

Growth – the journey continues

CHOPPIES

VALUE FOR YOUR MONEY!



Integrated annual report 2015

Contents

1	About this report
2	A word from our chairman
3	→ OUR BUSINESS
3	Choppies at a glance
4	Who we are
6	Four-year review
8	How we do business and create value
10	Key risks
12	→ CHOPPIES IN CONTEXT
12	Our market place
13	Engaging with stakeholders
13	Talking strategy
16	→ OUR PERFORMANCE
16	CEO's report and review of operations
19	Value added statement
20	Our people
22	Acting sustainably
25	→ ACCOUNTABILITY
25	Ethical leadership
26	Governance
28	Risk management
29	Remuneration committee report
30	Social and ethics committee report
31	→ ANNUAL FINANCIAL STATEMENTS
32	Directors' responsibility statement
32	Declaration by company secretary
33	Audit and risk committee report
35	Independent auditor's report
36	Statements of profit or loss and other comprehensive income
37	Statements of financial position
38	Statements of changes in equity
39	Statements of cash flow
48	Notes to the financial statements
78	→ SHAREHOLDER INFORMATION
78	Shareholder analysis
79	Shareholders' diary
80	Notice of annual general meeting
81	Form of proxy
83	→ CONTACT DETAILS
84	→ ANNEXURES
84	Annexure 1 – Directorate
86	Annexure 2 – Board and committee meetings attendance
87	Annexure 3 – Directors' responsibility statement and forward-looking statement
88	Annexure 4 – King III application: Chapter 2
92	Annexure 5 – Definitions

INVESTMENT CASE

- Proven organic expansion strategy
- Incrementally increasing store roll-out and regions of operation
- Long-term strategy of African expansion – well-positioned for regional growth
- Well-located stores in existing markets with significant further growth potential
- Superior track record of rapid, sustainable growth in profits
- Highly cash generative
- Competitive value proposition for customers
- Sourcing and distribution provide competitive advantage
- Resilience in tough economic cycles due to business model which includes own logistics, maintenance and farming contracts
- Strong local partnerships
- Experienced and long-serving management team
- Consistent dividend payments



About this report

OUR BUSINESS	3 – 11
CHOPPIES IN CONTEXT	12 – 15
OUR PERFORMANCE	16 – 24
ACCOUNTABILITY	25 – 30
ANNUAL FINANCIAL STATEMENTS	31 – 77
SHAREHOLDER INFORMATION	78 – 82
CONTACT DETAILS	83
ANNEXURES	84 – 92

Scope of this report

This is Choppies' second integrated annual report and presents the financial results and the environmental, social and governance ("ESG") performance of the group for the year 1 July 2014 to 30 June 2015.

This report 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. The information disclosed encompasses Choppies' retail network as well as subsidiaries, as illustrated in the organisational overview on page 5, across all regions of operations. These same entities are included in the company's consolidated financial statements as set out on pages 31 to 77 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 31 to 77.)

A hard copy of this integrated annual report is available on request and is also posted online at www.choppies.co.bw. For additional contact details please see page 83.

We welcome your feedback and any suggestions you have for our reports

in future. Please forward any comments to:

Manikandan Madakkavil (CFO)

Email: manikandan@choppies.co.bw

Telephone: +267 397 1855

Fax: +267 397 1806

Leadership

The group's independent non-executive chairman is His Excellency Festus Mogae, former President of the Republic of Botswana. The executive directors are Ramachandran Ottapathu (CEO), Farouk Ismail (deputy chairman) and Manikandan Madakkavil (CFO). The executive directors can be contacted at the registered office of the company. A full list of the directors is contained on pages 84 and 85.

Applicable reporting requirements

This integrated annual report is prepared in accordance with IFRS, the BSE Listings Requirements, the Botswana Companies Act, the JSE Listings Requirements, the South African Companies Act, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the International Integrated Reporting Framework issued in December 2013. Choppies complies in all material respects with the principles contained in the BSE Code of Best Practice on Corporate Governance as well as King III, as encapsulated in the applicable regulations. Any BSE or King III principles which are not applied are explained. The sustainability information has been compiled with reference to the GRI G4 guidelines based on a self-declared core compliance. The GRI index is available on the website at www.choppies.co.bw.

Assurance

The company's external auditor, KPMG, have independently audited the annual financial statements for the year ended 30 June 2015.



www.choppies.co.bw

Navigation



Improvement in our results for the financial year 2015



On target and aligned with our strategic priorities



Operational efficiencies, achievements and improvements



Looking ahead

Their unqualified audit report is set out on page 35. The scope of their audit is limited to the information set out in the annual financial statements on pages 31 to 77.

Corporate information

(Registration number: 2004/1681)

BSE

ISIN: BW00000001072

Share code: CHOPPIES

Bloomberg code: CHOPPIES BG

EQUITY

Reuters code: CHOPP.BT

Listing date: January 2012

JSE

ISIN: BW00000001072

Share code: CHP

Listing date: May 2015

Total shares in issue after JSE listing:
1 291 628 341

A word from our chairman



HE Festus G Mogae, *Chairman*



During the year Choppies reached new milestones with the secondary listing on the JSE and expansion into new markets.



Choppies has long been a household name in Botswana associated with quality products and a pleasant shopping experience. Therefore it is inspiring to see Choppies extending into underserved markets across sub-Saharan Africa. The significant investments in warehousing and other logistical infrastructure means Choppies is now able to deliver fresh produce at affordable prices to an ever expanding customer base.

Investor support

The secondary listing on the JSE was a testing ground for the Choppies business model to a largely new community of investors. The positive reception to the public offer and the encouraging performance of the share price indicate a wide appreciation of the business model and confidence in management's abilities to steer further growth.

Mission

Our goal is to be a major retailer with a dominant footprint across sub-Saharan Africa. We plan to achieve this by being a strong responsive provider of consumer goods at affordable prices, supporting local businesses and farmers, creating new jobs, developing all employees to

their highest potential and ensuring the proper skills transfer to the local workforce. This links strongly to our commitment to sustainable growth which encompasses community, environment and human resources.

Prospects

The theme of this year's integrated annual report is "A Bold Step Forward", which captures our excitement at truly becoming a continent-wide retailer. There is certainly a fair amount of opportunity in our existing markets, and our dream of expanding into new markets is becoming a reality. The acquisition in Kenya will give Choppies a foothold into a fourth country, and we plan to expand into Zambia, Tanzania and Namibia in the near future.

Appreciation

I commend our CEO Ram for his vision and tireless work in steering this constantly growing and innovating organisation. I also thank my fellow board members for their support, and the Choppies management and executives for doing the work on the ground. I would also like to express my appreciation for the ongoing and loyal support of our stakeholders on this exciting journey.

HE Festus G Mogae
Chairman

23 October 2015

Choppies timeline

1986

- **Founded** by the Chopdat family
- **First supermarket** opens in Lobatse, Botswana



1993

- **Second store** opens in Lobatse

1999

- **First superstore** opens in Gaborone, Botswana

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Choppies in numbers

- **Dual listing** in two countries with **8 930** shareholders
- **188 850m²** of retail space
- **>11 560** employees across **three** countries
- **134** stores
- **Seven** distribution centres
- **36%** market share in Botswana
- **45 000** SKUs
- **50** high-quality Choppies branded products

Financial highlights

Revenue up 19% to **BWP5.9 billion**

Gross profit margin up 20bps to **21.7%**

Gross profit up 19.7% to **BWP1.3 billion**

EBITDA up 9.2% to **BWP384 million**

Operational highlights

- Successfully listed on JSE (**secondary listing**)
- Retail space **increased 21%**
- **Additional** distribution centre opened in Zimbabwe
- Warehouse space **increased 22%**
- **Expanded into Kenya** with Ukwala acquisition
- Added **23 stores**
- Maintained or improved **market position** in all territories
- Store footfall **up 24.1%**

2003

- **First hyperstore** opens in Gaborone, Botswana

2004

- Choppies **acquires** Chathley, Food Mart and MultiSave in Botswana



2008

- **First store** opens in Zeerust, South Africa
- His Excellency Festus Mogae, former President of the Republic of Botswana appointed as chairman

Who we are

Choppies is a Botswana-based mass grocery retailer currently operating in Botswana, South Africa and Zimbabwe and soon to expand into Kenya and Zambia. The group is listed on both the BSE (Botswana) and the JSE (South Africa).

Boasting over 134 stores across sub-Saharan Africa, Choppies has a full distribution and supply chain as well as maintenance capability. The seven strategically located distribution centres enable the group to provide an uninterrupted supply of goods to our stores as well as accumulate critical mass to negotiate better prices for our customers. Choppies is well positioned to target over 200 stores across six countries by the end of December 2016.

We target:

- Semi-urban and rural areas
- Small-town shopping centre focus
- Proximity to residential locations and transport nodes

Our mission

To be the best service provider of FMCG in sub-Saharan Africa

How we will achieve our mission

- Be a strong responsive provider of consumer goods at affordable prices
- Give customers the best value for their money
- Bring products to semi-urban and rural areas
- Generate sustainable economic development by supporting local businesses and farmers and value creation in society
- Create new jobs and develop all employees to their highest potential and ensure proper skills transfer to the local workforce

Choppies timeline continued

2011

- **Restructuring** completed
- **Largest** hyperstore opens in Rail Park Mall, Gaborone, Botswana

2012

- **Listing** on the BSE
- **50th store** opens in Botswana



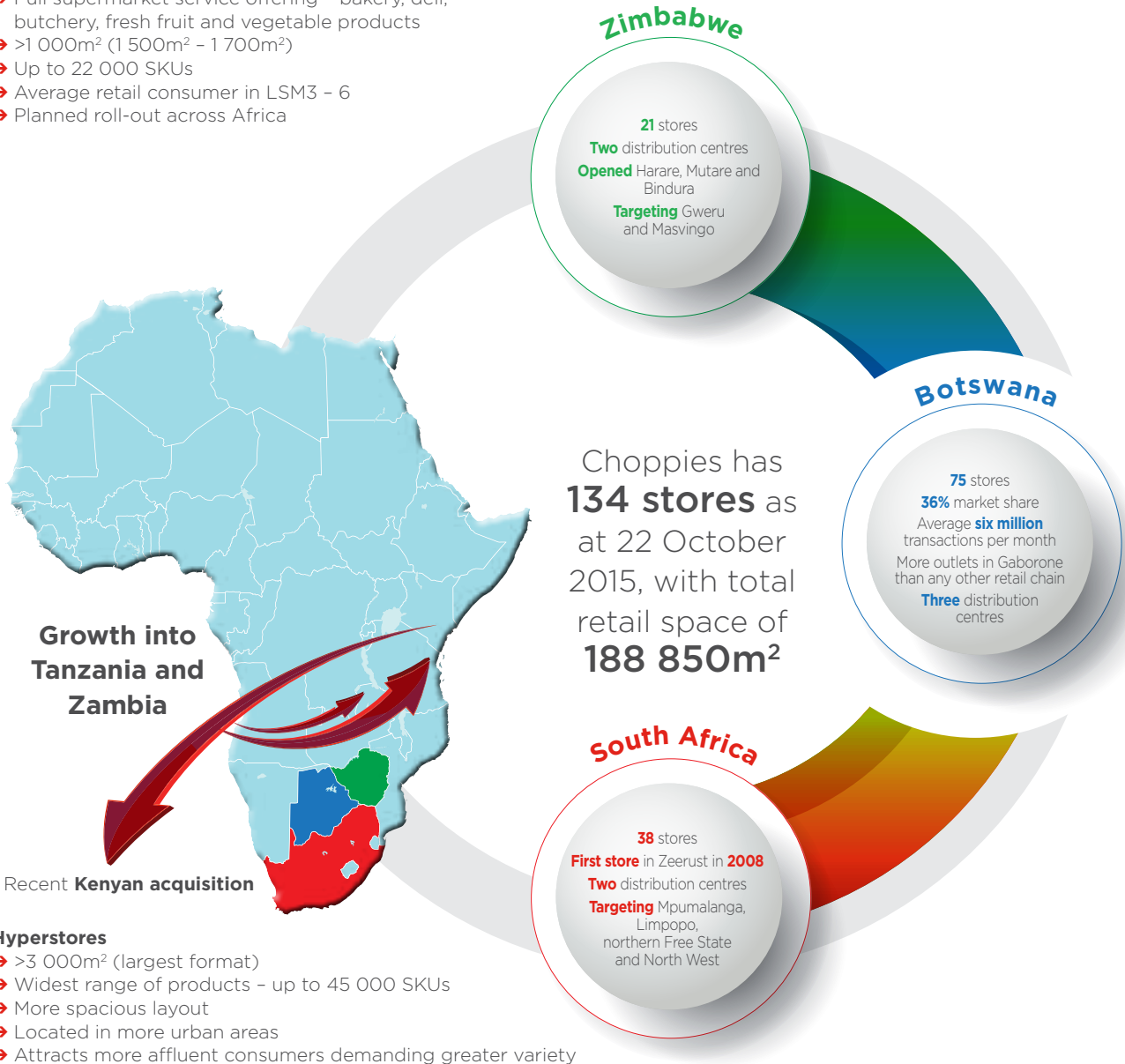
2013

- Choppies acquires **MegaSave and SupaSave** in Botswana
- **Expands into Zimbabwe** by acquiring 10 Spar stores

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Superstores

- Full supermarket service offering – bakery, deli, butchery, fresh fruit and vegetable products
- >1 000m² (1 500m² – 1 700m²)
- Up to 22 000 SKUs
- Average retail consumer in LSM3 – 6
- Planned roll-out across Africa



Hyperstores

- >3 000m² (largest format)
- Widest range of products – up to 45 000 SKUs
- More spacious layout
- Located in more urban areas
- Attracts more affluent consumers demanding greater variety

Value stores

- No-frills shopping experience
- Based in rural areas with low levels of formal retail penetration
- Smaller than 1 000m²
- Offer fewer service offerings
- Target retail consumer in lower income brackets

2014/2015

- **Total stores:** 129
- **New distribution centres** opened in Harare
- **Fruit and vegetable** distribution centre opened in Rustenburg
- **Listing** on JSE

