were repayable in 48 monthly instalments.

This facility was repaid and closed during the current financial year.

**Scania Finance South Africa Limited**

**Finance lease liabilities:**

These lease liabilities are secured over motor vehicles with a net book value of P49 654 574 (2013: P52 169 150) and plant and equipment with a net book value of P11 752 759 (2013: P2 603 116). These liabilities bear interest at the South African 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 P654 843 (2013: P1 107 196) and an aircraft with a net book value of P69 650 140 (2013: Pnil). These liabilities bear interest at the Botswana prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

**Botswana Power Corporation**

This balance is unsecured and bears interest at the Botswana prime lending rate less 0.25%, being repayable in 60 equal monthly instalments of P4 708 each, commencing 26 March 2010.

**Standard Bank South Africa Limited**

**Finance lease liabilities:**

The finance lease liability is secured over a motor vehicle with a net book value P53 617 (2013: P130 961). This liability bears interest at the South African prime lending rate per annum and is repayable in 60 monthly instalments.

**Barclays Bank of Botswana Limited**

**Finance lease liabilities:**

The facility is for USD15 000 000 for capital expenditure relating to the expansion of retail stores in Zimbabwe with the following conditions:

- Interest of 350 basis points above the benchmark rate (benchmark rate being three-month USD LIBOR rate).
- Quarterly repayments of USD274,221.74 over five years commencing 1 April 2014.
- Secured by an unlimited guarantee provided by Choppies Enterprises Limited.

## Notes to the annual financial statements (continued)

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	In BWP	Group	
		2014	2013
<b>15. Deferred operating lease liabilities</b>			
Opening balance		<b>23 111 234</b>	18 432 910
Charge for the year		<b>15 311 058</b>	4 678 324
Closing balance		<b>38 422 292</b>	23 111 234
The deferred operating lease liabilities reverse as follows:			
Within 1 year		<b>4 139 340</b>	2 850 369
2 - 5 years		<b>21 875 105</b>	14 744 279
6 - 10 years		<b>12 407 847</b>	5 516 586
Current portion of deferred operating lease liabilities		<b>38 422 292</b>	23 111 234
Non-current portion of deferred operating lease liabilities		<b>4 139 340</b>	2 850 369
The following future non-cancellable minimum lease rentals for premises occupied by the group are payable at the reporting date:		<b>34 282 952</b>	20 260 865
Within 1 year		<b>38 422 292</b>	23 111 234
2 - 5 years			
6 - 10 years			
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. Rental charges under these contracts escalate at fixed percentages of 5% to 10% per annum. Rentals comprise minimum monthly payments.			
		<b>106 804 964</b>	77 596 875
		<b>353 151 752</b>	241 666 025
		<b>178 336 268</b>	87 492 571
		<b>638 292 984</b>	406 755 471

	In BWP	Group		Company	
		2014	2013	2014	2013
<b>16. Trade and other payables</b>					
Trade payables		<b>382 345 020</b>	350 330 114	<b>-</b>	-
VAT payable		<b>2 099 997</b>	6 518 752	<b>-</b>	-
Withholding tax payable		<b>2 328 194</b>	1 721 158	<b>-</b>	-
Other payables		<b>17 386 127</b>	15 422 994	<b>233 822</b>	57 015
		<b>404 159 338</b>	373 993 018	<b>233 822</b>	57 015

### 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 in 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.

## 17. Financial instruments (continued)

### 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:

In BWP	Group	
	2014	2013
<b>Botswana</b>		
WesBank Botswana Limited	<b>Prime less 2%</b>	Prime less 2%
Bank of Baroda (Botswana) Limited	<b>Prime less 1%</b>	Prime less 1%
Bank overdrafts	<b>6.50%</b>	7.50%
Bank Gaborone Limited	<b>Prime lending rate</b>	Prime lending rate
Botswana Investment Fund Management	<b>12.00%</b>	12.00%
Capital (Bifm capital)	<b>Prime less 0.25%</b>	Prime less 0.25%
Botswana Power Corporation	<b>Prime less 2%</b>	Prime less 2%
<b>South Africa</b>	<b>Prime lending rate</b>	Prime lending rate
Scania Finance South Africa Limited	<b>3.5% above 3 month LIBOR rate</b>	-
Standard Bank South Africa Limited		
<b>Zimbabwe</b>		
Barclays Bank of Botswana Limited	<b>4.00% to 6.00%</b>	4.00% to 6.00%
<b>Botswana</b>	<b>3.00%</b>	3.00%
Call account denominated in BWP	<b>5.50% to 7.00%</b>	5.50% to 7.00%
Call account denominated in foreign currencies		
Fixed deposits with banks		

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

In BWP	Group	
	2014	2013
<b>Long-term borrowings</b>		
Bank overdrafts	<b>(276 350 454)</b>	(86 635 509)
Call accounts denominated in BWP	<b>(45 660 027)</b>	(31 708 643)
Call accounts denominated in foreign currencies	<b>15 694 436</b>	25 838 851
Fixed deposits with banks	<b>4 114 237</b>	5 280 271
	<b>1 079 914</b>	149 540 975
<b>Long-term borrowings</b>		
Bank overdrafts	<b>(1 381 752)</b>	(433 178)
Call accounts denominated in BWP	<b>(228 300)</b>	(158 543)
Call accounts denominated in foreign currencies	<b>78 472</b>	129 194
Fixed deposits with banks	<b>20 571</b>	26 401
	<b>5 400</b>	747 705
<b>Net (decrease)/increase in profit before taxation</b>	<b>(1 505 609)</b>	311 579

A decrease 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.

## Notes to the annual financial statements (continued)

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### 17. Financial instruments (continued)

#### 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,
- 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 is summarised as follows:

In BWP	Group		Company	
	2014	2013	2014	2013
Trade receivables	<b>38 412 510</b>	18 088 033	-	-
Other receivables	<b>45 670 200</b>	33 518 130	<b>18 792</b>	-
Advances and deposits	<b>53 872 087</b>	54 761 254	-	-
Amounts due from related entities	<b>5 335 757</b>	4 521 641	<b>121 747 140</b>	136 129 285
Bank balances	<b>94 469 520</b>	240 954 242	<b>219 835</b>	201 670
	<b>237 760 074</b>	351 843 300	<b>121 985 767</b>	136 330 955

The ageing of trade receivables (group) at the reporting date is analysed as follows:

In BWP	2014		2013	
	2014	2013	2014	2013
Not past due	<b>6 834 914</b>	8 671 319	-	-
Past due 1 - 30 days	<b>2 117 674</b>	3 444 983	-	-
Past due 31 - 120 days	<b>29 459 922</b>	5 971 731	-	-
	<b>38 412 510</b>	18 088 033	-	-

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

## 17. Financial instruments (continued)

### 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 financial instruments are classified as non-derivative financial liabilities:

In BWP	Group		Company	
	2014	2013	2014	2013
Long-term borrowings	276 350 454	86 635 509	-	-
Amounts due to related entities	101 404 205	33 486 110	13 677 666	13 527 666
Bank overdrafts	45 660 027	31 708 643	-	-
Trade payables	382 345 020	350 330 114	-	-
Other payables	17 386 127	15 422 994	233 822	57 015
	<b>823 145 833</b>	<b>517 583 370</b>	<b>13 911 488</b>	<b>13 584 681</b>