Subsequent to year-end 2015

- Acquisition agreement actioned for **10 stores in Kenya**

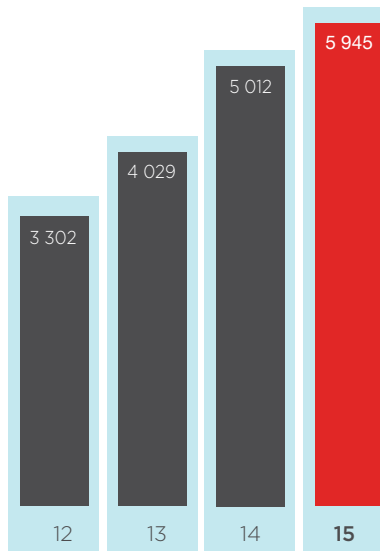


Four-year review



Revenue

■ BWPm

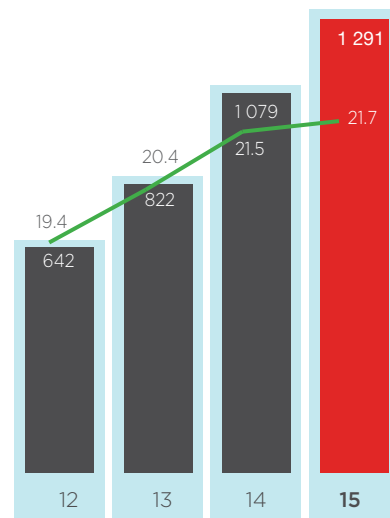


BWP5.95 billion

2014: BWP5.01 billion

Gross profit

■ BWPm
— Margin %

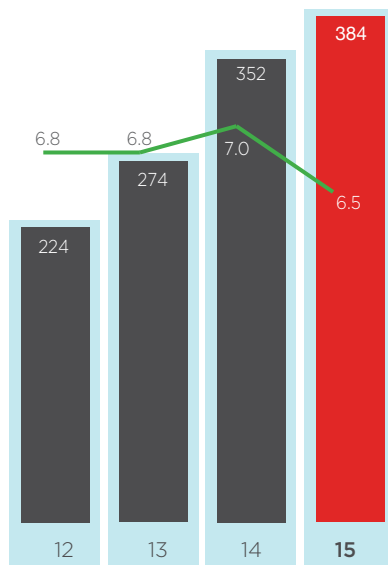


BWP1.29 billion

2014: BWP1.08 billion

EBITDA

■ BWPm
— Margin %

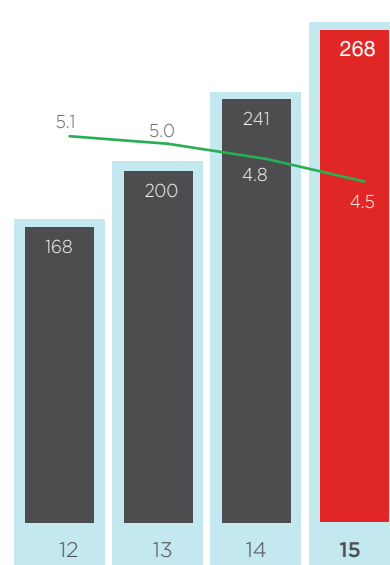


BWP384 million

2014: BWP352 million

EBIT

■ BWPm
— Margin %

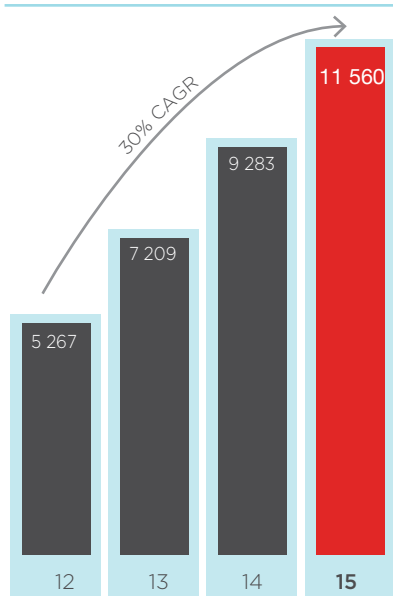


BWP268 million

2014: BWP241 million

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

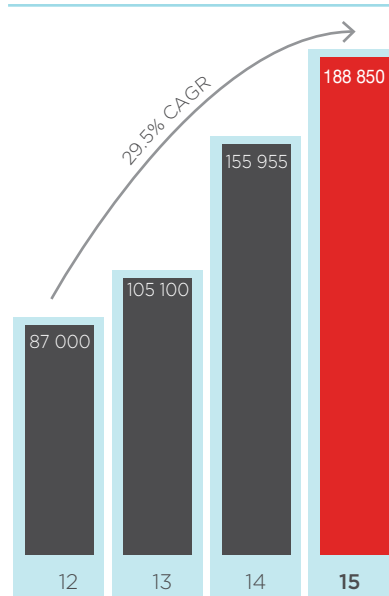
Employees (number)



11 560 employees

2014: 9 283 employees

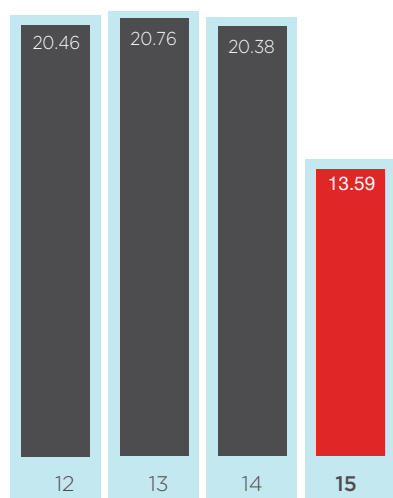
Retail space (m²)



188 850m²

2014: 155 955m²

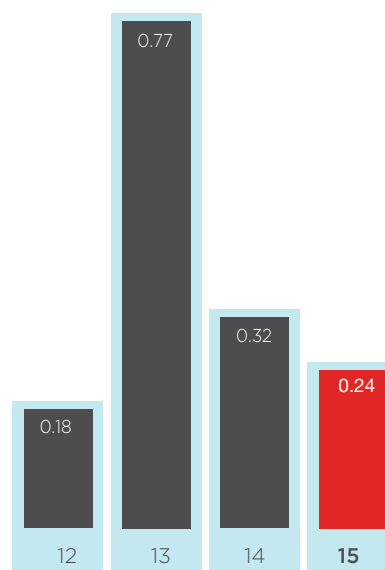
ROE (%)



13.59

2014: 20.38

Debt to equity



0.24

2014: 0.32

How we do business and create value

OUR BUSINESS MODEL

Our vertically integrated business model is driven by our customer-centric ethos and commitment to consistently providing the lowest prices and value for money. We have four key competitive advantages that help us continue to deliver excellent returns as well as ensure our sustainability. Given that we do not franchise our stores, we are able to assure consistent quality across the board. This is supported by our multi-store format, convenient locations and in-house distribution and logistics capabilities.

Our competitive advantages

- Consistently the lowest prices
- Stores close to commuter nodes and close to where people live
- Excellent ranges of wanted items all at value for money prices
- Excellent logistics based on in-house distribution and centralised warehousing



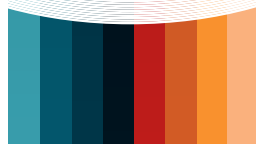
Our resources

- Equity, capital raising and capex
- 134 stores
- 637 vehicle fleet
- Seven distribution centres
- Maintenance facilities
- IT systems
- Brand equity
- Product development
- Market research
- Management expertise and skills
- Efficient supply chain with regionalised distribution centres
- Sound corporate governance
- Well trained employees
- Strong relationships with government, customers, suppliers, funders and communities
- Prudent use of water, electricity and carbon footprint



What we deliver

- Supermarkets
- Distribution and supply
- Meat and bakery
- Bread and confectionery
- Fresh produce
- Takeaway products – prepared foods
- Private label goods
- Logistics
- Maintenance services



What we contribute – the Choppies footprint

- Shareholder value
- Job creation
- Provision of groceries in underserved semi-urban and rural areas
- Supporting local suppliers and landlords
- Economic upliftment
- Socioeconomic development
- Investment in Africa
- Value for money



OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

“FARM TO SHELF” OR “FACTORY TO SHELF”

Distribution centres

- Botswana: Gaborone – 10 000m², Lobatse – 3 000m² and Francistown – 3 500m²
- South Africa: Rustenburg – 10 000m² and 8 000m²
- Zimbabwe: Bulawayo – 6 850m² and Harare – 3 000m²

We currently have seven wholly owned distribution centres in strategic locations which function as central sourcing and service all our retail stores. They negotiate and conclude supplier agreements centrally per region with the full implied benefits of economies of scale and critical mass, charging the stores a handling and delivery fee. Our market leadership in Botswana strengthens our position with suppliers and has enabled us to compete on a strong footing when entering new markets such as South Africa and Zimbabwe.

The distribution centres are supported by our group services and logistics functions. The resultant efficiencies enable us to pass savings onto consumers and ultimately offer the lowest price based on a broad basket of KVIs. We own a fleet of 637 commercial vehicles, trailers and forklifts which guarantees an uninterrupted supply to stores. The Choppies-branded fleet further enhances brand awareness by serving as moving billboards across the regions in which we operate. The fleet is funded by vehicle finance from Scania, guaranteed by Choppies. The logistics function further comprises a maintenance subsidiary that provides stores with services such as plumbing, refrigeration, electrical and other general repairs. As a result of these in-house services, lead times and maintenance costs are reduced.

We are well positioned competitively through this vertically integrated business model, having full control of our distribution centres, owning our own fleet, maintaining our storefronts ourselves and achieving exceptionally high asset velocity.

Developments in the year further strengthen our competitive edge. Our new 8 000m² fruit and vegetable distribution centre in Rustenburg, opened in December 2014, is critical to our expansion plans in South Africa with the platform to service up to 100 new stores in the northern provinces of the country. A custom designed Enterprise Resource Planning (“ERP”) IT system was also introduced across all three operating regions to enable centralised management through collated, real-time information. A centralised pricing system further helps boost margins.

Choppies’ supply chain applies the principle of “reverse logistics” to ensure efficiencies. This focuses on optimising the final cost structure.



How we do business and create value (continued)



Key risks

The key risks faced by Choppies are outlined below. Further detail on our risk management systems and how we mitigate these risks is set out on page 28.

Our key risks

- Accurately anticipating customer demand and preference
- Meeting customers' quality and value expectations
- Food safety and quality
- Dependence on key suppliers
- Macroeconomic risk such as currency fluctuations, utility shortages, etc

- Expansion into new African markets
- Distribution and logistics requirements
- Reliance on IT
- Dependence on key executives and skilled employees
- South African macroeconomic conditions
- Reduction in base currency value

OUR BUSINESS	3 – 11
CHOPPIES IN CONTEXT	12 – 15
OUR PERFORMANCE	16 – 24
ACCOUNTABILITY	25 – 30
ANNUAL FINANCIAL STATEMENTS	31 – 77
SHAREHOLDER INFORMATION	78 – 82
CONTACT DETAILS	83
ANNEXURES	84 – 92

Our key services



Fresh fruit and vegetables

- Good quality fresh fruits and vegetables sourced directly from market and farmers in South Africa and Botswana
- Fruit and vegetable distribution centre unique in Botswana
- Strong support from farming community leading to better pricing and stock availability

Bakery

- In-store bakeries provide customers with freshly baked goods daily including bread, cakes and pastries
- Bakery offering varies according to profile of store and region

Butchery

- Fresh meat and poultry delivered daily
- Local supply arrangements with farmers and abattoir owners in all regions ensure regular and consistent supply

Takeaway

- Takeaway food offerings in all stores
- Items include fried chicken, chips and curries
- "Store-in-store take-away" concept, Choppies Fried Chicken, popular in Botswana – to be rolled out to South Africa and Zimbabwe
- Daily menu depending on customer profile in every location

Value-added offerings

- Third party ATMs
- SIM cards/airtime
- Mobile money and money transfer
- Travel
- Local council payments
- Pension distributions
- Utility payments
- Orange Money and MyZaka – very popular in Botswana

Our market place

Botswana

Choppies is the market leader in Botswana with more stores in Gaborone and surrounds than any other retail chain. Our extensive logistics infrastructure helps to execute our focus on expanding Choppies' rural footprint. A significant opportunity exists to expand formal retail in Botswana, currently accounting for around 60% of the market. Overall mass grocery retail sales are forecast to increase at a CAGR of 8.2% from 2014 to 2019. The continuing fall in the Pula value of Rand denominated goods put deflationary pressure on prices.

South Africa

Leveraging the traditional supply route between Johannesburg and Gaborone, Choppies saw the opportunity for a lower cost supply chain by opening stores in small towns in South Africa along the route.

The South African retail market is highly competitive with the top five retailers accounting for 75% of total mass grocery retail. In recent months consumer spending has come under increased pressure. However, Choppies remains well placed to sustain its growth strategy.

The new distribution centre is currently operating at 35% capacity. Related costs will spread over greater revenues as South African operations expand.

Zimbabwe

The Zimbabwean market is significantly underpenetrated in terms of formal retail, which makes up only 25% of retail sales. This offers substantial potential for expansion. Our established distribution centres provide a hub from which to expand throughout the country.

In line with local indigenisation requirements Choppies operates with local partners in Zimbabwe.

The future



Target countries	Current formal retail	CAGR (retail market) 2014 - 2017	CAGR (economy) 2014 - 2018
Zambia	14.0%	13.4%	6.7%
Tanzania	13.0%	24.0%	7.0%
Kenya	30.0%	32.4%	6.4%
Namibia	50.0%	11.5%	4.5%

Zambia

We expect to commence retail operations in Zambia by November 2015, with the first stores to open in Lusaka. We intend opening a further 10 stores by December 2016.

Lease agreements have been signed for two sites with a further five lease agreements at an advanced stage across a broad swathe of the country. The longer-term target for the Zambian market is 30 stores.

The group has concluded a formal agreement with a local partner in Zambia who will hold 10% of the regional operating entity.

Tanzania

We have recently concluded a memorandum of understanding with the promoters of Export Trading Group – a leading agricultural commodities trading and logistics business, long-established in the region. The 75% (Choppies)/25% (promoters of Export Trading Group) joint venture will extend to other markets in East Africa.

The challenge in Tanzania is the availability of suitable store locations and retail developments. Choppies is currently developing two smaller-size stores (less than 750m²) in Dar es Salaam, which are envisaged to be open by the end of calendar year 2016. The aim is to have 40 stores in Tanzania in the longer term.

Kenya

Kenya has the highest formal retail penetration outside of Southern Africa at 30% and is dominated by local players.

In June 2015 we signed an agreement with Ukwala to purchase 10 stores at an approximate value of US\$10 million. Approval from the Competition Authority of Kenya has since been received.

The acquisition provides an excellent footprint for expansion across Kenya and East Africa.

Ukwala also operates in the white goods and apparel segments with FMCG only 50% to 60% of sales. This provides further opportunities for growth.

Namibia

The Namibian market demonstrates similar characteristics to the group's core Botswana market with a smaller population and towns located far apart. The Namibian economy is amongst the best performing and most stable economies in Africa and should provide the group with a steady growth market on a long-term basis. Namibia's proximity to our Botswana and South Africa markets will allow us to leverage existing infrastructure alongside outsourced distribution. A joint venture agreement has been concluded for Namibia.

Mozambique

The strategy is currently under consideration and a joint venture agreement has been concluded.

Source: Business Monitor International, Mass Grocery Retail – Botswana statistics, Feb 2015; Business Monitor International Research 2015 and IMF Research 2015

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Engaging with stakeholders

Communication with all stakeholders is integral to our sustainability. The outcome of such engagement informs and supports our key strategic discussions and enables us to execute our objectives. We engage in open and timeous communication and equitable treatment.

Our major forums of communication with all stakeholders include presentations, one-on-one meetings, the annual general meeting and ongoing informal discussions.