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

In BWP	Carrying amount	Contractual cash flows	12 months or less	More than 1 Year
			(66 186 147)	(210 164 307)
<b>Group 2014</b>	<b>276 350 454</b>	<b>(276 350 454)</b>	<b>(66 186 147)</b>	<b>(210 164 307)</b>
Long-term borrowings	276 350 454	(276 350 454)	(66 186 147)	(210 164 307)
Amounts due to related entities	101 404 205	(101 404 205)	(101 404 205)	-
Bank overdrafts	45 660 027	(45 660 027)	(45 660 027)	-
Trade payables	382 345 020	(382 345 020)	(382 345 020)	-
Other payables	17 386 127	(17 386 127)	(17 386 127)	-
	<b>823 145 833</b>	<b>(823 145 833)</b>	<b>(612 981 526)</b>	<b>(210 164 307)</b>
<b>Group 2013</b>				
Long-term borrowings	86 635 509	(86 635 509)	(26 254 446)	(60 381 063)
Amounts due to related entities	33 486 110	(33 486 110)	(33 486 110)	-
Bank overdrafts	31 708 643	(31 708 643)	(31 708 643)	-
Trade payables	350 330 114	(350 330 114)	(350 330 114)	-
Other payables	15 422 994	(15 422 994)	(15 422 994)	-
	517 583 370	(517 583 370)	(457 202 307)	(60 381 063)
<b>Company 2014</b>				
Amounts due to related entities	13 677 666	(13 677 666)	(13 677 666)	-
Other payables	233 822	(233 822)	(233 822)	-
	<b>13 911 488</b>	<b>(13 911 488)</b>	<b>(13 911 488)</b>	<b>-</b>
<b>Company 2013</b>				
Amounts due to related entities	13 527 666	(13 527 666)	(13 527 666)	-
Other payables	57 015	(57 015)	(57 015)	-
	13 584 681	(13 584 681)	(13 584 681)	-

## Notes to the annual 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 BWP. These transactions mainly relate 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:

In BWP	Foreign currency amount	BWP equivalent
<b>Group 2014</b>		
South African Rand denominated assets – balances with banks	19 736 721	16 440 384
United States Dollar denominated assets – balances with banks	956 251	8 693 187
British Pound Sterling denominated assets – balances with banks	150 794	2 287 086
South African Rand denominated liabilities	(222 794 423)	(190 178 765)
United States Dollar denominated liabilities	(16 055 115)	(141 081 854)
Net exposure		(303 839 962)
<b>Group 2013</b>		
South African Rand denominated assets – balances with banks	20 844 677	18 770 533
United States Dollar denominated assets – balances with banks	335 391	2 942 024
British Pound Sterling denominated assets – balances with banks	150 789	2 004 945
South African Rand denominated liabilities	(218 391 067)	(196 660 123)
Net exposure		(172 942 621)
<b>In BWP</b>	<b>2014</b>	<b>2013</b>
Year-end translation rates:		
South African Rand exchange rate	1.2190	1.1105
United States Dollar exchange rate	0.1138	0.1140
British Pound Sterling exchange rate	0.0659	0.0752

A 10% weakening of the BWP against the above mentioned foreign currencies at the reporting date would have decreased the group's profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	In BWP	BWP
<b>17. Financial instruments (continued)</b>		
<b>Foreign currency risk (continued)</b>		
<b>Group 2014</b>		
South African Rand denominated assets – balances with banks		<b>1 494 579</b>
United States Dollar denominated assets – balances with banks		<b>790 289</b>
British Pound Sterling denominated assets – balances with banks		<b>207 917</b>
South African Rand denominated liabilities		<b>(17 288 961)</b>
United States Dollar denominated liabilities		<b>(12 825 610)</b>
<b>Net decrease in profit before taxation</b>		<b>(27 621 786)</b>
<b>Group 2013</b>		
South African Rand denominated assets – balances with banks	1 706 412	
United States Dollar denominated assets – balances with banks	267 457	
British Pound Sterling denominated assets – balances with banks	182 268	
South African Rand denominated liabilities	(17 878 193)	
<b>Net decrease in profit before taxation</b>		<b>(15 722 056)</b>

A 10% strengthening of the BWP against the above mentioned currencies at the reporting date would have had an equal but opposite effect on the group's profit before taxation to the amounts shown above.

## 18. Fair values

The group 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.

## Notes to the annual financial statements (continued)

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*In BWP*

### 18. Fair values (continued)

#### Analysis of group's assets and liabilities:

##### Group 2014

###### Assets

Property, plant and equipment	597 039 928
Deferred taxation	15 217 237
Goodwill	454 041 764
Inventories	407 871 118
Investments	28 511 664
Advances and deposits	53 872 087
Trade and other receivables	84 082 710
Amounts due from related entities	5 335 757
Cash and cash equivalents	103 498 933

###### Total

597 039 928  
15 217 237  
454 041 764  
407 871 118  
28 511 664  
53 872 087  
84 082 710  
5 335 757  
103 498 933  
1 749 471 198

###### Liabilities

Long-term borrowings	276 350 454
Trade and other payables	404 159 338
Amounts due to related entities	101 404 205
Taxation payable	14 151 526
Deferred lease liabilities	38 422 292
Bank overdrafts	45 660 027

276 350 454  
404 159 338  
101 404 205  
14 151 526  
38 422 292  
45 660 027  
880 147 842

###### Total

#### Analysis of group's assets and liabilities:

##### Group 2013

###### Assets

Property, plant and equipment	346 611 836
Deferred taxation	14 108 564
Goodwill	301 239 209
Inventories	265 534 517
Investments	21 314 043
Advances and deposits	54 761 254
Trade and other receivables	51 606 163
Amounts due from related entities	4 521 641
Cash and cash equivalents	246 838 661

346 611 836  
14 108 564  
301 239 209  
265 534 517  
21 314 043  
54 761 254  
51 606 163  
4 521 641  
246 838 661  
1 306 535 888

###### Total

###### Liabilities

Long-term borrowings	86 635 509
Trade and other payables	373 993 018
Amounts due to related entities	33 486 110
Taxation payable	19 000 528
Deferred lease liabilities	23 111 234
Bank overdrafts	31 708 643

86 635 509  
373 993 018  
33 486 110  
19 000 528  
23 111 234  
31 708 643  
567 935 042

###### Total

The fair values of financial assets and liabilities are equal to the carrying values