Our key stakeholders are set out below:

External

- Shareholders
- Providers of capital
- Suppliers
- Customers
- Regulators
- Communities

Internal

- Employees

Talking strategy

Customers

We pride ourselves on providing our customers the value trio of:

- best value for money
- convenience
- a broad service offering ranging from bakery, butchery, fresh fruit and vegetables to takeaway

Our customers are primarily value-conscious lower to middle-income consumers (LSM3 - 6) that are cash, small basket size, daily (therefore high frequency) shoppers. In Botswana we find that we are increasingly attracting upper-middle income customers and are adapting our service offering to meet their needs.

We engage actively with our customers through PMR, market intelligence surveys, regular price surveys in Botswana and general feedback surveys.

Our stores have longer trading hours than competitors and are focused on simplicity, merchandising and the customer experience.

Our own brand products

Our over 50 quality Choppies-branded value products range from food and beverages to cleaning products and cosmetics. They are specifically catering for our value-conscious customers. The Choppies brand products currently account for 20% of sales in Botswana, 10% in South Africa and 4% in Zimbabwe. Most importantly, our private label delivers gross margins higher than those generated by branded products. Therefore, in the medium term, we are targeting to generate 25% of revenue from private label and plan to increase the offering to over 200 products.

Strategy scorecard

STRATEGIC OBJECTIVES	PROGRESS 2015	TARGET 2016
Offer lowest prices based on broad basket	<ul style="list-style-type: none"> ■ Local distribution capabilities and market leadership in procurement = cost advantages ■ Fresh fruit and vegetable sourced direct from farms ■ Efficiencies driven by “reverse logistics” ■ Private label aimed at value conscious customers 	<ul style="list-style-type: none"> ■ Capitalise on distribution centre efficiencies ■ Local partnerships ■ Expand private label offering
Ensure cost efficiencies with local distribution capabilities	<ul style="list-style-type: none"> ■ 8 000m² fruit and vegetable distribution centre opened in South Africa ■ Distribution centres opened in Bulawayo and Harare 	<ul style="list-style-type: none"> ■ Maximise distribution centres ■ Utilisation and better efficiencies ■ More farming partnerships
Location close to target market	<p>Botswana</p> <ul style="list-style-type: none"> ■ Formalisation of retail channel provides growth opportunity ■ Logistics and infrastructure base help with expansion <p>South Africa</p> <ul style="list-style-type: none"> ■ Target medium-scale towns in Mpumalanga, Limpopo, North West and northern Free State <p>Zimbabwe</p> <ul style="list-style-type: none"> ■ Expansion from Bulawayo hub 	<p>Botswana</p> <ul style="list-style-type: none"> ■ Five new stores by December 2015 ■ Operate up to 90 stores in the medium term <p>South Africa</p> <ul style="list-style-type: none"> ■ Pipeline of 30 high-probability locations ■ 10 new stores by December 2015 ■ Operate up to 80 stores in the medium term <p>Zimbabwe</p> <ul style="list-style-type: none"> ■ 12 new stores by December 2015 ■ 20 new stores in Harare in the medium term ■ 50 stores in the long term

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Strategy scorecard continued

STRATEGIC OBJECTIVES	PROGRESS 2015	TARGET 2016
Provide value-added offering (butchery, bakery, fresh, produce, takeaway, services)	<ul style="list-style-type: none"> ■ Introduced financial services ■ New products introduced (cosmetics and groceries) 	<ul style="list-style-type: none"> ■ Adding more integrated services
Offer private label for value conscious customers	<ul style="list-style-type: none"> ■ 50 private label products 	<ul style="list-style-type: none"> ■ Increase products to 200 by 2017
Strong fresh product sourcing	<ul style="list-style-type: none"> ■ Established relationships with farmers 	<ul style="list-style-type: none"> ■ Continue to add new fresh produce sourcing relationships
Existing market expansion	<ul style="list-style-type: none"> ■ Botswana – formalisation of retail channel provides growth opportunity 	<ul style="list-style-type: none"> ■ Continue to improve the product mix and expand retail
African expansion	<ul style="list-style-type: none"> ■ About to complete the acquisition of 10 stores in Kenya 	<ul style="list-style-type: none"> ■ Assessing Namibia and Mozambique ■ Construction commenced in Tanzania – store opening end FY 2016 ■ Zambia – nine stores FY 2016

CEO's report and review of operations

Delivering on our strategy



Ramachandran Ottapathu, CEO



Review of 2015

The past year has seen Choppies make a number of significant advancements. One of these was the secondary listing on the JSE in May which has given further impetus to our growth plans of becoming a leading retailer across sub-Saharan Africa. In our pre-listing discussions with the investor community, we were encouraged by the optimism towards retail in general, and in respect of the Choppies business model, in particular. The African success story translates into direct and rapid demand for a quality, branded convenience offering across the continent. The conditions are ideal and we are positioned to expand further on this continent.

Choppies' revenue increased 19% to BWP5 945 million at group level from BWP5 012 million in the prior year, while gross profit was up 20% to BWP1 291 million. The 26% hike in administrative expenses to BWP817 million is due to the once-off costs of new store openings and increases in the administered prices. Profit after tax increased 11% to BWP197 million. Earnings per share was up 20% to 17.11 Thebe and headline earnings per share increased 22% to 16.92 Thebe.

During the year Choppies expanded its footprint with a number of store roll-outs in existing markets. In Botswana, we further strengthened our position as the largest retailer increasing our stores from 69 to 73. In South Africa, with a net increase of 10 stores we achieved an EBITDA break-even position. The Zimbabwean expansion focused on the Harare area and other major towns other than Bulawayo. The expansion was supported by the new distribution centre in Harare. Seven new stores were added to take the in-country footprint to 20.

Acquisitions

Choppies acquired a 75% stake in 10 Ukwala supermarkets in Kenya in May 2015. The transaction is in line with our strategy of expanding into new markets in sub-Saharan Africa and gives Choppies an immediate footprint of established stores as well as a platform for growth in Kenya. Three of the supermarkets are located in Nairobi, two in Nakuru and five in the port city of Kisumu, the third largest city in Kenya.

Our alliance with strong local partners ensures us established relationships with relevant developers. The acquisition provides an excellent footprint for expansion across Kenya and East Africa. Choppies will retain the Ukwala brand and follow a co-branding strategy for the foreseeable future.

Operational review

Our growth strategy remains on track and our footprint was expanded during the year with an increased store portfolio.

Botswana

Performance

Botswana posted revenue of BWP3 806 million, EBITDA of BWP330 million and PAT of BWP200 million. We achieved a good margin performance despite economic pressures. EBITDA margins were slightly impacted as new stores are still in ramp-up mode while higher rental and salaries expenses put additional pressure on margins. The in-country staff complement increased to around 7 000 employees including casuals.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Business environment

Botswana's economic growth for 2015 was impacted by lower earnings from diamond sales, the country's main export commodity. Official estimates place 2015 growth at 2.6%, but the 2016 projection is set at 4.9%. In this market Choppies did well to maintain market share and improve profitability.

Sales remained flat primarily due to deflationary pressure from the depreciation of the Rand, while Rand-based rebates also came under pressure on conversion to BWP. The Rand depreciation further contributed to volume growth of 5% not translating into like-for-like value growth.

Market growth

Choppies was able to deliver good top-line growth performance and opened six new stores during the year taking the total to 75 stores. We plan to open six more stores in the 2016 financial year to increase the Botswana footprint to a total of 81 stores. The retail sector flourished in this market with Choppies accounting for 60% of Botswana's total retail grocery market.

South Africa

Performance

Revenue increased to BWP1 275 million with gross profit improving to BWP284 million and EBITDA of BWP23 million. The strong top-line growth was driven by 11 new store openings during the year (one existing store closed due to relocation giving a net increase of 10 stores). The fruit and vegetable distribution centre opened in Rustenburg in November 2014.

Business environment

Following the recovery from the impact of lengthy strikes in 2014, the South African economy faced a new round of challenges during the past 12 months. In South Africa Choppies' stores are located in mining areas, where the sector has been placed under significant pressure from a steep drop in commodity prices as well as electricity shortages.

Lower sales were attributable to continued turnover pressure, power cuts and job losses in mid-sized mining towns as well as the slow-down in activity in agriculture-based towns.

Although our operations have achieved EBITDA breakeven, they are not yet profitable on a net income basis. Gross profit has improved significantly due to efficiencies in centralised distribution and better trading terms from suppliers.

Overall, the difficult trading conditions were evident in the decline in average basket value. However, footfall increased significantly, indicating a growing market penetration which bodes well for future sales as local economic prospects improve.

Market growth

Our interaction with the South African investor community during the listing process allowed us to showcase the Choppies business model and niche offering compared to regional competition. Although South Africa has several highly regarded retailers we continue to make inroads into semi-urban and rural communities that have remained largely underserved.

We have been competing with retailers with similar aspirations prior to entering South Africa, and our growth speaks to our competitive advantage and deep knowledge of the market. While South Africa has a more competitive retail space, it remains the largest economy in the region with significant untapped potential. We plan to expand our footprint from the current 36 stores to 42 in the short term (16% increase compared with the previous financial year) and 100 stores in the medium term. We are following a very strong organic and acquisitive strategy for this market going forward.

Zimbabwe

Performance

In Zimbabwe improved sales resulted in revenue of BWP863 million and EBITDA of BWP30 million. However, margins dropped significantly due to shrinkage in consumer buying power, which was mainly as a result of the macroeconomic slowdown in Zimbabwe. Revenue from non-essential food lines also dropped sharply due to the fall in disposable income.

Business environment

The Dollarised Zimbabwe economy remains fragile. Average basket sizes dropped considerably given price deflation and the economic pressure felt by consumers but footfall growth was very strong indicating a growing popularity of the Choppies brand.

Macroeconomic pressures manifested in deflationary conditions, wage pressures and general political uncertainty.

CEO's report and review of operations (continued)

Market growth

Zimbabwe is the most underserved market in the Choppies portfolio with very little competitive pressure from branded convenience offerings. We successfully realised our strategy of expanding from our Harare distribution centre with a total of 20 well supported stores at year end. The Harare stores continue to perform well and additional stores are planned in this area during FY2016, with a total of 11 new stores expected.

House brand and new services

The Choppies in-house range of goods remains popular with our customers across the region and has expanded to 18.6% of total revenue in Botswana, with a high possibility of similar figures in our other markets in the long term.

We have grown the share of our private label goods and expect margin upside as we unlock further scale benefits through sheer volume and a broader logistical network to better tap into the manufacturing value chain. Our expansion into the East African market also provides new sourcing opportunities.

We have successfully incorporated value-added services such as money transfers and other financial services in our stores which is improving the shopping experience for our customers and has become a big attraction and led to increased footfall.

Prospects

The African opportunity is supported by the rapid demand for a quality, branded convenience offering across the continent. Our performance over the past year was very satisfying and we are confident of continuing on this growth trajectory.

Market conditions remain challenging with an overall decrease in basket size, but margins will be preserved. The sizeable increase in footfall shows that we are breaking into new markets. We expect strong growth in FY 2016 and beyond supported by robust growth in East Africa and further efficiency gains in existing markets.

The roll-out plans are progressing as anticipated barring a few months' delay in Zambia and Tanzania. Choppies plans to roll out a total of 35 new stores (excluding acquisitions) in the coming financial year in line with our target of 200 stores by the end of the 2016 calendar year.

While we expect some pressure on sales, there are sufficient measures in place to protect our profit margins. Our expanding in-house range and cost control, and improved logistical efficiencies, will support margins across the region in the event of a weakening in consumer income. In addition, our expansion in Kenya will help to spread our risk further, and of course, drive group-level sales volume growth.

Appreciation

I would like to thank our chairperson, His Excellency Honourable FG Mogae, and the board for their continued guidance and support during such an exciting year. I would like to personally extend my appreciation to all my fellow executives and every staff member of this organisation for their relentless support in our growth.

Ram Ottapathu

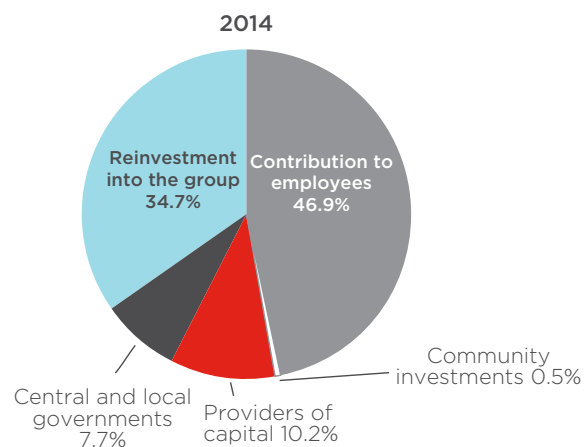
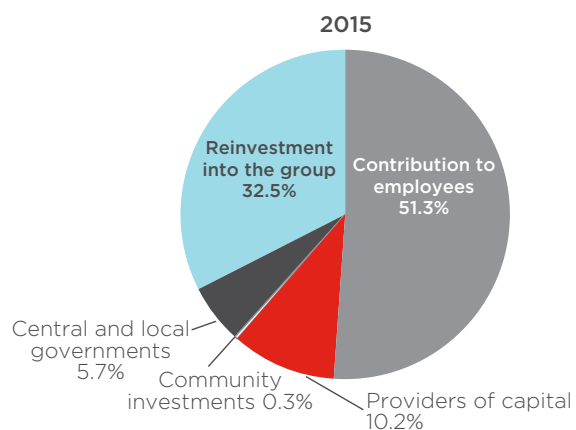
CEO

23 October 2015

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Value added statement

In BWP	2015		2014	
	Amount	%	Amount	%
Revenue (including other income)	5 958 024 328		5 024 735 841	
Less: Direct expenses	(5 156 043 079)		(4 349 241 821)	
Value added	801 981 249	100.0	675 494 021	100.0
Contribution to employees	411 367 759	51.3	317 025 697	46.9
Community investments	2 386 384	0.3	3 228 835	0.5
Providers of capital	81 511 791	10.2	68 555 103	10.2
Central and local governments	45 988 031	5.7	52 273 611	7.7
Reinvestment into the group				
- Depreciation	116 480 168		110 239 589	
- Profits ploughed back for expansion	144 247 116		124 171 184	
	260 727 284	32.5	234 410 773	34.7
Value applied	801 981 249		675 494 020	



Our people



2 277 new jobs created

2 412 employees trained

Remains single largest private sector employer in Botswana

Our people are an integral part of our brand as the frontline brand ambassadors. Therefore we strive to attract and retain employees of the highest calibre to uphold our reputation and drive our ongoing performance for sustainability.

We employ over 11 500 people across three countries and are constantly growing our workforce as we expand across the continent. We are an equal opportunities employer and discrimination on any level is not tolerated.

Providing optimal working conditions and opportunities for development are a priority at Choppies. In Botswana Choppies is the single largest private sector employer with about 7 000 employees. In particular, we are committed to creating employment in high unemployment rural areas where a number of our stores are situated. We have found that local employment is always key to our success. For instance, in Botswana each store employs on average 60 to 70 people of whom over 99% are Batswana.

We employ roughly 3 000 people in South Africa and 1 560 in Zimbabwe.

We believe in recognising and rewarding high performers who are committed to their work, our organisation and the community. Annual appraisals are conducted based on performance indicators which are used to assess increases and incentives.

A long-term incentive plan will be put in place for senior employees.

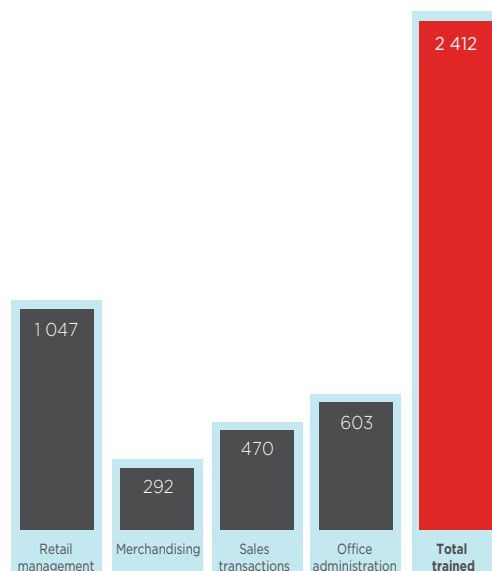
Skills development

The Choppies Retail Academy ("CRA") provides employees with various forms of training and the courses are accredited by the Botswana Qualifying Authority. The CRA is focused on operations staff and places a particular emphasis on customer service training. 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 CRA 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. Where the CRA is not equipped to provide specific training, an external training provider is engaged.

There was a significant increase in course attendees during the year in order to train staff for deployment into new stores. A total of 2 412 were trained inhouse with 107 receiving external training.

	2015	2014
Student intake	2 412	1 202

Attendance by type of course



OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

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 in the form of the Choppies Health and Safety manual. Adherence to these standards is monitored by regular audits.

Health

Seven years ago we engaged a food safety and auditing company to undertake a quarterly audit of every single store with the aim of improving food safety and hygiene across the group. This system is complemented by the ongoing development and refining of Choppies' food safety and hygiene and occupational safety standards and procedures.

Choppies employs the highest number of people with disabilities in Botswana.

Choppies employees 2015

	Botswana			South Africa			Zimbabwe			Total			
	Industrial	Casual	Supervisory	Industrial	Casual	Supervisory	Industrial	Casual	Supervisory	Industrial	Casual	Supervisory	Total
Female	2 412	470	527	1 374	132	20	532	39	10	4 318	641	557	5 516
Male	2 402	457	732	1 225	117	132	793	57	129	4 420	631	993	6 044
Total	4 814	927	1 259	2 599	249	152	1 325	96	139	8 738	1 272	1 550	11 560

Employees with disabilities 2015

	Botswana		South Africa		Zimbabwe		Total	
	Female	Male	Female	Male	Female	Male	Female	Male
	60	55	0	3	2	4	62	62
							124	

Acting sustainably

Environment

Choppies recognises the need to limit our environmental impact for sustainable growth. An environmental policy is in place which outlines the key strategic thrusts in this regard:



We are committed to being the industry leader in this regard at home in Botswana, and are striving to achieve the same position in the other countries in which we operate.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Community

We believe in adding value to the communities in which we operate and have made strides in this regard in all three countries. We have been recognised for our efforts in Zimbabwe and Botswana by the Zimbabwe National Chamber of Commerce and PMR Africa, respectively, the latter including a Gold Arrow and a Diamond Arrow Award. Choppies has also been recognised for our contribution in terms of the Vision 2016 goals in Botswana.

Our formal CSR programmes have a particular focus on promoting health and wellness, improving the lifestyle of vulnerable and disadvantaged groups and sports and arts development. We have provided hunger relief, clean-up campaigns, fundraising for and donations to the elderly, children and the disabled and support for the financial empowerment of women, farming and

Our beneficiaries during the year are outlined below:

environmental conservation. In addition, by creating jobs we are going a long way to helping to address poverty in sub-Saharan Africa.

As a policy we employ physically handicapped people wherever it is possible in all the countries in which Choppies operates.

As noted under the health section (page 21), Choppies employs the highest number of people with disabilities in Botswana.

In 2014 Choppies was awarded the African Leadership Network award for transformational business in recognition of having had a significant socio-economic impact in Africa by building a business with revenues in excess of USD50 million.

Botswana

Charitable donations

- Lady Khama Charitable Trust, which supports vulnerable women and children
- Sir Ketumile Masire Foundation (gold sponsor)

Health and wellness

- Presidential housing initiative – sponsorship of 138 houses
- RE A Nyalana Society, which advocates for the abolition of cohabitation in favour of legal partnership

Sports and art development





- Sponsorship of Botswana Cricket Association
- Main sponsor of My Star talent show
- Gold sponsor for University of Botswana Foundation
- Sponsorship of Media Institute of Southern Africa: Botswana

Ethical sourcing

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



Acting sustainably (continued)

South Africa	<p>Charitable donations</p> <ul style="list-style-type: none"> ■ Donated celebratory cakes to schools and old-age homes ■ Donated clothing, food, toys, house and cleaning items to several orphanages, houses of safety and old-age homes ■ Donated Christmas gifts for learners and teachers in rural villages ■ Distributed food to legally striking workers and their families <p>Disaster relief</p> <ul style="list-style-type: none"> ■ Provided flood relief in the Lephalale community including food, household goods, blankets, bedding, clothing and medicines <p>Education empowerment</p> <ul style="list-style-type: none"> ■ Supplied stationery and toys to community schools and upgraded classrooms ■ Sponsored art supplies, educational toys and clothing for Mandela Day ■ Provided school shoes ■ Targeted Grade Rs and Grade 1s in needy rural schools with specific donations for warmth ■ Donated Bibles and motivational items <p>Fundraising</p> <ul style="list-style-type: none"> ■ Stores hosted Kid's Fun Days 	  
Zimbabwe	<p>Charitable donations</p> <ul style="list-style-type: none"> ■ Donated groceries to Enthembeni, an elderly people's home ■ Donated to the Old Mutual Fun Run in support of disabled and young people with talent ■ Supported the Emthunzini Wethemba Children's Home 	

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

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.

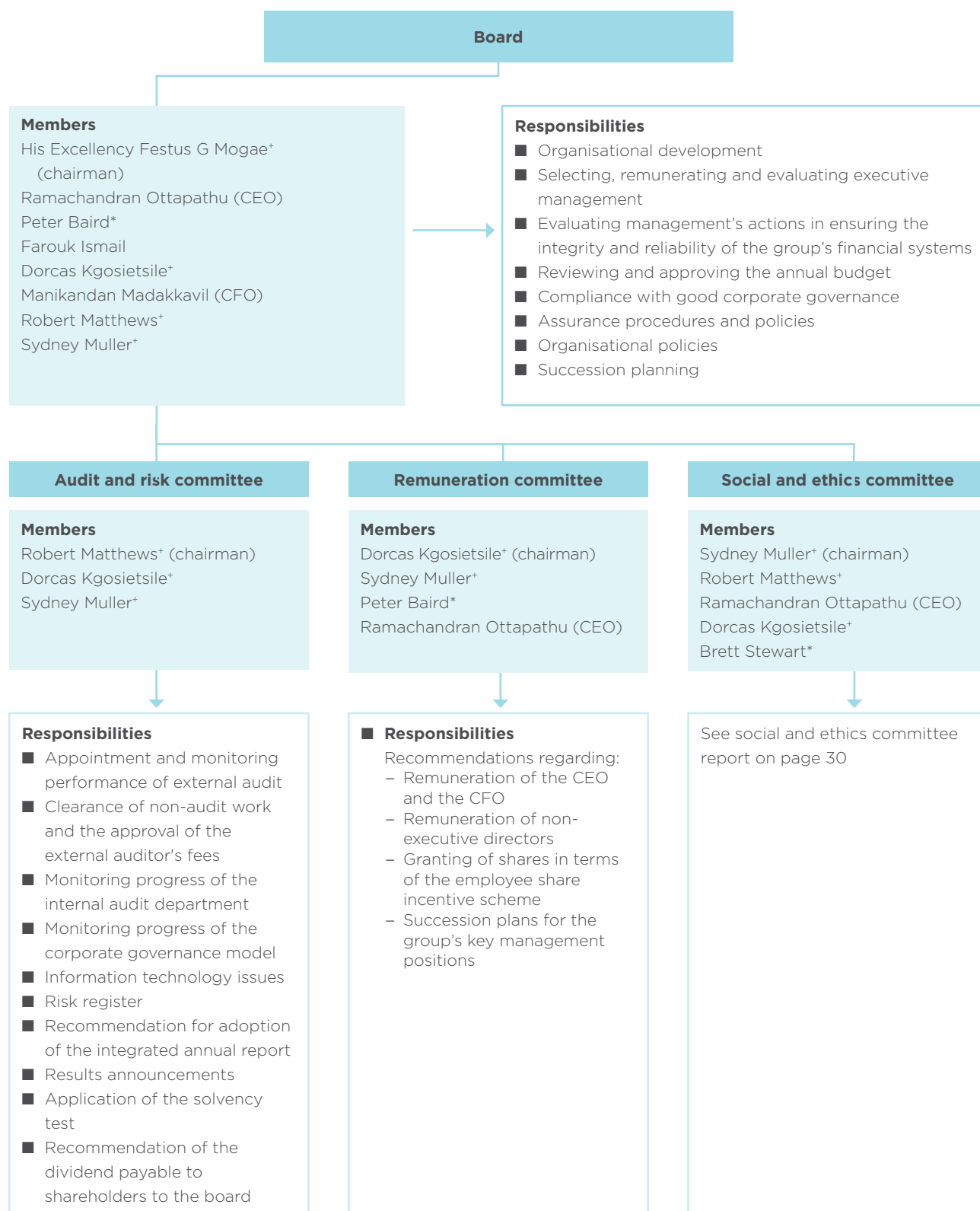
The group has a code of conduct in place and ensures that structures and processes in terms of this code govern standards of conduct and ethical behaviour within the group and in our interactions with stakeholders. In addition, Choppies has adopted a global anti-corruption policy which outlines our expectations of employees and business partners with regard to the prevention of corruption.

Anti-corruption and whistleblowing policies are in place throughout the group and all staff receive training in respect of these policies. The group's confidential whistleblowing process is managed and reported on by an independent third party. A toll-free number is provided. During the year 43 calls were received and appropriate action was taken in all cases.

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 Cooperation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, as well as country-specific anti-corruption laws.

The social and ethics committee is constituted under the chairmanship of Sydney Muller and its report is on page 30.

Governance structure



^{*}Non-executive ⁺Independent non-executive

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

We are committed to maintaining the highest standards of corporate governance and adopting stringent compliance practices. Our disclosure standards are regulated by the Botswana Companies Act, the BSE Listings Requirements, the BSE Code of Best Practice on Corporate Governance, JSE Listings Requirements, South African Companies Act and King III. The board appreciates that effective corporate governance is a key driver of sustainability and acknowledges its responsibility in this regard. This includes reporting on its operations and results to stakeholders in a transparent and timely manner.

The group's application of King III is set out in full on the company's website (www.choppies.co.bw) with application of Chapter 2 set out in Annexure 4 on page 88 of this report.

Internal control

The financial and operational systems of internal control are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that transactions are properly authorised and recorded.

Management monitors the operation of the internal control systems in order to determine if there are deficiencies. Corrective actions are taken where appropriate. The CFO and chief internal audit executive play key roles in this regard. The board, operating through the audit and risk committee, oversees the internal control environment and financial reporting process. There are inherent limitations on the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

Internal audit function

Internal audit is governed by a board-approved charter which enshrines the independence of the function. The department is structured under a chief internal audit executive and is well staffed for the programmes that it is currently undertaking. Internal audit has mainly focused on operational activities to date and is planning coverage of strategic areas. It will carry out a comprehensive enterprise-wide risk assessment and hold a focused risk management session with senior executive staff. Thereafter it will report on key risk areas to the audit and risk committee. To date operational audits have been carried out in Botswana, South Africa and Zimbabwe. Continuing improvements have been noted in the application of the standard operating procedures for the group.

Internal audit is a key management tool and has direct access to the chairman of the audit and risk committee. It reports to meetings of the audit and risk committee. As an important element of Choppies' combined assurance model, it plays an independent role in assessing the financial and internal control system of the group. Findings and recommendations arising from the internal audit process are discussed with the CFO and COO on a regular basis. The CEO receives monthly feedback and action plans.

The appropriate qualifications and experience of the chief internal audit executive have been assessed and are appropriate to the position. The department's staff receive both on-the-job as well as formal training.

Company secretary

The company secretary is Corporate Services (Pty) Limited, a suitably qualified, competent and experienced professional firm. The company secretary representative is not a director of the company. The board has considered the individuals at Corporate Services who perform the company secretarial functions, as well as the directors and shareholders of Corporate Services, and is satisfied that there is an arm's-length relationship between the company secretary and the board (which can remove the company secretary from office).

The board reviews the competence, qualifications and experience of the company secretary annually and reports on its satisfaction therewith. The board has determined that it is satisfied with Corporate Services' current competence, qualifications and experience as Choppies' company secretary.

The company secretary provides the directors, collectively and individually, with guidance as to their duties, responsibilities and powers and ensures that the directors are aware of all laws and legislation relevant to, or affecting the group.

Independent advice

All non-executive directors have unrestricted access to management at any time as well as to the group's external auditor. 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.

IT governance

Proper IT systems governance and compliance systems are in place.

Appointment and rotation of directors

Directors are appointed in accordance with a formal and transparent appointment policy. 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 provided that they remain eligible.

Risk management

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. Risk management is therefore critical to our sustainability.

Effective risk management supports the delivery of our strategic growth objectives. 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. The internal audit function is responsible for ongoing on-the-ground risk assessment and monitoring of management and reports to the audit and risk committee.

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

Risk and mitigations

Business-specific risks	Description	Mitigation
Accurately anticipating customer demand and preference	Target customers are lower to middle-income (LSM 3 – 6) who typically desire quality value products	<ul style="list-style-type: none"> Continually adapt offering to meet customer preferences (e.g. Botswana where the group is increasingly attracting the upper LSM consumers of our brand) Develop value for money products Track purchasing patterns Customer surveys
Meeting customers' quality and value expectations	We are committed to providing quality foods at affordable prices	<ul style="list-style-type: none"> Price competitiveness on private label and third-party brands
Food safety and quality	Food safety and quality is integral to the operation and in maintaining consumers' trust and our reputation	<ul style="list-style-type: none"> Strict quality control systems Ongoing food safety audits
Dependence on key suppliers	Ensuring a consistent quality of supply in a timely manner	<ul style="list-style-type: none"> Distribution centres assist in managing stock levels
Expansion into new African markets	New markets involve start-up costs and initial learning curve	<ul style="list-style-type: none"> Local joint venture partnerships
Distribution and logistics requirements	Operations are dependent on effective and efficient distribution and logistics	<ul style="list-style-type: none"> Wholly owned and well located distribution centres
Reliance on IT	Communication, accounting and in-stock systems rely on IT	<ul style="list-style-type: none"> New ERP system implemented Central pricing system
Dependence on key executives and skilled employees	Demand for skilled personnel in Africa is high and availability low	<ul style="list-style-type: none"> Skills and training development (CRA) Succession planning Attractive remuneration and incentive packages Culture of recognition and reward
South African macroeconomic conditions	Increased stress in South African economy	<ul style="list-style-type: none"> Expansion into new provinces to lessen exposure to mining areas
Reduction in base currency value	Continued drop of Rand	<ul style="list-style-type: none"> Expand into new markets
Power and water shortages	Increased shortages in Botswana	<ul style="list-style-type: none"> Back-up provisioning

Choppies is and will continue to be exposed to systemic risks such as macroeconomic factors, foreign exchange fluctuations, changing laws and regulations in the regions in which we operate; competition from established retailers (particularly in South Africa); and fraud and corruption.