Financial assets and liabilities				Current/non-current distinction	
Financial assets designated at fair value	Loans and receivables	Other assets and liabilities	Financial assets/liabilities at amortised costs	Current assets and liabilities	Non-current assets and liabilities
-	-	<b>597 039 928</b>	-	-	<b>597 039 928</b>
-	-	<b>15 217 237</b>	-	-	<b>15 217 237</b>
-	-	<b>454 041 764</b>	-	-	<b>454 041 764</b>
-	-	<b>407 871 118</b>	-	<b>407 871 118</b>	-
<b>2 900</b>	-	<b>28 508 764</b>	-	<b>2 900</b>	<b>28 508 764</b>
-	<b>53 872 087</b>	-	-	<b>53 872 087</b>	-
-	<b>84 082 710</b>	-	-	<b>84 082 710</b>	-
-	<b>5 335 757</b>	-	-	<b>5 335 757</b>	-
-	<b>103 498 933</b>	-	-	<b>103 498 933</b>	-
<b>2 900</b>	<b>246 789 487</b>	<b>1 502 678 811</b>	-	<b>654 663 505</b>	<b>1 094 807 693</b>
-	-	-	<b>276 350 454</b>	<b>66 186 147</b>	<b>210 164 307</b>
-	-	-	<b>404 159 338</b>	<b>404 159 338</b>	-
-	-	-	<b>101 404 205</b>	<b>101 404 205</b>	-
-	-	<b>14 151 526</b>	-	<b>14 151 526</b>	-
-	-	<b>38 422 292</b>	-	<b>4 139 340</b>	<b>34 282 952</b>
-	-	-	<b>45 660 027</b>	<b>45 660 027</b>	-
-	-	<b>52 573 818</b>	<b>827 574 024</b>	<b>635 700 583</b>	<b>244 447 259</b>
-	-	<b>346 611 836</b>	-	-	<b>346 611 836</b>
-	-	<b>14 108 564</b>	-	-	<b>14 108 564</b>
-	-	<b>301 239 209</b>	-	-	<b>301 239 209</b>
-	-	<b>265 534 517</b>	-	<b>265 534 517</b>	-
<b>2 900</b>	-	<b>21 311 143</b>	-	<b>2 900</b>	<b>21 311 143</b>
-	<b>54 761 254</b>	-	-	<b>54 761 254</b>	-
-	<b>51 606 163</b>	-	-	<b>51 606 163</b>	-
-	<b>4 521 641</b>	-	-	<b>4 521 641</b>	-
-	<b>246 838 661</b>	-	-	<b>246 838 661</b>	-
<b>2 900</b>	<b>357 727 719</b>	<b>948 805 269</b>	-	<b>623 265 136</b>	<b>683 270 752</b>
-	-	-	<b>86 635 509</b>	<b>26 254 446</b>	<b>60 381 063</b>
-	-	-	<b>373 993 018</b>	<b>373 993 018</b>	-
-	-	-	<b>33 486 110</b>	<b>33 486 110</b>	-
-	-	<b>19 000 528</b>	-	<b>19 000 528</b>	-
-	-	<b>23 111 234</b>	-	<b>2 850 369</b>	<b>20 260 865</b>
-	-	-	<b>31 708 643</b>	<b>31 708 643</b>	-
-	-	<b>42 111 762</b>	<b>525 823 280</b>	<b>487 293 114</b>	<b>80 641 928</b>

## Notes to the annual financial statements (continued)

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		In BWP	Total
<b>18. Fair values (continued)</b>			
	<b>Company 2014</b>		
	<b>Assets</b>		
Investments in subsidiaries		340 325 395	
Amounts due from related entities		121 747 140	
Cash and cash equivalents		219 835	
Total		462 292 370	
	<b>Liabilities</b>		
Other payables		233 822	
Amounts due to related entities		13 677 666	
<b>Total</b>		<b>13 911 488</b>	
	<b>Company 2013</b>		
	<b>Assets</b>		
Investments in subsidiaries		325 840 529	
Amounts due from related entities		136 129 285	
Cash and cash equivalents		201 670	
Total		462 171 484	
	<b>Liabilities</b>		
Other payables		57 015	
Amounts due to related entities		13 527 666	
<b>Total</b>		<b>13 584 681</b>	

The fair values of financial assets and liabilities are equal to the carrying values

## Financial assets and liabilities Current/non-current distinction

	<b>Financial assets designated at fair value</b>	<b>Loans and receivables</b>	<b>Other assets and liabilities</b>	<b>Financial assets/liabilities at amortised costs</b>	<b>Current assets and liabilities</b>	<b>Non-current assets and liabilities</b>
	-	-	<b>340 325 395</b>	-	-	<b>340 325 395</b>
	-	<b>121 747 140</b>	-	-	<b>121 747 140</b>	-
	-	<b>219 835</b>	-	-	<b>219 835</b>	-
	-	<b>121 966 975</b>	<b>340 325 395</b>	-	<b>121 966 975</b>	<b>340 325 395</b>
	-	-	-	<b>233 822</b>	<b>233 822</b>	-
	-	-	-	<b>13 677 666</b>	<b>13 677 666</b>	-
	-	-	-	<b>13 911 488</b>	<b>13 911 488</b>	-
	-	-	325 840 529	-	-	325 840 529
	-	136 129 285	-	-	136 129 285	-
	-	201 670	-	-	201 670	-
	-	136 330 955	325 840 529	-	136 330 955	325 840 529
	-	-	-	57 015	57 015	-
	-	-	-	13 527 666	13 527 666	-
	-	-	-	13 584 681	13 584 681	-

## Notes to the annual financial statements (continued)

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### 19. Contingent liabilities

The group has the following contingent liabilities at the reporting date:

#### Guarantees:

Choppies Enterprises Limited together with all its subsidiaries have provided a guarantee of P27 000 000 in favour of Barclays Bank of Botswana Limited in respect of an overdraft facility of P23 000 000 and a guarantee of P34 411 200 in favour of Standard Chartered Bank Botswana Limited in respect of an overdraft facility of P40 000 000.

Choppies Enterprises Limited has the following guarantees issued for Nanavac Investments (Private) Limited

Beneficiaries	Expiry date	2014 USD	2013 USD	2014 BWP	2013 BWP
Delta Corporation Limited	Not applicable	<b>800 000</b>	-	<b>7 029 877</b>	-
National Foods Operations Limited	Not applicable	<b>400 000</b>	-	<b>3 514 938</b>	-
		<b>1 200 000</b>	-	<b>10 544 815</b>	-

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

Beneficiaries	Expiry date	2014 Rand	2013 Rand	2014 BWP	2013 BWP
South African Revenue Service	1/1/2030	<b>50 000</b>	60 000	<b>41 017</b>	54 030
Parmalat SA (Pty) Limited	1/1/2030	<b>300 000</b>	300 000	<b>246 103</b>	270 149
Unilever South Africa (Pty) Limited	1/1/2030	<b>500 000</b>	500 000	<b>410 172</b>	450 248
Coca Cola Fortune (Pty) Limited	1/1/2030	<b>600 000</b>	360 000	<b>492 207</b>	324 178
Tshwane Fresh Produce Market (Pty) Limited	1/1/2030	<b>500 000</b>	500 000	<b>410 172</b>	450 248
Blinkwater Mills (Pty) Limited	1/1/2030	<b>250 000</b>	-	<b>205 086</b>	-
		<b>2 200 000</b>	1 720 000	<b>1 804 757</b>	1 548 853

## 20. Investment in subsidiaries

Choppies Enterprises Limited held the following interests in the stated capital of subsidiaries consolidated into these financial statements. Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The investments are measured at the cost of stated capital less impairment. The historical financial performance as well as the present value of reasonably estimated 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 (2013: nil).