Remuneration committee report

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

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) and Sydney Muller, non-executive director Peter Baird and 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

Industrial class workers

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

Long-term incentive plan

We are in the process of creating a long-term share incentive plan for the senior executives of the company. This should be finalised before December 2015.

Directorate

The downward adjustment of the deputy chairman package in the year is commensurate with his gradually reducing scope of work.

Management

Increases are linked to meeting and exceeding set performance standards. Employees are continually assessed and receive a formal annual performance appraisal. The group has a mandatory staff pension scheme which is in line with its commitment to lifelong staff welfare.

Directors' remuneration paid during the year

In BWP	Salary	Sitting fees	Other allowance	Retainer fee	Total
Directors					
HE Festus G Mogae*	529 392	133 333			662 725
Mr Sydney Alan Muller*		200 000	150 000	660 217	1 010 217
Mr Robert Neil Matthews*		400 000	150 000	160 000	710 000
Mrs Dorcas Kgosietsile		400 000		160 000	560 000
Mr Farouk Ismail	5 653 343				5 653 343
Mr Ramachandran Ottapathu (CEO)	10 758 299				10 758 299
Mr Manikandan Madakkavil (CFO)	150 000				150 000
Mr Peter Baird*	-	-	-	-	-
Total	17 091 034	1 133 333	300 000	980 217	19 504 584

*Independent non-executive.

*Non-executive.

Dorcas Kgosietsile

Remuneration committee chairman

23 October 2015

Social and ethics committee report

The chairman of the committee is required to report to shareholders at the annual general meeting.

In terms of South African law, certain of the South African subsidiaries of the company are required to form a social and ethics committee as a board subcommittee. The group has formed this committee at company level to perform this function throughout the group, including its South African subsidiaries.

The company is in the process of seeking permission from the relevant South African authorities to have this committee fulfil its mandate for its South African subsidiaries, as well as in regard to the other countries in which the group operates.

This committee was established post year-end on 21 September 2015 and comprises a majority of independent non-executive directors and is chaired by an independent non-executive director.

The mandate for this committee was agreed on by the committee and approved by the board on 21 September 2015. The inaugural meeting of the committee was held on 21 September 2015. The committee is responsible for executing the duties contemplated by the South African Companies Act as well as any additional duties assigned to it by the board of directors. Although management is tasked with the day-to-day operational sustainability of the business, the board remains ultimately responsible for group sustainability and has delegated certain duties in this regard to the social and ethics committee.

A formal charter has been adopted which guides the committee in ensuring that the group conducts its business in an ethical and properly governed manner and reviews or develops policies, governance structures and practices for sustainability.

The following members have been appointed to the committee:

Sydney Muller⁺

Robert Matthews⁺

Ramachandran Ottapathu (CEO)

Dorcas Kgosietsile⁺

Brett Stewart^{*}

⁺Independent non-executive director

^{*}Alternative to Peter Baird, non-executive director

The core purpose of the committee is to regularly monitor the group's activities in terms of social and economic development with regard to any relevant legislation, other legal requirements and prevailing codes of best practice.

The committee will be responsible for reviewing:

- Progress in addressing the principles of the UN Global Compact Principles and the OECD
- Performance in respect of B-BBEE and employment equity legislation to the extent applicable to the group's South African operations
- Performance in respect of indigenisation legislation to the extent applicable to the group's Zimbabwean operations
- Skills and other development programmes aimed at the educational development of employees
- Promotion of the responsibilities outlined in the constitutions of Botswana, South Africa and Zimbabwe, and any other countries in which the group operates
- Corporate social investment programmes
- Labour practices and policies
- Code of ethics and whistleblowing process
- SHE performance
- Stakeholder relations

Please see pages 20 to 24 for reporting on the committee's areas of focus.

Management reports to the committee on matters relevant to its deliberations and the committee in turn draws relevant matters to the attention of the board and reports on them to the shareholders at the annual general meeting. Mechanisms to encourage ethical behaviour such as the code of conduct, anti-corruption policies and the whistleblower's hotline will be assessed by the committee to confirm their adequacy.

Sydney Alan Muller

Social and ethics committee chairman

23 October 2015

Annual financial statements

for the year ended 30 June 2015

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Contents

32	Directors' responsibility statement
32	Declaration by company secretary
33	Audit and risk committee report
35	Independent auditor's report
36	Statements of profit or loss and other comprehensive income
37	Statements of financial position
38	Statements of changes in equity
39	Statements of cash flow
40	Significant accounting policies
48	Notes to the financial statements



Directors' responsibility statement

for the year ended 30 June 2015

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 2015 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 notes to the financial statements, 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 financial statements and financial statements 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 22 September 2015 and are signed on its behalf by:



Ramachandran Ottapathu

CEO



Robert N Matthews

Director

Declaration by company secretary

for the year ended 30 June 2015

We declare that, to the best of our knowledge, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.



Corporate Services (Pty) Limited

Company secretary

23 October 2015

Audit and risk committee report

for the year ended 30 June 2015

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

The audit and risk committee is a committee appointed by the board of directors and is governed by its own charter, which is approved by the board. The committee consists of three independent non-executive directors, one of whom acts as chairman. The CEO, CFO, the external auditor and chief internal audit executive attend by invitation. Other executives may be requested to attend sections of meetings as required, while other directors may attend meetings by invitation. The make-up of the committee complies with advised corporate governance credentials and members have the expected levels of experience.

Meetings of the committee

Four meetings of the committee were held during the year as set out on page 86. The major topics dealt with at the meetings included:

- 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.
- Consideration of the required documentation and subsequent clearances to the board related to the secondary listing on the JSE.
- Review of 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 governance and progress of information technology with regard to projects and risks concerning business continuity and disaster recovery issues. Overall the committee is satisfied that the Enterprise-wide Risk Management system is making good progress.
- Activities of the internal audit department and discussions with the chief internal audit executive with regard to progress in 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 enhanced to bolster these important financial controls.
- Continuing progress related to 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, JSE, the applicable Companies Acts, Trading Acts and the relevant Income and other Tax Acts.

Audit and risk committee report (continued)

for the year ended 30 June 2015

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. In particular, the chairman of the committee reported to the board on the pre-listing statement related to the secondary listing on the JSE in April 2015.

Robert N Matthews

Chairman – audit and risk committee

23 October 2015

for the year ended 30 June 2015

OUR BUSINESS	3 – 11
CHOPPIES IN CONTEXT	12 – 15
OUR PERFORMANCE	16 – 24
ACCOUNTABILITY	25 – 30
ANNUAL FINANCIAL STATEMENTS	31 – 77
SHAREHOLDER INFORMATION	78 – 82
CONTACT DETAILS	83
ANNEXURES	84 – 92



11

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¹ The average human lifespan

35

Statements of profit or loss and other comprehensive income

for the year ended 30 June 2015

In BWP'000	Notes	Group		Company	
		2015	2014	2015	2014
Revenue		5 945 234	5 012 418	-	-
Dividend income		-	-	52 989	49 925
Cost of sales		(4 653 413)	(3 933 347)	-	-
Gross profit		1 291 821	1 079 071	52 989	49 925
Other income		8 611	8 729	-	-
Operating income		1 300 432	1 087 800	52 989	49 925
Expenditure		(1 032 864)	(846 389)	(203)	(187)
Administrative expenses		(817 993)	(650 279)	(203)	(187)
Selling and distribution expenses		(48 322)	(44 976)	-	-
Other operating expenses		(166 549)	(151 134)	-	-
Operating profit before net finance cost and taxation		267 568	241 411	52 786	49 738
Net finance cost		(24 342)	(11 977)	187	-
Interest cost		(28 522)	(15 566)	-	-
Interest income		4 180	3 589	187	-
Profit before taxation	1	243 226	229 434	52 973	49 738
Taxation	2	(45 988)	(52 274)	-	-
Profit for the year		197 238	177 160	52 973	49 738
Attributable to:					
Owners of the company		202 826	167 882	52 973	49 738
Non-controlling interests		(5 588)	9 278	-	-
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Foreign currency translation differences from foreign operations		(16 068)	3 487	-	-
Attributable to:					
Owners of the company		(16 542)	5 616	-	-
Non-controlling interests		474	(2 129)	-	-
Profit and total comprehensive income for the year		181 170	180 647	52 973	49 738
Attributable to:					
Owners of the company		186 284	173 498	52 973	49 738
Non-controlling interests		(5 114)	7 149	-	-
		181 170	180 647	52 973	49 738
Earnings per share - Thebe					
Basic	22.1	15.70	14.30		
Diluted	22.1	17.11	14.30		

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Statements of financial position

at 30 June 2015

In BWP'000	Notes	Group		Company	
		2015	2014	2015	2014
ASSETS					
Non-current assets		1 269 313	1 094 808	340 326	340 325
Property, plant and equipment	3	746 050	597 040	-	-
Deferred taxation	5	19 572	15 217	-	-
Investment in subsidiaries	21	-	-	340 326	340 325
Investments in new projects	4.2	30 165	28 509	-	-
Goodwill	6	473 526	454 042	-	-
Current assets		1 149 383	654 663	575 964	121 986
Inventories	7	535 653	407 871	-	-
Investments	4.1	3	3	-	-
Advances and deposits	8	66 023	53 872	-	-
Trade and receivables	9	186 148	84 082	265	19
Amounts due from related entities	10.1	17 735	5 336	575 499	121 747
Cash and cash equivalents	12	343 821	103 499	200	220
Total assets		2 418 696	1 749 471	916 290	462 311
EQUITY AND LIABILITIES					
Equity		1 451 538	869 323	902 385	448 399
Stated capital	13.1	875 476	421 474	875 476	421 474
Preference shares	13.2	86	85	-	-
Retained earnings		588 286	438 418	26 909	26 925
Foreign currency translation reserve		(14 345)	2 197	-	-
Equity attributable to owners of the company		1 449 503	862 174	902 385	448 399
Non-controlling interests		2 035	7 149	-	-
Non-current liabilities		312 429	244 447	-	-
Long-term borrowings	15	273 591	210 164	-	-
Deferred operating lease liabilities	16	38 838	34 283	-	-
Current liabilities		654 729	635 701	13 905	13 912
Trade and other payables	17	453 130	404 160	227	234
Amounts due to related entities	10.2	38 301	101 404	13 678	13 678
Taxation payable		16 742	14 152	-	-
Current portion of deferred operating lease liabilities	16	4 805	4 139	-	-
Current portion of long-term borrowings	15	79 185	66 186	-	-
Bank overdraft	12	62 566	45 660	-	-
Total equity and liabilities		2 418 696	1 749 471	916 290	462 311

Statements of changes in equity

for the year ended 30 June 2015

In BWP'000	Stated capital	Preference shares	Retained earnings	Foreign currency translation reserve	Capital and reserves	Non-controlling interests	Total
Group							
Balance at 1 July 2013	421 474	85	320 461	(3 419)	738 601	-	738 601
Total comprehensive income for the year	-	-	167 882	5 616	173 498	7 149	180 647
Profit	-	-	167 882	-	167 882	9 278	177 160
Other comprehensive income	-	-	-	5 616	5 616	(2 129)	3 487
Transaction with owners							
Dividend declared	-	-	(49 925)	-	(49 925)	-	(49 925)
Balance at 30 June 2014	421 474	85	438 418	2 197	862 174	7 149	869 323
Total comprehensive income for the year	-	-	202 826	(16 542)	186 284	(5 114)	181 170
Profit	-	-	202 826	-	202 826	(5 588)	197 238
Other comprehensive income	-	-	-	(16 542)	(16 542)	474	(16 068)
Transaction with owners							
Dividend declared	454 002	1	(52 958)	-	401 045	-	401 045
Issue of ordinary shares	-	-	(52 958)	-	(52 958)	-	(52 958)
Issue of preference shares	454 002	-	-	-	454 002	-	454 002
	-	1	-	-	1	-	1
Balance at 30 June 2015	875 476	86	588 286	(14 345)	1 449 503	2 035	1 451 538
Company							
Balance at 1 July 2013	421 474	-	27 112	-	448 586	-	448 586
Total comprehensive income for the year	-	-	49 738	-	49 738	-	49 738
Profit	-	-	49 738	-	49 738	-	49 738
Transaction with owners							
Dividend declared	-	-	(49 925)	-	(49 925)	-	(49 925)
Balance at 30 June 2014	421 474	-	26 925	-	448 399	-	448 399
Total comprehensive income for the year	-	-	52 973	-	52 973	-	52 973
Profit	-	-	52 973	-	52 973	-	52 973
Transaction with owners							
Issue of ordinary shares	454 002	-	(52 989)	-	401 013	-	401 013
Dividend declared	454 002	-	-	-	454 002	-	454 002
	-	-	(52 989)	-	(52 989)	-	(52 989)
Balance at 30 June 2015	875 476	-	26 909	-	902 385	-	902 385

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Statements of cash flows

for the year ended 30 June 2015

In BWP'000	Notes	Group		Company	
		2015	2014	2015	2014
Cash flows from operating activities					
Profit before taxation		243 226	229 434	52 973	49 738
Adjusted for:					
Depreciation		116 482	122 012	-	-
Interest cost		28 522	15 566	-	-
Interest income		(4 180)	(3 589)	(187)	-
Profit on disposal of plant and equipment		(2 945)	(6 426)	-	-
Increase in deferred lease liabilities		5 221	15 311	-	-
Foreign currency translation (loss)/gain		(16 068)	3 487	-	-
Operating cash flows before working capital changes		370 258	375 795	52 786	49 738
Increase in trade and other receivables		(102 066)	(32 477)	(246)	(19)
Increase in amount due from related entities		(12 399)	(814)	(453 752)	14 532
Increase in advances and deposits		(12 151)	(7 251)	-	-
Increase/(decrease) in trade and other payables		48 970	30 166	(7)	177
Decrease in amounts due to related parties		(63 103)	(4 705)	-	-
Increase in inventories		(127 782)	(64 691)	-	-
Cash flows (used in)/from operations		101 727	296 023	(401 219)	64 428
Taxation paid	2.1	(47 753)	(56 190)	-	-
Interest received		4 180	3 589	187	-
Dividend paid		(52 958)	(49 925)	(52 989)	(49 925)
Net cash flows (used in)/from operating activities		5 196	193 497	(454 021)	14 503
Cash flows from investing activities					
Acquisition of property, plant and equipment		(263 827)	(318 917)	-	-
Proceeds on disposal of plant and equipment		12 459	11 829	-	-
Acquisition of businesses		-	(192 246)	(1)	(14 485)
Investment in new projects		(26 880)	(25 603)	-	-
Foreign currency translation differences in property, plant and equipment		14 045	-	-	-
Foreign currency translation differences in goodwill		(19 484)	-	-	-
Net cash flows used in investing activities		(283 687)	(524 937)	(1)	(14 485)
Cash flows from financing activities					
Financing obtained from third parties		232 955	246 942	-	-
Capital repayment of long-term liabilities		(156 529)	(57 227)	-	-
Proceeds from issue of preference shares		1	-	-	-
Proceeds from issue of ordinary shares		454 002	-	454 002	-
Interest paid		(28 522)	(15 566)	-	-
Net cash flows from financing activities		501 907	174 149	454 002	-
Net increase/(decrease) in cash and cash equivalents		223 416	(157 291)	(20)	18
Cash and cash equivalents at beginning of the year	12	57 839	215 130	220	202
Cash and cash equivalents at end of the year	12	281 255	57 839	200	220

Significant accounting policies

for the year ended 30 June 2015

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").

Statement of compliance

The consolidated financial statements ("the financial statements") are prepared in accordance with the International Financial Reporting Standards ("IFRS") and the JSE Securities Exchange requirements.

Basis of presentation

The group and company financial statements are presented in Botswana Pula and rounded to the nearest thousand, which is also the group's functional currency.

Certain individual companies in the group have different functional currencies and are translated upon consolidation.

The financial statements are prepared on the historical cost basis, except for certain financial instruments which are measured 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 amendments to standards:

- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting financial assets and financial liabilities*
- Amendments to IAS 19 *Retirement Benefit Plans: Employee contribution*
- Amendments to IAS 36 *Recoverable amounts disclosure for non-financial assets*

These amendments did not have an impact on the group's financial statements

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 (per note 6), the evaluation of amounts due from related parties for possible impairment (per note 10), the evaluation of investments in subsidiaries for possible impairment (per note 21), the evaluation of depreciation rates and residual values applied to property, plant and equipment items (per note 3), and the calculation accrual of income and deferred taxation (per notes 2 and 3).

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. Transaction costs are expensed as incurred except if it relates to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment (refer to note 6).

Investments 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 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. Investments in subsidiaries are measured at cost less accumulated impairment losses in the company financial statements.

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")

NCIs are disclosed separately in the group statement of financial position and statement of profit or loss and other comprehensive income. NCIs are viewed as equity participants of the group and all transactions with NCIs are therefore accounted for as equity transactions and included in the group statement of changes in equity.

NCI is measured at its proportionate share of the acquiree's identifiable net asset 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.

Change in the group's interest in subsidiaries

Changes in the group's interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

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 (except freehold land) are depreciated at the following annual rates:

■ 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%
■ Aircraft	25%

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

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

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

Gains and losses on disposal are determined by comparing proceeds with the carrying 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 period until the next major renovation is required which may be shorter than the remaining life of the related asset.

Subsequent expenditures are 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 relate to capital expenditure incurred with regard to new stores to be opened in the following financial year. Investments in new projects are stated at cost and not depreciated. Depreciation commences when the assets are ready for its intended use.

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. Examples of loss events include financial difficulty and default on payments by the counterparty.

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 and reflected in an allowance account. 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.

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.

Significant accounting policies (continued)

for the year ended 30 June 2015

For non-financial assets, such as goodwill, which have indefinite useful lives and are not subject to depreciation or amortisation, or that are not yet available for use, the recoverable amount is estimated at each reporting date.

Impairment losses recognised in 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

Finance leases

Leases are classified as a finance lease where substantially all the risk and rewards associated with ownership of the asset are transferred from the lessor to the group as a lessee.

Assets acquired in terms of finance leases are capitalised 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.

Finance leased assets are carried at the initial recognised amounts less accumulated depreciation and impairment losses.

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.

Finance lease liabilities are classified as non-current liabilities, with the exception of the portion with a maturity date less than 12 months of the reporting date which is classified as a current liability.

Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where the lessor retains risk and rewards of ownership of the underlying asset are classified as operating leases. The group acts as a lessee. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. This results in the raising of a liability for future lease expenses. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

Operating lease liabilities are classified as non-current liabilities with the exception of the portion with a maturity date of less than 12 months of the reporting date which is disclosed as a current liability.

Goodwill

All goodwill is acquired through business combinations and initially measured at fair value of the consideration transferred. 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.

Inventories

Inventories comprise merchandise for resale and consumables. 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, including distribution cost, and is stated net of relevant purchase incentives. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Deferred taxation

Deferred taxation is recognised 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.

Deferred taxation is recognised in profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

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/refundable in respect of previous years.

Dividend withholding tax

Dividend withholding is a tax on shareholders and is applicable on all dividends declared.

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits are recognised as an expense during the period in which the employee renders the related service. Employee entitlements to annual leave, bonuses, medical aid and housing 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 employee contracts, are entitled to severance benefits as regulated by the Botswana Companies Act. An accrual is recognised for the estimated liability for services rendered by the employees up to 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 and are stated net of VAT, related rebates and discounts granted. Revenue from the sale of fast moving consumer goods comprises retail sales to customers.

Revenue is 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.

Generally these conditions are met at point of sale.

Choppies Enterprises Limited is an investment holding entity and dividend income is classified as revenue.

Significant accounting policies (continued)

for the year ended 30 June 2015

Interest income

Interest income is recognised as it accrues in profit or loss using the effective interest method.

Interest cost

Interest cost is recognised in profit or loss in the period in which these expenses are incurred using the effective interest rate method.

Earnings and headline earnings per share

The group presents basic and diluted earnings per share ("EPS") and headline earnings per share ("HEPS") 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. Headline earnings are calculated in accordance with Circular 2/2013 issued by the South African Institute of Chartered Accountants as required by the JSE Securities Exchange Listings Requirements.

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.

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

Dividend income is recognised 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 distributed to shareholders

Dividends are recorded in the period in which they have been declared and are charged directly to equity. Dividends declared after the reporting date are not recognised as a liability in the statements of financial position.

Operating segments

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.

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 designated in foreign currencies are subsequently translated to BWP at the foreign exchange rate ruling reporting date. Non-monetary assets and liabilities are consistently translated at rates of exchange ruling at acquisition 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.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Financial instruments

Recognition and derecognition

A financial instrument is initially recognised if the group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, which includes directly attributable transaction costs in the case of financial assets and financial liabilities not at fair value through profit or loss. Subsequent measurement for each category is specified in the sections below.

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

Cash and cash equivalents 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 and bank overdrafts are measured at amortised cost using the effective interest method, less accumulated impairments.

Quoted investments

Quoted equity securities are originally recognised at the fair value of consideration paid to acquire these securities. The equity securities are subsequently measured at their quoted price, which is derived from the securities 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 through profit or loss.

Trade and other receivables, including amounts due from related entities

Trade and other receivables, including amounts due from related entities, are subsequently measured at amortised cost using the effective interest method, less an impairment accrual. Trade and other receivables, including amounts due from related entities, are classified as loans and receivables.

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. Advances and deposits are classified as loans and receivables.

Financial liabilities

The principal financial liabilities comprise the following:

Trade and other payables, including amounts due to related entities

Liabilities for trade and other amounts payable, including amounts due to related entities, which are normally settled on 30 to 90-day terms, are measured at amortised cost using the effective interest method. Trade and other payables, including amounts due to related entities, are classified as financial liabilities at amortised cost.

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.

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.

Gains and losses on subsequent measurement

Gains and 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 2015

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 2015 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, i.e. 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.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption permitted.

The standard will have no impact on the group's financial statements as the group always applied IFRS. The standard is only applicable to first-time adopters of IFRS.

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 with early adoption permitted.

The standard is not expected to have any impact on the group's financial statements. The standard will be considered in business combinations.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) – The amendments to IAS 16 *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are "highly correlated", or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The amendments are not expected to have a significant impact on the group's financial statements. The group does not currently apply revenue-based depreciation methods.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) – The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 *Property, Plant and Equipment* instead of IAS 41 *Agriculture*. The produce growing on bearer plants will remain within the scope of IAS 41.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The standard is not expected to have an impact on the group's financial statements due to the nature of its operations.

Equity Method in Separate Financial Statements (Amendments to IAS 27) – The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The amendment is not expected to have a significant impact on the group's financial statements. These amendments will, however, be considered in the application of the separate entity financial statements and may have an impact on the valuation of investments in these separate financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a "business" under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The standard is not expected to have an impact on the group's financial statements, due to the nature of its investments which mostly consists of investments in subsidiaries.

Disclosure Initiative (Amendments to IAS 1) – The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, OCI of equity-accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The amendments are not expected to have a significant impact on the group's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 *Investments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted. The standards are not expected to have a significant impact on the group's financial statements as the group does not currently have investment entities which account for investments in subsidiaries at fair value through profit or loss.

IFRS 15 *Revenue from contracts with customers* – 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's financial statements due to the nature of its revenue transactions. The impact of this standard on additional revenue streams will, however, be considered.

IFRS 9 *Financial Instruments* – On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will include changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted. The standard will result in a reclassification of financial instruments into the different categories and may result in an increase in the group's provision for bad debts. The impact of this standard on the group's results and financial position will be monitored on a continued basis.

Notes to the annual financial statements

for the year ended 30 June 2015

In BWP'000	Group		Company	
	2015	2014	2015	2014
1. Profit before taxation				
The profit before taxation is stated after taking into account the following:				
Movement in deferred lease liabilities	5 221	15 311	-	-
Depreciation	116 482	122 012	-	-
Audit fees	2 751	4 152	-	-
- For audit services	2 700	2 940	-	-
- For non-audit services	51	1 212	-	-
Rent expense – cash payments	156 127	115 729	-	-
Interest paid – borrowings	27 236	13 974	-	-
Interest paid – bank overdraft	1 286	1 592	-	-
Interest received – fixed deposits	(4 180)	(3 589)	-	-
Donations	2 386	3 229	-	-
Salaries and wages	371 315	279 986	-	-
Pension fund contributions	2 995	1 925	-	-
Profit on disposal of plant and equipment	(2 945)	(6 426)	-	-
Training levy	10 577	9 963	-	-
Directors' remuneration (refer to note 11)	19 505	20 723	-	-
2. Taxation				
Basic company taxation	49 434	49 831	-	-
Prior year under-provision of company taxation	909	1 510	-	-
Net deferred taxation movement	(4 355)	933	-	-
Taxation per profit or loss	45 988	52 274	-	-
Tax losses available for set-off against future taxable income are as follows:				
Unutilised tax losses	139 133	104 522	-	-
Tax losses include:				
- BWP39 580 787 (2014: BWP39 114 454) for the subsidiaries in Botswana; and				
- BWP99 552 329 (2014: BWP65 407 241) for the subsidiary in South Africa.				
Tax losses in Botswana fall away after five years if not utilised.				
Tax losses are analysed as follows:				
- 2009	5 773	5 661	-	-
- 2010	14 085	14 213	-	-
- 2011	12 999	13 281	-	-
- 2012	-	-	-	-
- 2013	20 184	36 410	-	-
- 2014	36 991	34 957	-	-
- 2015	46 027	-	-	-
- Effects of movement in foreign exchange rates	3 074	-	-	-
Total	139 133	104 522	-	-

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

	2015 %	2015 BWP'000	2014 %	2014 BWP'000
2. Taxation (continued)				
Reconciliation of effective tax rates:				
Group				
Profit before taxation		243 226		229 434
Normal income tax at statutory rate	22.00	53 510	22.00	50 475
Effect of tax rates in foreign jurisdictions	0.38	929	1.85	4 259
Non-deductible expenses	0.24	584	0.32	736
Recognition of previously unrecognised tax losses	(0.10)	(264)	(1.56)	(3 577)
Prior year under-provision of company taxation	0.37	909	0.66	1 510
Foreign currency translation differences	(2.79)	(6 783)	-	-
Over-provision of deferred taxation	(1.19)	(2 897)	(0.49)	(1 129)
Taxation per profit or loss	18.91	45 988	22.78	52 274
Company				
Profit before taxation		52 973		49 738
Normal income tax at statutory rate	22.00	11 654	22.00	10 942
Increment of tax losses	-	-	0.10	41
Exempt income	(22.00)	(11 654)	(22.10)	(10 983)
Taxation per profit or loss	-	-	-	-
<i>In BWP'000</i>				
2.1 Taxation paid				
Group				
Taxation payable is reconciled as follows:				
Taxation payable at the beginning of the year		14 152		19 001
Current year charge		49 434		49 831
Prior year under-provision of company taxation		909		1 510
Taxation payments made		(47 753)		(56 190)
Taxation payable at year-end		16 742		14 152

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

In BWP'000		At beginning of year	Additions*	Disposals	Effects of foreign currency fluctuations	At end of year
3. Property, plant and equipment						
Group 2015 Cost						
Buildings and leasehold improvements		27 850	2 445	-	-	30 295
Plant and machinery		431 438	169 024	(8 121)	(13 622)	578 719
Computer equipment		51 635	30 350	(751)	(786)	80 448
Office equipment		4 302	3 325	-	-	7 627
Furniture and fittings		146 247	39 786	(3 553)	(4 186)	178 294
Aircraft		105 340	-	-	-	105 340
Motor vehicles		198 639	44 121	(10 719)	(2 821)	229 220
		965 451	289 051	(23 144)	(21 415)	1 209 943
Accumulated depreciation						
Buildings and leasehold improvements		776	365	-	-	1 141
Plant and machinery		165 273	72 629	(3 513)	(4 524)	229 865
Computer equipment		22 846	12 557	(492)	(408)	34 503
Office equipment		1 596	314	-	-	1 910
Furniture and fittings		50 766	12 666	(1 135)	(1 145)	61 152
Aircraft		33 296	-	-	-	33 296
Motor vehicles		93 858	17 951	(8 490)	(1 293)	102 026
		368 411	116 482	(13 630)	(7 370)	463 893
Net book value		597 040				746 050
In BWP'000		At beginning of year	Additions*	Disposals	Effects of foreign currency fluctuations	At end of year
Group 2014 Cost						
Buildings and leasehold improvements		26 197	1 653	-	-	27 850
Plant and machinery		277 174	158 382	(4 118)	-	431 438
Computer equipment		24 549	27 449	(363)	-	51 635
Office equipment		3 948	354	-	-	4 302
Furniture and fittings		102 653	45 434	(1 840)	-	146 247
Aircraft		23 940	81 400	-	-	105 340
Motor vehicles		152 812	63 172	(17 345)	-	198 639
		611 273	377 844	(23 666)	-	965 451
Accumulated depreciation						
Buildings and leasehold improvements		505	271	-	-	776
Plant and machinery		114 562	53 180	(2 469)	-	165 273
Computer equipment		14 610	8 589	(353)	-	22 846
Office equipment		1 509	87	-	-	1 596
Furniture and fittings		37 339	14 046	(619)	-	50 766
Aircraft		21 546	11 750	-	-	33 296
Motor vehicles		74 589	34 089	(14 820)	-	93 858
		264 660	122 012	(18 261)	-	368 411
Net book value		346 613				597 040

*Included in additions are amounts reclassified from investments in new projects of BWP25 224 000 (2014: BWP18 405 000). Refer to note 4.2.