In BWP	2014		2013	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
<b>Name</b>				
Abbas Enterprises (Pty) Limited	100%	3 000	100%	3 000
Accrete Investments (Pty) Limited	100%	100	100%	100
Amphora (Pty) Limited	100%	100	100%	100
Asklite (Pty) Limited	100%	100	100%	100
Atladis (Pty) Limited	100%	100	100%	100
Beavers Investments (Pty) Limited	100%	4 779 146	100%	4 779 146
Bell Garden (Pty) Limited	100%	100	-	-
Bestlite Investments (Pty) Limited	100%	100	100%	100
Bowerbird (Pty) Limited	100%	2 364 913	100%	2 364 913
Catbird (Pty) Limited	100%	100	100%	100
Chathley Enterprises (Pty) Limited	100%	5 035 746	100%	5 035 746
Choppies Distribution Centre (Pty) Limited	100%	100	100%	100
<b>Balance carried forward</b>		<b>12 183 605</b>		12 183 505

## Notes to the annual financial statements (continued)

for the year ended 30 June 2014

	In BWP	2014		2013	
		% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
<b>20. Investment in subsidiaries (continued)</b>					
<b>Name</b>					
<b>Balance brought forward</b>			<b>12 183 605</b>		12 183 505
Choppies Supermarkets SA (Pty) Limited		100%	<b>266 686 757</b>	100%	266 686 757
Choppies Warehousing Services (Pty) Limited		100%	<b>900</b>	100%	900
Daisy Gardens (Pty) Limited		100%	<b>290 273</b>	100%	290 273
Deluxe (Pty) Limited		100%	<b>5 778 525</b>	100%	5 778 525
Dostana Investments (Pty) Limited		100%	<b>1 000</b>	100%	1 000
Enchanted Oaks (Pty) Limited		100%	<b>100</b>	-	-
Flowting Ideas (Pty) Limited		100%	<b>100</b>	100%	100
F & A Enterprises (Pty) Limited		100%	<b>734 973</b>	100%	734 973
Freshtake Holdings (Pty) Limited		100%	<b>4 033 916</b>	100%	4 033 916
Ganga (Pty) Limited		100%	<b>1 000</b>	-	-
Genuine Passions (Pty) Limited		100%	<b>688 755</b>	100%	688 755
Gobrand Holdings (Pty) Limited		100%	<b>100</b>	100%	100
Golden Irish (Pty) Limited		100%	<b>100</b>	-	-
Godavari (Pty) Limited		100%	<b>100</b>	100%	100
Gritnit (Pty) Limited		100%	<b>100</b>	100%	100
Hoovernit (Pty) Limited		100%	<b>100</b>	100%	100
Highland Haven (Pty) Limited		100%	<b>100</b>	100%	100
Himalayas (Pty) Limited		100%	<b>100</b>	100%	100
Jarapino Ventures (Pty) Limited		100%	<b>100</b>	100%	100
Jobfine Holdings (Pty) Limited		100%	<b>100</b>	100%	100
Kaar Distributors & Marketing Services (Pty) Limited		100%	<b>2 170 082</b>	100%	2 170 082
Kanye Friendly Grocer (Pty) Limited		100%	<b>439 264</b>	100%	439 264
Leaf Motifs (Pty) Limited		100%	<b>100</b>	100%	100
Lisboa Trading (Pty) Limited		100%	<b>3 017 120</b>	100%	3 017 120
Macha Investments (Pty) Limited		100%	<b>2 489 757</b>	100%	2 489 757
Mafila Holdings (Pty) Limited		100%	<b>150 000</b>	-	-
Million Touch (Pty) Limited		100%	<b>100</b>	100%	100
Motopi Holdings (Pty) Limited		100%	<b>3 365 538</b>	100%	3 365 538
Naivasha (Pty) Limited		100%	<b>100</b>	100%	100
Nanavac Investments (Private) Limited		49%	<b>855</b>	-	-
Ndongolela Investments (Pty) Limited		100%	<b>100</b>	100%	100
New Page (Pty) Limited		100%	<b>100</b>	100%	100
Ollur Investments (Pty) Limited		100%	<b>2 005 193</b>	100%	2 005 193
Ourluck Investment (Pty) Limited		100%	<b>425 020</b>	100%	425 020
Pucko Investments (Pty) Limited (Mochudi)		100%	<b>2 849 148</b>	100%	2 849 148
Pearland (Pty) Limited		100%	<b>100</b>	100%	100
Right Time Holdings (Pty) Limited		100%	<b>100</b>	100%	100
Rigel (Pty) Limited		100%	<b>100</b>	100%	100
S & F Enterprises (Pty) Limited		100%	<b>100</b>	100%	100
Sarfrosh Holdings (Pty) Limited		100%	<b>16 331 720</b>	100%	16 331 720
Shopper's Paradise (Pty) Limited		100%	<b>1 300 000</b>	100%	1 300 000
Smoothsail Holdings (Pty) Limited		100%	<b>100</b>	100%	100
<b>Balance carried forward</b>			<b>324 945 501</b>		324 793 346

In BWP	2014		2013	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
<b>20. Investment in subsidiaries (continued)</b>				
<b>Name</b>				
<b>Balance brought forward</b>		<b>324 945 501</b>		324 793 346
Spin and Shine (Pty) Limited	100%	100	-	-
Summer Queen (Pty) Limited	100%	100	100%	100
Sunrise Holdings (Pty) Limited	100%	239 247	100%	239 247
SupaSave (Pty) Limited & MegaSave (Pty) Limited	100%	14 332 511	-	-
Taffeta Roses (Pty) Limited	100%	100	100%	100
Tampatrain Investments (Pty) Limited	100%	100	100%	100
Tanglewood (Pty) Limited	100%	100	-	-
To Domore Holdings (Pty) Limited	100%	100	100%	100
Topshape Holdings (Pty) Limited	100%	1 000	100%	1 000
Torinby Investments (Pty) Limited	100%	100	100%	100
Roadtight (Pty) Limited	100%	100	100%	100
Velocity (Pty) Limited	100%	100	100%	100
Walrus (Pty) Limited	100%	100	100%	100
Wayside Supermarket (Pty) Limited	100%	805 936	100%	805 936
White Baite (Pty) Limited	100%	100	100%	100
Well Done (Pty) Limited	100%	100	100%	100
		<b>340 325 395</b>		325 840 529
<b>In BWP</b>	Group		2014	
<b>21. Basic and diluted earnings per share – Thebe</b>	2014		2013	
Basic and diluted (refer to note 21.1)	<b>14.30</b>		13.06	
<b>21.1 Basic and diluted earnings per share</b>			<b>167 881 985</b>	
The calculation of basic and diluted earnings per share is based on:			153 300 978	
Basic earnings (profit for the year) – in BWP				
Number of shares			<b>1 174 207 583</b>	
The weighted average number of ordinary shares in issue during the year			1 174 207 583	
<b>21.2 Dividend per share – Thebe</b>	Group and company		2014	
Dividend declared and paid	<b>4.25</b>		3.67	
Ordinary shares eligible for dividend	<b>49 924 988</b>		43 143 909	
	<b>1 174 207 583</b>		1 174 207 583	

## Notes to the annual financial statements (continued)

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### 22. Segmental report

#### Group

Operating segments are identified based on financial information regularly reviewed by the Choppies Enterprises Limited chief executive officer (identified as the chief operating decision maker of the group for IFRS 8 reporting purposes) for performance assessments and resource allocations.

The group has three operating segments, as described below, which are the group's strategic divisions. Operating segments are disclosed by geographical regions.

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.

**Botswana** - Retail of fast moving consumer goods in Botswana. The business is supported by and includes a warehouse and service companies.

**South Africa** - Retail of fast moving consumer goods in South Africa. The business is supported by and includes a warehousing company.

**Zimbabwe** - Retail of fast moving consumer goods in Zimbabwe.

In BWP	Botswana	South Africa	Zimbabwe	Total per annual financial statements
<b>2014</b>				
<b>Statement of profit or loss and other comprehensive income</b>				
Revenue:				
Trading income	<b>3 586 392 228</b>	<b>1 001 693 079</b>	<b>424 332 481</b>	<b>5 012 417 788</b>
Other income	<b>7 324 613</b>	<b>1 225 640</b>	<b>179 162</b>	<b>8 729 415</b>
<b>Total segment revenue</b>	<b>3 593 716 841</b>	<b>1 002 918 719</b>	<b>424 511 643</b>	<b>5 021 147 203</b>
<b>Reportable segment gross profit</b>	<b>789 151 704</b>	<b>203 053 559</b>	<b>86 865 586</b>	<b>1 079 070 849</b>
Reportable segment profit/(loss) before taxation	<b>233 623 458</b>	<b>(28 524 729)</b>	<b>24 335 707</b>	<b>229 434 436</b>
	<b>178 023 241</b>	<b>(19 056 220)</b>	<b>18 193 804</b>	<b>177 160 825</b>
<b>Statement of financial position</b>				
Reportable segment assets	<b>1 124 217 127</b>	<b>347 587 589</b>	<b>277 666 482</b>	<b>1 749 471 198</b>
Reportable segment liabilities	<b>524 979 134</b>	<b>112 809 044</b>	<b>242 359 664</b>	<b>880 147 842</b>
<b>2013</b>				
<b>Statement of profit or loss and other comprehensive income</b>				
Revenue:				
Trading income	3 092 512 759	936 313 241	-	4 028 826 000
Other income	5 741 810	528 905	-	6 270 715
<b>Total segment revenue</b>	<b>3 098 254 569</b>	<b>936 842 146</b>	<b>-</b>	<b>4 035 096 715</b>
<b>Reportable segment gross profit</b>	<b>640 747 721</b>	<b>181 220 442</b>	<b>-</b>	<b>821 968 163</b>
Reportable segment profit/(loss) before taxation	<b>200 500 998</b>	<b>(1 608 314)</b>	<b>-</b>	<b>198 892 684</b>
Reportable segment profit after taxation	<b>153 109 012</b>	<b>191 966</b>	<b>-</b>	<b>153 300 978</b>
<b>Statement of financial position</b>				
Reportable segment assets	1 057 025 414	249 510 474	-	1 306 535 888
Reportable segment liabilities	305 704 566	262 230 476	-	567 935 042

### 23. Financial support

Choppies Distribution Centre (Pty) 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 (Pty) 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 at the reporting date for each of the companies are summarised as follows:

In BWP	2014	2013
<b>Subsidiary</b>		
Amphora (Pty) Limited	<b>42 066</b>	-
Bell Garden (Pty) Limited	<b>1 663 681</b>	-
Choppies Supermarket SA (Pty) Limited – ZAR	<b>36 763 994</b>	9 930 682
Enchanted Oaks (Pty) Limited	<b>552 449</b>	-
Golden Irish (Pty) Limited	<b>544 526</b>	-
Highland Haven (Pty) Limited	<b>3 925 181</b>	3 225 148
Leaf Motifs (Pty) Limited	<b>925 033</b>	1 455 524
Mafila Holdings (Pty) Limited	<b>3 121 364</b>	-
MegaSave (Pty) Limited	<b>6 143 576</b>	-
Million Touch (Pty) Limited	<b>689 764</b>	728 572
Pearland (Pty) Limited	<b>398 427</b>	1 528 667
Spin and Shine (Pty) Limited	<b>358 440</b>	-
Summer Queen (Pty) Limited	<b>230 704</b>	429 022
SupaSave (Pty) Limited	<b>9 849 344</b>	-
Taffeta Roses (Pty) Limited	-	383 671
Tanglewood (Pty) Limited	<b>258 729</b>	-
Welldone (Pty) Limited	-	10 626 930
White Baite (Pty) Limited	-	521 325

In BWP	2014	2013
<b>Group</b>		
<b>24. Details of related-party balances and transactions</b>		
<b>24.1 Amounts due from related entities</b>		
<b>Name</b>		
Browalia (Pty) Limited	<b>346 677</b>	350 135
Electrometric Enterprises (Pty) Limited	<b>25 894</b>	-
Fantique Trade (Pty) Limited	<b>1 550</b>	-
Montrose Investments (Pty) Limited	<b>2 019 819</b>	1 973 334
Navy Blue (Pty) Limited	<b>117 066</b>	117 066
Princeton (Pty) Limited	<b>1 783 304</b>	2 081 106
Strides of Success (Pty) Limited	<b>1 017 411</b>	-
ZCX Investments (Pty) Limited	<b>24 036</b>	-
<b>Total</b>	<b>5 335 757</b>	4 521 641

These balances are unsecured, interest free and repayable on demand.

## Notes to the annual financial statements (continued)

for the year ended 30 June 2014

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In BWP	Group	
	2014	2013
<b>24. Details of related-party balances and transactions (continued)</b>		
<b>24.2 Amounts due to related entities</b>		
<b>Name</b>		
The FAR Property Company (Pty) Limited	<b>3 195</b>	63 020
Angarappa (Pty) Limited	<b>426 848</b>	283 490
Cascade Avenue (Pty) Limited	<b>449</b>	-
Electrometric Enterprises (Pty) Limited	<b>-</b>	103 188
Feasible Investments (Pty) Limited	<b>464 250</b>	1 042 261
Honey Guide (Pty) Limited	<b>2 653 613</b>	6 082 496
ILO Industries (Pty) Limited	<b>5 655 045</b>	2 255 655
Keriotic Investments (Pty) Limited	<b>23 860 970</b>	16 252 984
Mediland Healthcare Distributors (Pty) Limited	<b>148 446</b>	68 775
Mont Catering and Refrigeration (Pty) Limited	<b>169 001</b>	3 109 297
Real Plastics & Moulds (Pty) Limited	<b>739 970</b>	1 457 020
SAI Enterprise (Private) Limited	<b>65 636 311</b>	-
Solace (Pty) Limited	<b>855 596</b>	920 000
Vet Agric Supplies (Pty) Limited	<b>571 540</b>	1 477 734
Weal (Pty) Limited	<b>218 971</b>	370 190
<b>Total</b>	<b>101 404 205</b>	33 486 110

These balances are trading related, are at arm's length and are unsecured and interest free and are payable under normal trading terms.

In BWP	Company	
	2014	2013
<b>24.3 Amounts due from related entities</b>		
<b>24.4 Amounts due to related entities</b>		
Beavers Investments (Pty) Limited	<b>396 667</b>	396 667
Choppies Distribution Centre (Pty) Limited	<b>75 505 889</b>	135 333 184
Daisy Gardens (Pty) Limited	<b>196 640</b>	196 640
Kanye Friendly Grocer (Pty) Limited	<b>202 794</b>	202 794
Nanavac Investments (Pty) Limited	<b>17 879 145</b>	-
SupaSave (Pty) Limited	<b>21 422 429</b>	-
MegaSave (Pty) Limited	<b>6 143 576</b>	-
<b>Total</b>	<b>121 747 140</b>	136 129 285
Chathley Enterprises (Pty) Limited	<b>5 035 746</b>	5 035 746
F & A Enterprises (Pty) Limited	<b>3 576 273</b>	3 576 273
Kaar Distributors & Marketing Services (Pty) Limited	<b>2 170 082</b>	2 170 082
Macha Investments (Pty) Limited	<b>2 489 757</b>	2 489 757
Mafila Holdings (Pty) Limited	<b>150 000</b>	-
Walrus (Pty) Limited	<b>255 808</b>	255 808
<b>Total</b>	<b>13 677 666</b>	13 527 666

These balances are trading related, are at arm's length and are unsecured and interest free and are payable under normal trading terms.