Motor vehicles with a net book value of BWP68 495 441 (2014: BWP50 693 278), plant and machinery with a net book value of BWP18 886 748 (2014: BWP11 752 759) and aircraft with a net book value of BWP72 044 172 (2014: BWP69 650 140) are encumbered under finance leases with various financial institutions as per note 15.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

In BWP'000	Group	
	2015	2014
4. Investments		
4.1 Financial investments		
Investment in shares – listed		
The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2015 was BWP3.93 (2014: BWP3.48 per share). No fair value adjustment was processed in the current or prior financial years.		
	3	3
4.2 Investments in new projects		
Investments in new projects are reconciled as follows:		
Opening balance	28 509	21 311
Amounts reclassified as additions to property, plant and equipment during the year	(25 224)	(18 405)
Capital advanced during the year	26 880	25 603
Closing balance	30 165	28 509
These amounts relate to capital expenditure incurred with regard to new stores to be opened in the following financial year.		
5. Deferred taxation		
The movement in deferred taxation can be analysed as follow:		
Balance at beginning of the year	15 217	14 109
Deferred taxation on business combinations	-	2 041
Net movement for the year recognised in profit or loss	4 355	(933)
Prior year over-provision	(2 897)	(1 129)
Current year charge	7 252	196
Balance at end of the year	19 572	15 217
Deferred tax comprises the following:		
Tax losses	35 684	27 849
Accelerated capital allowances on items of property, plant and equipment	(28 736)	(21 042)
Unrealised foreign exchange loss	4 553	288
Deferred lease liabilities	8 071	8 122
	19 572	15 217

Deferred tax assets for unused tax losses are reviewed at each reporting date and reduced to the extent that it is no longer probable than the related tax benefit will be realised.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

In BWP'000	Group	
	2015	2014
6. Goodwill		
Opening balance	454 042	301 239
Businesses acquired	-	152 803
Effects of foreign currency fluctuations	19 484	-
Closing balance	473 526	454 042
<p>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.</p>		
<p>Goodwill is allocated to the group's CGUs as follows:</p>		
Choppies Supermarkets South Africa Pty Limited	267 255	267 255
Mafila Holdings (Pty) Limited	3 271	3 271
Nanavac Investments (Private) Limited	146 349	126 865
Number of smaller entities in Botswana	19 146	19 146
Sarfrosh Holdings (Pty) Limited	14 838	14 838
SupaSave (Pty) Limited and MegaSave (Pty) Limited	22 667	22 667
	473 526	454 042
<p>The following assumptions were applied in the evaluation of goodwill:</p>		
Discount rate (%)	14 - 16	14 - 16
Average sales growth rate per year:		
In Botswana (%)	4 - 15	4 - 15
In South Africa (%)	8 - 60	8 - 60
In Zimbabwe (%)	10 - 50	10 - 50
Terminal value growth rate (%)	4	4
Sensitivity analysis		
<p>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:</p>		
<ul style="list-style-type: none"> ■ 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% 		
<p>The sensitivity analysis indicates no impairments would result under each of the sensitivity scenarios.</p>		
7. Inventories		
Finished goods	522 167	402 949
Goods in transit	13 486	4 922
	535 653	407 871
<p>Due to the fast moving nature of the inventories, no impairment allowance was recognised (2014: BWPnil). The average inventory turnover days for the group is 37 days (2014: 37 days). Inventories of BWP63 095 140 (2014: BWP52 460 895) are encumbered under the Bifm Promissory Note as per note 15.</p>		

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

In BWP'000		Group	
		2015	2014
8. Advances and deposits			
Deposits		8 162	6 536
Prepayments		55 421	42 678
Rent advances		375	2 905
Salary advances		2 065	1 753
		66 023	53 872

In BWP'000		Group		Company	
		2015	2014	2015	2014
9. Trade and other receivables					
Trade receivables		92 457	38 412	-	-
Other receivables		93 691	45 670	265	19
		186 148	84 082	265	19
<p>Other receivables includes VAT refundable of BWP11 841 013 (2014: BWPnil) and rebates receivable of BWP73 573 108 (2014: BWP342 914 339).</p> <p>Trade and other receivables of BWP70 998 356 (2014: BWP26 696 414) are encumbered as per note 15.</p> <p>Trade receivables of BWP3 785 455 (2014: BWP3 704 961) have been personally guaranteed by the group's executive directors.</p> <p>Information about the group's exposure to credit and market risks and impairment losses for trade and other receivables is included in note 18.</p>					
10. Related-party balances					
<p>The directors confirm that transactions with related entities are carried out at arm's length 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.</p>					
10.1 Amounts due from related entities					
<p>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:</p>					
Amounts due from related entities		17 735	5 336	575 499	121 747
<p>These balances are trading related, unsecured, interest-free and are repayable as normal trading terms.</p> <p>No significant credit risk is associated with amounts due from related entities.</p>					
10.2 Amounts due to related entities					
<p>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:</p>					
Amounts due to related entities		38 301	101 404	13 678	13 678
<p>These balances are trading-related and are unsecured, interest-free and are payable on normal trading terms. Refer to note 25 for the details of related-party balances and transactions.</p>					

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

11. Amounts paid to key personnel

Key personnel comprise executive directors who are involved in the day-to-day operations of the group and non-executive directors to the board.

Directors' remuneration was as follows.

<i>In BWP'000</i>	Directors' fees	Salaries	Bonus	Medical aid	Total
2015					
Independent non-executive directors					
His Excellency Festus Gontebanye Mogae, former President of the Republic of Botswana	663	-	-	-	663
Robert Neil Matthews	710	-	-	-	710
Dorcas Ana Kgosietsile	560	-	-	-	560
Sydney Alan Muller	1 010	-	-	-	1 010
Non-executive directors					
Peter Walther Baird	-	-	-	-	-
Executive directors					
Ramachandran Ottapathu	-	10 759	-	-	10 759
Farouk Essop Ismail	-	5 653	-	-	5 653
Manikandan Madakkavil	-	150	-	-	150
Total	2 943	16 562	-	-	19 505

<i>In BWP'000</i>	Directors' fees	Salaries	Bonus	Medical aid	Total
2014					
Independent non-executive directors					
His Excellency Festus Gontebanye Mogae, former President of the Republic of Botswana	674	-	-	-	674
Robert Neil Matthews	461	-	-	-	461
Dorcas Ana Kgosietsile	429	-	-	-	429
Timothy Gordon Marsland	29	-	-	-	29
Sydney Alan Muller	-	-	-	-	-
Non-executive directors					
Peter Walther Baird	-	-	-	-	-
Executive directors					
Ramachandran Ottapathu	-	10 714	883	35	11 632
Farouk Essop Ismail	-	6 861	602	35	7 498
Total	1 593	17 575	1 485	70	20 723

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

In BWP'000	Group		Company	
	2015	2014	2015	2014
12. Cash and cash equivalents				
Cash on hand	11 241	9 029	-	-
Cash at bank	332 580	94 470	200	220
	343 821	103 499	200	220
Bank overdraft	(62 566)	(45 660)	-	-
	281 255	57 839	200	220

The group has the following banking facilities:

- BWP23 000 000 overdraft facility from Barclays Bank of Botswana Limited secured by a cross company guarantee of BWP27 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 BWP27 000 000 issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date BWP22 725 776 (2014: P22 712 101) of this facility was utilised.
- BWP40 000 000 overdraft facility from Standard Chartered Bank Botswana Limited secured by a cross guarantee of BWP34 411 200 issued by Choppies Enterprises Limited. At the reporting date BWP39 840 683 (2014: BWP22 947 926) of this facility was utilised.
- BWP100 000 000 term loan facility from Botswana Investment Fund Management Capital ("Bifm Capital"). At the reporting date BWP100 000 000 (2014: BWP35 000 000) of this facility was utilised. Refer note 15 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'000	Group		Company	
	2015	2014	2015	2014
13. Stated capital and preference shares				
13.1 Stated capital				
1 291 628 341 (2014: 1 174 207 583) ordinary shares at no par value	875 476	421 474	875 476	421 474
In BWP'000	2015		2014	
	Shares	Value	Shares	Value
The movement in stated capital can be analysed as follows:				
Balance at beginning of the year	1 174 208	421 474	1 174 207	421 474
Issue of ordinary shares	117 421	454 002	-	-
Balance at end of the year	1 291 629	875 476	1 174 207	421 474

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.

Issue of ordinary shares

The JSE Limited ("JSE") has granted the group a secondary inward listing in respect of up to 1 291 628 341 ordinary shares in the "Food Retailers and Wholesalers" sector of the main board of the JSE, effective 27 May 2015. At the listing date, the group's stated capital comprised 1 291 628 341 ordinary shares. The subscription of shares by way of private placement represented 10% of the group's ordinary shares.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

In BWP'000	Group		Company	
	2015	2014	2015	2014
13. Stated capital and preference shares (continued)				
13.2 Preference shares				
720 000 (2014: 635 000) preference shares at no par value	86	85	-	-

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.

In BWP'000	Group 2015		Group 2014	
	Shares	Value	Shares	Value
The movement in preference shares can be analysed as follows:				
Balance at beginning of the year	635 000	85	610 000	85
Issued during the year	85 000	1	25 000	-
Balance at end of the year	720 000	86	635 000	85

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.

14. Reserves

Nature and purpose of reserves

Retained earnings

Retained earnings records the cumulative net profit or loss made by the group after deducting dividends to shareholders and other utilisation of the reserve.

Foreign currency translation reserve

This reserve is used to record exchange differences arising from the translation of the results of foreign subsidiaries.

In BWP'000	Group	
	2015	2014
15. Long-term borrowings		
Bank of Baroda Botswana Limited	5	187
Barclays Bank of Botswana Limited	160 342	126 285
Botswana Investment Fund Management Capital (Bifm Capital)	100 000	35 000
Botswana Power Corporation	-	46
Scania Finance Southern Africa	39 864	48 964
Standard Bank South Africa Limited	-	58
Wesbank Botswana Limited	52 565	65 810
	352 776	276 350
Less: Current portion transferred to current liabilities	(79 185)	(66 186)
	273 591	210 164

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

15. Long-term borrowings (continued)

The terms and conditions of outstanding loans are as follows:

Bank of Baroda Botswana Limited

Finance lease liabilities

Finance lease liabilities are secured over motor vehicles with a net book value of BWP75 601 (2014: BWP330 244). These liabilities bear interest at the Botswana prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

Barclays Bank of Botswana Limited

Finance lease liabilities

The facility is for USD20 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).
- Quarterly repayments of USD1 121 218 over five years commencing 1 April 2014.
- Secured by an unlimited guarantee provided by Choppies Enterprises Limited.

Loan covenant

The loan facility contains a covenant stating that the company (Nanavac Investments (Private) Limited) should hold a minimum of net tangible assets amounting to USD85 000 000 during the period of the loan facility until final settlement. However, the company's net tangible assets at 30 June 2015 were less than the required threshold. The loan agreement did not highlight the implications of non-compliance. The bank did not request early payment of the loan as of the date when the financial statements were approved by the board of directors. Management is currently discussing the amendment in the terms and conditions of this facility with the financial institution in favour of the Group.

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 BWP15 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 BWP20 million.

During the year the group entered into a secure term loan facility for BWP65 million with the following conditions:

- Interest of 9.1% payable bi-annually;
- Repayments of BWP20 million on 31 December 2020 and 31 December 2021 and BWP25 million on 31 December 2022.

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 inventories.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

15. Long-term borrowings (continued)

Botswana Power Corporation

This balance was unsecured and did bear interest at the Botswana prime lending rate less 0.25%. The liability was repayable in 60 equal monthly instalments of BWP4 708 each, commencing 26 March 2010.

Scania Finance South Africa Limited

Finance lease liabilities

These lease liabilities are secured over motor vehicles with a net book value of BWP68 419 840 (2014: BWP49 654 574) and plant and equipment with a net book value of BWP18 886 748 (2014: BWP11 752 759). These liabilities bear interest at the South African prime lending rate less 2% per annum and are repayable in 48 monthly instalments.

Standard Bank South Africa Limited

Finance lease liabilities

The finance lease liability was secured over a motor vehicle with a net book value of P53 617 as at 30 June 2014. The finance lease was settled in full at reporting date.

Wesbank Botswana Limited

Finance lease liabilities

These lease liabilities are secured over motor vehicles with a net book value of BWPnil (2014: BWP654 843) and an aircraft with a net book value of BWP72 044 172 (2014: BWP69 650 140). These liabilities bear interest at the Botswana prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

In BWP'000	Group	
	2015	2014
Finance lease commitments		
At the reporting date, finance lease payables were as follows:		
Cash flows within one year	89 756	89 265
Capital repayments	79 179	77 872
Interest	10 577	11 393
Cash flows within two to five years	183 321	176 456
Capital repayments	173 591	163 432
Interest	9 730	13 024
Total	273 077	265 721
Capital repayments	252 770	241 304
Interest	20 307	24 417

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

In BWP'000	Group	
	2015	2014
16. Deferred operating lease liabilities		
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.		
Balance at beginning of the year	38 422	23 111
Charge for the year	5 221	15 311
Balance at end of the year	43 643	38 422
The deferred operating lease liabilities reverse as follows:		
Within 1 year	4 805	4 139
2 - 5 years	28 121	21 875
6 - 10 years	10 717	12 408
	43 643	38 422
Current portion of deferred lease liabilities	4 805	4 139
Non-current portion of deferred lease liabilities	38 838	34 283
	43 643	38 422
The following future non-cancellable minimum lease rentals for premises occupied by the group are payable at the reporting date:		
Within 1 year	68 302	106 805
2 - 5 years	204 742	353 152
6 - 10 years	111 855	178 336
	384 899	638 293

In BWP'000	Group		Company	
	2015	2014	2015	2014
17. Trade and other payables				
Trade payables	396 040	382 345	-	-
Amounts owing to vendors for acquisitions	27 291	-	-	-
VAT payable	-	2 100	-	-
Withholding tax payable	1 664	2 328	-	-
Other payables	28 135	17 387	227	234
	453 130	404 160	227	234

Trade and other payables are interest-free and have payment terms of up to 30 days.

The carrying value of trade and other payables approximates their fair values. Information of the group's exposure to currency and liquidity risks is included in note 18.

Amounts owing to vendors for acquisitions relates to the remaining balance due to SAI Enterprises (Private) Limited for the acquisition of 10 stores in Zimbabwe in the previous financial year. SAI Enterprises (Private) Limited was classified as a related entity in the prior year due to a common director, who subsequently resigned from the group.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

18. Financial instruments

Overview

The group is exposed to credit, liquidity, interest rate and foreign currency risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the group.

Risk management framework

The group's board of directors has overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group's board of directors oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The board of directors is assisted in its oversight role by the group audit and risk committee and internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk committee.

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.