		Group	
	Nature of transactions	2014	2013
<b>24. Details of related-party balances and transactions (continued)</b>			
<b>24.5 Related-party transactions</b>			
<b>Name</b>			
Angarappa (Pty) Limited	Purchase of capital goods	<b>10 841 355</b>	6 973 056
Angarappa (Pty) Limited	Sale of stock	<b>2 758 775</b>	1 498 537
Bagpiper (Pty) Limited	Sale of stock	-	125 656
Browalia (Pty) Limited	Purchase of goods	<b>151 388</b>	164 062
Cascade Avenue (Pty) Limited	Purchase of goods	<b>449</b>	-
Electrometric Enterprises (Pty) Limited	Purchase of goods/services	<b>1 380 492</b>	1 077 318
Electrometric Enterprises (Pty) Limited	Sale of stock	<b>40 180</b>	25 342
Fantique Trade (Pty) Limited	Sale of stock	<b>197 497</b>	-
Feasible Investments (Pty) Limited	Purchase of goods/services	<b>25 189 920</b>	17 179 326
Feasible Investments (Pty) Limited	Sale of stock	<b>1 206 109</b>	418 874
Honey Guide (Pty) Limited	Purchase of goods	<b>40 150 651</b>	39 242 140
Honey Guide (Pty) Limited	Sale of stock	<b>4 706 481</b>	3 925 077
ILO Industries (Pty) Limited	Purchase of goods	<b>65 946 997</b>	52 836 231
ILO Industries (Pty) Limited	Sale of stock	<b>4 549 967</b>	3 800 170
Keriotic Investments (Pty) Limited	Purchase of goods	<b>167 665 418</b>	129 276 899
Keriotic Investments (Pty) Limited	Sale of stock	<b>5 879 465</b>	4 247 750
Mediland Healthcare Distributors (Pty) Limited	Purchase of goods	<b>1 463 822</b>	2 060 300
Mediland Healthcare Distributors (Pty) Limited	Sale of stock	<b>390 073</b>	132 935
Mont Catering and Refrigeration (Pty) Limited	Purchase of capital goods	<b>45 645 921</b>	49 540 719
Mont Catering and Refrigeration (Pty) Limited	Sale of stock	<b>464 447</b>	299 377
Montrose Investments (Pty) Limited	Purchase of goods	<b>634 990</b>	512 893
Montrose Investments (Pty) Limited	Sale of stock	<b>30 936</b>	21 792
Princeton (Pty) Limited	Sale of stock	<b>290 607</b>	169 826
Real Plastics & Moulds (Pty) Limited	Purchase of goods	<b>16 021 120</b>	11 711 047
Real Plastics & Moulds (Pty) Limited	Sale of stock	<b>2 695 769</b>	1 728 030
SAI Enterprise (Private) Limited	Purchase consideration paid	<b>153 985 009</b>	-
SAI Enterprise (Private) Limited	Rental paid	<b>3 315 134</b>	-
Solace (Pty) Limited	Purchase of goods	<b>18 654 325</b>	13 684 180
Solace (Pty) Limited	Sale of stock	<b>1 055 342</b>	421 876
Strides of Success (Pty) Limited	Sale of stock	<b>71 633</b>	-
The FAR Property Company (Pty) Limited	Disposal of properties	-	20 879 509
The FAR Property Company (Pty) Limited	Rental paid	<b>23 843 752</b>	26 522 611
The FAR Property Company (Pty) Limited	Sale of stock	<b>110 598</b>	58 014
Vet Agric Supplies (Pty) Limited	Purchase of goods	<b>53 364 153</b>	35 524 773
Vet Agric Supplies (Pty) Limited	Sale of stock	<b>5 317 424</b>	2 714 658
Weal (Pty) Limited	Purchase of goods	<b>250 505</b>	237 483
Weal (Pty) Limited	Sale of stock	<b>26 269</b>	36 596
ZCX Investments (Pty) Limited	Sale of stock	<b>1 583 377</b>	690 468

The board of directors of Choppies has been advised that, in relation to transactions which are ongoing with certain companies which are jointly majority owned by Mr Ramachandran Ottapathu (Mr Ottapathu) and Mr Farouk Ismail (Mr Ismail), hence making those transactions related-party transactions and the relevant companies related-party companies (the related-party companies), negotiations by Mr Ottapathu and Mr Ismail are at an advanced stage with a consortium of bidders for the sale of their joint majority stake in the related-party companies (the proposed selldown). It is envisaged that, subject to the finalisation of contractual terms and the necessary regulatory approvals, the proposed selldown will be effected during the first half of 2015. Mr Ottapathu and Mr Ismail have undertaken that they will keep the board of directors of Choppies duly informed as to the state of progress of the proposed selldown.

## 25. Events after the reporting date

The directors are not aware of any matters or circumstances arising since the close of the financial year to the date of this report, not dealt with in the annual financial statements, which would have a material effect on the financial results or operations of the company.

## Shareholder analysis

for the year ended 30 June 2014

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### ANALYSIS - 2014

Details	Number of shareholders	Percentage	Number of shares	Percentage of holding
1 - 100 shares	514	8.7	50 208	0.0
101 - 1 000 shares	2 969	50.1	1 653 039	0.1
1 001 - 50 000 shares	2 254	38.1	15 432 033	1.3
50 001 - 100 000 shares	63	1.1	4 851 539	0.4
100 001 - 10 000 000 shares	69	1.2	2 281 080	2.0
10 000 001 - 20 000 000 shares	18	0.3	26 821 495	2.3
Above 20 000 000	36	0.6	1102 587 189	93.9
Total	5 923	100.0	1174 207 583	100.0

### TOP 10 SHAREHOLDERS

Choppies Enterprises Limited – share register 30 June 2013/2014

Names of top 10 shareholders 2014	Number of units held in 2014	Percentage of holdings in 2014	Number of units held in 2013	Percentage of holdings in 2013
Ramachandran Ottapathu	326 956 136	27.8	401 956 136	34.0
Farouk Ismail	270 160 647	23.0	403 138 113	34.3
Standard Chartered Private Equity (Mauritius) III Limited RE: SCPE BW0000016630	150 000 000	12.8		
FNB BW Noms (Pty) Limited RE: IAM BPOPFP 10001031	56 413 615	4.8	42 296 927	3.6
SCBN (Pty) Ltd RE: SSB 001/224	44 375 304	3.8	43 875 304	4.0
Festus Gontebanye Mogae	30 000 000	2.6	30 000 000	2.6
FNB Noms BW (Pty) Limited RE: FAM BP0PF1-10001028	27 511 680	2.3	37 688 233	3.2
FNB Nominees (Pty) Limited RE: CFM BP0PF10001011	23 041 519	2.0	23 039 999	2.0
SCBN (Pty) Ltd RE: NT006314A	21 915 938	1.9		
Stanbic Nominees Botswana RE: BNY10000158	21 525 644	1.8		
Stanbic Nominees RE: STBCA			13 439 814	1.1
FNB Nominees Botswana (Pty) Limited RE: FAMBP0PF3-10001030			11 466 222	1.0
FNB Nominees (Pty) Limited RE: SIMS BP0PF10001009			11 111 704	0.9
Total	971 900 483	82.8	1 018 012 452	86.7

List of shareholders holding above 5% - 2013/2014

Name of unitholder	Number of units held in 2014	Percentage of holdings in 2014	Number of units held in 2013	Percentage of holdings in 2013
Ramachandran Ottapathu	326 956 136	27.8	401 956 136	34.2
Farouk Ismail	270 160 647	23.0	302 705 658	25.8
Standard Chartered Private Equity (Mauritius) III Limited RE: SCPE BW0000016630	150 000 000	12.8		
Total	747 116 783	63.6	704 661 794	60.0

### Shareholders' analysis – 2013/2014

Details	Number of shareholders 2014	Number of shareholders 2013	Number of shares 2014	Number of shares 2013	Percentage holding 2014	Percentage holding 2013
Public	5 916	5 615	396 403 984	438 858 973	33.7	37.4
Directors' holdings	6	6	627 803 599	735 348 610	53.4	62.6
Shareholders above 5% other than directors	1		150 000 000		12.8	
Total	5 923	5 621	1 174 207 583	1 174 207 583	100	100

### Shareholders' classifications – 2013/2014

	Number of shareholders 2014	Number of shareholders 2013	Number of shares 2014	Number of shares 2013	Percentage holding 2014	Percentage holding 2013
Individuals	5 708	5 433	38 678 437	142 070 486	3.3	12.1
Companies	106	107	6 469 875	14 844 130	0.5	1.3
Institutional investors	103	75	501 255 672	281 944 357	42.7	24.0
Directors	6	6	627 803 599	735 348 610	53.4	62.6
	5 923	5 621	1 174 207 583	1 174 207 583	100	100

### Split of shareholders – 2014

Details	Number of shareholders	Number of shares held	Percentage of shares held
Local individuals	5 577	717 677 708	61.1
Local companies	141	147 886 362	12.6
Foreign companies	68	300 866 616	25.6
Foreign individuals	35	2 395 718	0.2
Foreign residents	102	5 381 179	0.5
	5 923	1 174 207 583	100

## Definitions

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<b>“the board”</b>	The board of directors of Choppies Enterprises Limited, as set out on pages 24 to 25
<b>“BSE”</b>	Botswana Stock Exchange Limited
<b>“BWP”</b>	Botswana Pula, the functional currency of Botswana
<b>“CEO”</b>	Chief executive officer of Choppies Enterprises Limited, Ramachandran (“Ram”) Ottapathu
<b>“Choppies” or “the company”</b>	Choppies Enterprises Limited, listed on the BSE
<b>“the current year”</b>	The year ending 30 June 2015
<b>“FMCG”</b>	Fast moving consumer goods
<b>“the group”</b>	Choppies Enterprises Limited and its subsidiaries
<b>“KVI”</b>	Known value item
<b>“same-store sales”</b>	A statistic used in retail industry analysis that compares the sales of stores that have been open for at least one year. Same-store sales compare revenues earned by a retail chain’s established outlets
<b>“SKU”</b>	Stock keeping unit, a unique identifier for each distinct product and service that can be purchased in business
<b>“SupaSave and MegaSave”</b>	SupaSave (Pty) Limited and MegaSave (Pty) Limited, acquired by Choppies during the year
<b>“the previous year”</b>	The year ended 30 June 2013
<b>“the year” or “the year under review”</b>	The year ended 30 June 2014
<b>Financial definitions</b>	
<b>“CAGR”</b>	Compound annual growth rate
<b>“EBITDA”</b>	Earnings before interest, taxation, depreciation and amortisation
<b>“FY”</b>	Financial year, for Choppies ending 30 June 2014
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“HEPS”</b>	Headline earnings per share

## Notice of annual general meeting

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Notice is hereby given that the annual general meeting of shareholders of Choppies Enterprises Limited will be held on Friday, 5 December 2014 at 15:00 at Lansmore Hotel, Plot 54353, New CBD, Cnr Khama Crescent and Western Avenue, Gaborone, for the purpose of transacting the following business:

### AGENDA

#### Ordinary business

1. To read the notice convening the meeting;
2. To receive, consider and adopt the group audited financial statements for the year ended 30 June 2014 together with the directors' and auditor's reports thereon;
3. To consider and ratify the distribution of the dividend declared for the year ended 30 June 2014:  
Dividend number 3: declared 16 September 2014, paid 17 November 2014 – 4.1743 (net) Thebe per share;
4. To ratify the appointment of the following directors appointed by the board:  
Sydney A Muller – appointed 15 May 2014  
Peter Baird – appointed 17 December 2013
5. To re-elect retiring directors and confirm new directors of the company in terms of clause 20.9.1 of the constitution of the company.  
Festus G Mogae and Farouk Ismail, who retire by rotation in terms of clause 20.9.1 of the constitution of the company, being eligible, offer themselves for re-election;
6. To consider and ratify remuneration paid to directors for the year ended 30 June 2014 as set out on page 34 of the integrated annual report;
7. To approve remuneration paid to the auditors, KPMG, for the year ended 30 June 2014 and re-appoint KPMG as auditors, for the ensuing financial year.

#### Special business

8. To consider and, if thought fit, pass with or without amendment, the following resolutions:
  - 8.1 As an ordinary resolution that the decision taken by the board to borrow P246 941 674 which is in excess of the borrowing limits prescribed in section 25.1 of the constitution of the company be and is hereby ratified.
  - 8.2 As a special resolution that the constitution of the company registered on 24 March 2014 be amended as follows:  
"Clause 25.1 of the constitution registered on 24 March 2014 be amended, by deletion of the existing wording and replacing same with 'the board of directors may raise or borrow for the purposes of the group's business such sum or sums of money as the directors deem appropriate for the business of the group provided that such sum or sums of money shall not exceed two times 'EBITDA' (earnings before interest, taxation, depreciation and amortisation) of the group (company and its subsidiaries combined) at all times or such other ratio of cover as the shareholders may, by ordinary resolution, in general meeting determine. The directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole or any part of the property and assets of the company, present and future, or by the issue, at such price as they may think fit, of securities either charged upon the whole or any part of the property and assets of the company or not so charged, or in such other way as the directors may think expedient'."
9. To consider and if thought fit, pass with or without amendment, the following resolution, as a special resolution:  
To resolve in terms of section 128 of the Companies Act Cap 42:01 and ratify the donations made by the company for the year ended 30 June 2014 as set out on page 54 of the integrated annual report;
10. The answering by the directors and management of questions put by shareholders in respect of the affairs and the business of the company;
11. To transact such other business as may be transacted at an annual general meeting; and
12. To close the meeting.

#### PROXIES

A member entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her behalf and such a proxy need not also be a member of the company. The instrument appointing such a proxy must be deposited at the registered office of the company at Corporate Services, Plot 115, Unit 5, Kgale Mews, Kgale Hill, Gaborone, not less than 48 hours before the meeting.

#### NOTE TO SHAREHOLDERS

Shareholders to note that a copy of the minutes of the annual general meeting held on 5 December 2013 will be available for inspection at the registered office of the company and a copy of the same can be made available within five days from date of receipt of a written request from a shareholder.

By order of the board  
Corporate Services  
Company Secretaries  
Plot 115, Unit 5, Kgale Mews, Kgale Hill  
PO Box 406  
Gaborone, Botswana

Date: 13 November 2014

Choppies Enterprises Limited 2014 integrated annual report

Our group	Strategic context	Leadership	Our impacts	Transparency and accountability	Annual financial statements	Shareholder information
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## **Explanatory statement in respect of the special business to be conducted at the annual general meeting**

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8.1 In terms of clause 25.1 of the constitution of the company, the board of directors is allowed to borrow funds for the business of the group (the company and its subsidiaries) if the profit of the group is sufficient to cover the interest payable on such borrowings (whether made by the company or any of its subsidiaries) by at least 20 times.

The board of directors during the year 2013/2014 has borrowed P246 941 674 for the group's expansion purposes in countries in Africa other than Botswana.

The board of directors therefore propose to the shareholders to consider and if thought fit, to pass an ordinary resolution to ratify the decision taken by the board to borrow P246 941 674 which is in excess of the borrowing limits prescribed in section 25.1 of the constitution of the company.

8.2 Article 25.1 of the current constitution dictates that the board of directors may be authorised to borrow funds for the business of the group (the company and its subsidiaries), provided that the profit of the group shall be sufficient to cover the interest payable on such borrowings (whether made by the company or any of its subsidiaries) by at least 20 times. The board of directors believe that in future the company would be required to borrow funds in excess of the limits prescribed in clause 25.1 of the current constitution for its regional expansion.

The board of directors therefore propose to the shareholders to consider and if thought fit, pass with or without amendment, the following resolution as a special resolution:

That the constitution of the company registered on 24 March 2014 be amended as follows:

"Clause 25.1 of the constitution registered on 24 March 2014 be amended, by deleting the existing wording and replacing same with:

25.1 Borrowing powers of directors  
"Power to borrow"

"The board of directors may raise or borrow for the purposes of the group's business such sum or sums of money, as the directors deem appropriate provided that such sum or sums of money shall not exceed two times EBITDA (earnings before interest, taxation, depreciation and amortisation) of the group (company and its subsidiaries combined) at all times or such other ratio of cover as the shareholders may, by ordinary resolution, in general meeting determine. The directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage, or charge upon the whole or any part of the property and assets of the company, present and future, or by the issue, at such price as they may think fit, of securities either charged upon the whole or any part of the property and assets of the company or not so charged, or in such other way as the directors may think expedient."

# CHOPPIES

## VALUE FOR YOUR MONEY!

### Choppies Enterprises Limited

Plot 169, Gaborone International Commerce Park, Gaborone  
Private Bag 00278, Gaborone, Botswana  
Tel: +267 318 6657/58 Fax: +267 318 6656

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

at

I/We  
(Name in block letters)

of (address)

hereby appoint

or failing him/her,

or failing him/her, the chairman of the meeting, as my/our proxy to act for me/us at the 2014 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 2	Agenda number 2			
Ordinary resolution 3	Agenda number 3			
Ordinary resolution 4	Agenda number 4			
Ordinary resolution 5	Agenda number 5			
Ordinary resolution 6	Agenda number 6			
Ordinary resolution 7	Agenda number 7			
Ordinary resolution 8.1	Agenda number 8.1			
Special resolution 8.2	Agenda number 8.2			

Signed at

Date

Signature

Assisted by (where applicable)

Each shareholder who is entitled to attend and vote at a general meeting is entitled to appoint one or more persons as proxy to attend, speak and vote in place of the shareholder at the annual general meeting and the proxy so appointed need not be a member of the company.

**Please read notes 1 to 7 on the reverse side hereof**

## Notes to proxy form

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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 authorise 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 authorise 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 annual 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.

## Administration and contact details

### Registered office

Choppies Enterprises Limited  
(Registration number 2004/1861)  
Corporate Services, Plot 115, Unit 5, Kgale Mews, Gaborone,  
Botswana  
PO Box 406, Gaborone, Botswana

### Legal advisers

Collins Newman & Co  
Dinatla Court Plot 4863 Gaborone, Botswana  
PO Box 882, Gaborone, Botswana

### Group auditor and reporting accountants

KPMG (Botswana practice)  
(Partnership number BN1977/236)  
Plot 67977, off Tlokweng Road, Fairgrounds Office Park  
Gaborone, Botswana  
PO Box 1519, Gaborone, Botswana

### Transfer secretaries

Grant Thornton Business Services (Pty) Limited  
(Registration number 1923)  
Plot 50370, Acumen Park, Fairgrounds Office Park,  
Gaborone, Botswana  
PO Box 1157, Gaborone, Botswana

### Sponsoring broker

Motswedzi Securities (Pty) Limited  
(Registration number Co. 97/2262)  
Plot 113, Unit 30 Kgale Mews, Gaborone, Botswana  
Private Bag 00223, Gaborone, Botswana

### Company secretary

Corporate Services (Pty) Limited  
(Registration number Co. 85/822)  
Unit 5, Kgale Mews, Kgale Hill, Gaborone, Botswana  
PO Box 406, Gaborone, Botswana

### Bankers

**Standard Chartered Bank Botswana Limited**  
6th Floor, Queens Road, Standard Chartered House  
Gaborone, Botswana  
Tel: +267 360 1535  
Fononet: 2267 1535  
Fax: +267 397 5289  
Website: [www.standardchartered.com](http://www.standardchartered.com)

### Capital Bank Limited

Head Office: Capital House, Plot 17954, Old Lobatse Road  
Tel: +267 3907801  
Fax: +267 3922818

### Stanbic Bank Botswana Limited

Stanbic House, Plot 50672, Off Machel Drive,  
Fairgrounds Office Park  
Private Bag 00168 Gaborone, Botswana  
Tel: (+267) 3618110  
Fax: (+267) 3618158  
Website: [www.stanbicbank.co.bw](http://www.stanbicbank.co.bw)

### Barclays Bank of Zimbabwe Limited

Cnr JMN Nkomo Street and 8th Avenue  
Bulawayo  
Tel: +263 9 74915/881122-7

### Standard Chartered Bank

51 Plumtree Road, Belmont Bulawayo, Zimbabwe  
Tel: +263 9 461582/+263 9 461583  
Fononet: 2631 5702  
Website: [www.sc.com](http://www.sc.com)

### Nedbank Limited

Ground Floor, Cornerstone House, 300 Acacia Road  
Darrenwood, 2194, South Africa  
Private Bag X 13, Randburg 2125  
Tel: +27 (0)11 214 3735  
Fax: +27 (0)11 500 8067  
Website: [www.nedbank.co.za](http://www.nedbank.co.za)

### Barclays Bank of Botswana Limited

Plot 74358, Building 4 Prime Plaza, Central Business  
District, Gaborone  
Tel: +267 395 2041/+267 3633900  
Fax: +267 397 1373.

### Bank of Baroda (Botswana) Limited

Plot 1108, AKD House, Queens Road,  
The Mall, Gaborone, Botswana  
PO Box 21559, Bontleng, Gaborone, Botswana  
Tel: +267 3933773/3188878  
Fax: +267 3188879  
Website: [www.bankofbaroda.co.bw](http://www.bankofbaroda.co.bw)

### First National Bank Botswana Limited

First Place, Plot 54362 CBD, Gaborone, Botswana  
Tel: +267 3706000

### ABSA Bank South Africa Limited

151 Katherine Street, Vunani Office Park,  
Block A, Ground Floor, Sandton, South Africa  
Tel: 010 226 8037  
Website: [absa.co.za](http://absa.co.za)

### Standard Bank Limited

Platinum Regional Business Centre, North West Province,  
PBB South Africa  
Tel: +27 14 591 6052

### First National Bank (South Africa) Limited

PO Box 34, Zeerust, 2865, South Africa  
Tel: +27 18 642 1091

[www.choppies.co.bw](http://www.choppies.co.bw)

# CHOPPIES

**VALUE FOR YOUR MONEY!**

**Registered office**

**Choppies Enterprises Limited**

(Incorporated in Botswana on 19 January 2004)  
(Registration number 2004/1681)

Plot 115, Unit 5, Kgale Mews, Kgale Hill, Gaborone  
PO Box 406, Gaborone, Botswana

**Physical address**

**Choppies Enterprises Limited**

Plot 169, Gaborone International  
Commerce Park, Gaborone  
Private Bag 00278, Gaborone, Botswana  
Tel: +267 318 6657/58  
Fax: +267 318 6656