Interest rate risk

The group's interest rate risks arise from borrowings, cash and cash equivalents and loans. Fixed rate borrowings expose the group to fair value interest rate risk. Variable rate borrowings, loans and cash and cash equivalents result in cash flow interest rate risks. 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'000	Group	
	2015	2014
Interest cost		
Botswana		
Wesbank Botswana Limited	Prime less 2%	Prime less 2%
Bank of Baroda (Botswana) Limited	Prime less 1%	Prime less 1%
Bank overdraft	5.50%	6.50%
Botswana Investment Fund Management Capital ("Bifm Capital")	12.00%	12.00%
Botswana Power Corporation	Prime less 0.25%	Prime less 0.25%
South Africa		
Scania Finance Southern Africa	Prime less 2%	Prime less 2%
Standard Bank South Africa	Prime lending rate	Prime lending rate
Zimbabwe		
Barclays Bank of Botswana Limited	3.5% above three-month LIBOR	3.5% above three-month LIBOR
Interest income		
Botswana		
Call account denominated in BWP	4.00% to 6.00%	4.00% to 6.00%
Call account denominated in foreign currencies	3.00%	3.00%
Fixed deposits with banks	5.50% to 7.00%	5.50% to 7.00%

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

18. Financial instruments (continued)

Interest rate risk (continued)

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

In BWP'000	Group	
	2015	2014
Long-term borrowings	(352 776)	(276 350)
Bank overdraft	(62 566)	(45 660)
Call accounts denominated in BWP	3 463	15 694
Call accounts denominated in foreign currencies	267 412	4 114
Fixed deposits with banks	7 152	1 080

With average interest rates as noted, an increase of 50 basis points in the interest rates during the reporting period would have decreased the group's profit before taxation and equity as shown below:

In BWP	Group	
	2015	2014
Long-term borrowings	(1 764)	(1 382)
Bank overdraft	(313)	(228)
Call accounts denominated in BWP	17	78
Call accounts denominated in foreign currencies	1 337	21
Fixed deposits with banks	36	5
Net decrease in profit before taxation and equity	(687)	(1 506)

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 and equity to the amounts disclosed above, on the basis that all other variables remain constant.

Foreign currency risk

The group is exposed to foreign currency risk for transactions which are denominated in currencies other than the 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 (in thousands) is analysed as follows:

		Foreign currency amount	BWP equivalent
Group 2015			
South African Rand denominated assets – balances with banks	ZAR	376 383	304 394
United States Dollar denominated assets – balances with banks	USD	1 274	12 626
British Pound Sterling denominated assets – balances with banks	GBP	151	2 352
South African Rand denominated liabilities	ZAR	(177 381)	(143 454)
United States Dollar denominated liabilities	USD	(9 814)	(97 265)
Net statement of financial position exposure			78 653
Group 2014			
South African Rand denominated assets – balances with banks	ZAR	19 737	16 440
United States Dollar denominated assets – balances with banks	USD	956	8 693
British Pound Sterling denominated assets – balances with banks	GBP	151	2 287
South African Rand denominated liabilities	ZAR	(222 794)	(190 179)
United States Dollar denominated liabilities	USD	(16 055)	(141 082)
Net statement of financial position exposure			(303 841)

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

In BWP'000	2015	2014
18. Financial instruments (continued)		
Foreign currency risk		
Year-end translation rates:		
South African Rand	1.2365	1.1105
United States Dollar	0.1009	0.1100
British Pound Sterling	0.0642	0.0659
Average transaction rates:		
South African Rand	1.2121	1.1920
United States Dollar	0.1060	0.1122
British Pound Sterling	0.0673	0.0697

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

In BWP'000	Decrease/ (increase) in profit or loss and equity
Group 2015	
South African Rand denominated assets – balances with banks	27 672
United States Dollar denominated assets – balances with banks	1 148
British Pound Sterling denominated assets – balances with banks	214
South African Rand denominated liabilities	(13 041)
United States Dollar denominated liabilities	(8 842)
Net decrease in profit before taxation	7 151
Group 2014	
South African Rand denominated assets – balances with banks	1 495
United States Dollar denominated assets – balances with banks	790
British Pound Sterling denominated assets – balances with banks	208
South African Rand denominated liabilities	(17 289)
United States Dollar denominated liabilities	(12 826)
Net increase in profit before taxation	(27 622)

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 and equity to the amounts disclosed above.

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
- 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.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

18. Financial instruments (continued)

Credit risk (continued)

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'000	Group		Company	
	2015	2014	2015	2014
Trade receivables	92 457	38 412	-	-
Other receivables	93 691	45 670	265	19
Advances and deposits	10 602	11 194	-	-
Amounts due from related entities	17 735	5 336	575 499	121 747
Bank balances	332 580	94 470	200	220
	547 065	195 082	575 964	121 986

The ageing of trade receivables (group) not impaired at the reporting date is analysed as follows:

In BWP'000	Gross 2015	Gross 2014
Not past due	16 845	6 835
Past due 1 - 30 days	6 326	2 117
Past due 31 - 120 days	69 286	29 460
	92 457	38 412

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.

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'000	Group		Company	
	2015	2014	2015	2014
Long-term borrowings	352 776	276 350	-	-
Amounts due to related entities	38 301	101 404	13 678	13 678
Bank overdraft	62 566	45 660	-	-
Trade payables	396 040	382 345	-	-
Amount owing to vendors for acquisitions	27 291	-	-	-
Other payables	28 135	17 387	227	234
	905 109	823 146	13 905	13 912

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

18. Financial instruments (continued)

Liquidity risk (continued)

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

<i>In BWP'000</i>	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than five years
Group 2015					
Long-term borrowings	352 776	(426 716)	(98 919)	(247 722)	(80 075)
Amounts due to related entities	38 301	(38 301)	(38 301)	-	-
Bank overdraft	62 566	(62 566)	(62 566)	-	-
Trade payables	396 040	(396 040)	(396 040)	-	-
Amount owing to vendors for acquisitions	27 291	(27 291)	(27 291)	-	-
Other payables	28 135	(28 135)	(28 135)	-	-
	905 109	(979 049)	(651 252)	(247 722)	(80 075)
Group 2014					
Long-term borrowings	276 350	(307 072)	(93 515)	(213 557)	-
Amounts due to related entities	101 404	(101 404)	(101 404)	-	-
Bank overdraft	45 660	(45 660)	(45 660)	-	-
Trade payables	382 345	(382 345)	(382 345)	-	-
Other payables	17 387	(17 387)	(17 387)	-	-
	823 146	(853 868)	(640 311)	(213 557)	-
Company 2015					
Amounts due to related entities	13 678	(13 678)	(13 678)	-	-
Other payables	227	(227)	(234)	-	-
	13 905	(13 905)	(13 912)	-	-
Company 2014					
Amounts due to related entities	13 678	(13 678)	(13 678)	-	-
Other payables	234	(234)	(234)	-	-
	13 912	(13 912)	(13 912)	-	-

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

19. Fair value measurement

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.

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

In BWP'000	Carrying amounts			Fair value				
	Financial assets designated at fair value	Loans and receivables	Financial assets/liabilities at amortised costs	Total	Level 1	Level 2	Level 3	Total
Group 2015 Assets								
Financial assets measured at fair value	3	-	-	3	3	-	-	3
Investments in shares	3	-	-	3	3	-	-	3
Financial assets not measured at fair value*	-	10 602	-	10 602	-	-	-	-
Advances and deposits	-	10 602	-	10 602	-	-	-	-
Trade and other receivables	-	186 148	-	186 148	-	-	-	-
Amounts due from related entities	-	17 735	-	17 735	-	-	-	-
Cash and cash equivalents	-	343 821	-	343 821	-	-	-	-
Total	3	558 306	-	558 309	3	-	-	3
Liabilities								
Financial liabilities not measured at fair value*	-	-	352 776	352 776	-	-	-	-
Long-term borrowings	-	-	352 776	352 776	-	-	-	-
Trade and other payables	-	-	451 466	451 466	-	-	-	-
Amounts due to related entities	-	-	38 301	38 301	-	-	-	-
Bank overdraft	-	-	62 566	62 566	-	-	-	-
Total	-	-	905 109	905 109	-	-	-	-

*Fair value not disclosed as carrying value is a reasonable approximation of fair value.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

19. Fair value measurement (continued)

In BWP'000	Carrying amounts			Fair value				
	Financial assets designated at fair value	Loans and receivables	Financial assets/liabilities at amortised costs	Total	Level 1	Level 2	Level 3	Total
Group 2014								
Assets								
Financial assets measured at fair value								
Investments in shares	3	-	-	3	3	-	-	3
Financial assets not measured at fair value*								
Advances and deposits	-	11 194	-	11 194	-	-	-	-
Trade and other receivables	-	84 082	-	84 082	-	-	-	-
Amounts due from related entities	-	5 336	-	5 336	-	-	-	-
Cash and cash equivalents	-	103 499	-	103 499	-	-	-	-
Total	3	204 111	-	204 114	3	-	-	3
Liabilities								
Financial liabilities not measured at fair value*								
Long-term borrowings	-	-	276 350	276 350	-	-	-	-
Trade and other payables	-	-	399 732	399 732	-	-	-	-
Amounts due to related entities	-	-	101 404	101 404	-	-	-	-
Bank overdraft	-	-	45 660	45 660	-	-	-	-
Total	-	-	823 146	823 146	-	-	-	-

*Fair value not disclosed as carrying value is a reasonable approximation of fair value.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

19. Fair value measurement (continued)

In BWP'000	Carrying amounts			Fair value				
	Financial assets designated at fair value	Loans and receivables	Financial assets/liabilities at amortised costs	Total	Level 1	Level 2	Level 3	Total
Company 2015								
Assets								
Financial assets not measured at fair value*								
Trade and other receivables	-	265	-	265	-	-	-	-
Amounts due from related entities	-	575 499	-	575 499	-	-	-	-
Cash and cash equivalents	-	200	-	200	-	-	-	-
Total	-	575 964	-	575 964	-	-	-	-
Liabilities								
Financial liabilities not measured at fair value*								
Other payables	-	-	227	227	-	-	-	-
Amounts due to related entities	-	-	13 678	13 678	-	-	-	-
Total	-	-	13 905	13 905	-	-	-	-
Company 2014								
Assets								
Financial assets not measured at fair value*								
Trade and other receivables	-	19	-	19	-	-	-	-
Amounts due from related entities	-	121 747	-	121 747	-	-	-	-
Cash and cash equivalents	-	220	-	220	-	-	-	-
Total	-	121 986	-	121 986	-	-	-	-
Liabilities								
Financial liabilities not measured at fair value*								
Other payables	-	-	234	234	-	-	-	-
Amounts due to related entities	-	-	13 678	13 678	-	-	-	-
Total	-	-	13 912	13 912	-	-	-	-

*Fair value not disclosed as carrying value is a reasonable approximation of fair value.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

20. 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 BWP27 000 000 in favour of Barclays Bank of Botswana Limited in respect of an overdraft facility of BWP23 000 000 and a guarantee of BWP34 411 200 in favour of Standard Chartered Bank Botswana Limited in respect of an overdraft facility of BWP40 000 000.

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

Beneficiaries	Expiry date	2015 USD '000	2014 USD '000	2015 BWP '000	2014 BWP '000
Delta Corporation Limited	Not applicable	800	800	7 929	7 030
National Foods Operations Limited	Not applicable	700	400	6 938	3 515
		1 500	1 200	14 867	10 545

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

Beneficiaries	Expiry date	2015 Rand '000	2014 Rand '000	2015 BWP '000	2014 BWP '000
South African Revenue Service	1/1/2030	50	50	40	41
Parmalat SA (Pty) Limited	1/1/2030	300	300	243	246
Unilever South Africa (Pty) Limited	1/1/2030	500	500	404	410
Coca Cola Fortune (Pty) Limited	1/1/2030	600	600	485	492
Tshwane Fresh Produce Market (Pty) Limited	1/1/2030	500	500	404	410
Blinkwater Mills (Pty) Limited	1/1/2030	250	250	202	205
		2 200	2 200	1 778	1 804

21. Subsidiaries

Choppies Enterprises Limited held the following interests in the stated capital of subsidiaries consolidated into these financial statements. The company has 77 subsidiaries that are all considered to be material to the group. Subsidiaries are entities controlled by the group:

- The group holds the majority of the voting rights in 76 subsidiaries.
- The group holds less than the majority of the shares in Nanavac Investments (Private) Limited (refer below).
- Non-controlling interests have a material interest in one subsidiary (refer below).

In BWP	2015 % Ownership	2015 Carrying value of investment	2014 % Ownership	2014 Carrying value of investment
Name				
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
Askite (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	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
Balance carried forward		12 183 605		12 183 605

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

In BWP

21. Subsidiaries (continued)

Name

Balance brought forward

Choppies Supermarkets SA Pty Limited	100	266 686 757
Choppies Warehousing Services Pty Limited	100	900
Crystal Shine (Pty) Limited	100	100
Daisy Gardens (Pty) Limited	100	290 273
Deluxe (Pty) Limited	100	5 778 525
Dostana Investments (Pty) Limited	100	1 000
Dragon Gold (Pty) Limited	100	100
Enchanted Oaks (Pty) Limited	100	100
Flowting Ideas (Pty) Limited	100	100
F & A Enterprises (Pty) Limited	100	734 973
Freshtake Holdings (Pty) Limited	100	4 033 916
Ganga (Pty) Limited	100	1 000
Genuine Passions (Pty) Limited	100	688 755
Gobrand Holdings (Pty) Limited	100	100
Golden Irish (Pty) Limited	100	100
Godavari (Pty) Limited	100	100
Gritnit (Pty) Limited	100	100
Heaven Hill (Pty) Limited	100	100
Hoovernit (Pty) Limited	100	100
Highland Haven (Pty) Limited	100	100
Himalayas (Pty) Limited	100	100
Jarapino Ventures (Pty) Limited	100	100
Jobfine Holdings (Pty) Limited	100	100
Kaar Distributors & Marketing Services (Pty) Limited	100	2 170 082
Kanye Friendly Grocer (Pty) Limited	100	439 264
Leaf Motifs (Pty) Limited	100	100
Lisboa Trading (Pty) Limited	100	3 017 120
Macha Investments (Pty) Limited	100	2 489 757
Mafila Holdings (Pty) Limited	100	150 000
Million Touch (Pty) Limited	100	100
Motopi Holdings (Pty) Limited	100	3 365 538
Motopi SA Holdings Pty Limited	100	100
Naivasha (Pty) Limited	100	100
Nanavac Investments (Private) Limited	49	855
Ndongolela Investments (Pty) Limited	100	100
New Page (Pty) Limited	100	100
Ollur Investments (Pty) Limited	100	2 005 193
Ourluck Investment (Pty) Limited	100	425 020
Path for Glory (Pty) Limited	100	100
Pucko Investments (Pty) Limited (Mochudi)	100	2 849 148
Pearland (Pty) Limited	100	100
Right Time Holdings (Pty) Limited	100	100
Rigil (Pty) Limited	100	100
S & F Enterprises (Pty) Limited	100	100
Sarfrosh Holdings (Pty) Limited	100	16 331 720
Shopper's Paradise (Pty) Limited	100	1 300 000
Smart Buy Holdings (Pty) Limited	100	100
Smoothsail Holdings (Pty) Limited	100	100

Balance carried forward

2015		2014	
% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
	12 183 605		12 183 605
100	266 686 757	100	266 686 757
100	900	100	900
100	100	-	-
100	290 273	100	290 273
100	5 778 525	100	5 778 525
100	1 000	100	1 000
100	100	-	-
100	100	100	100
100	100	100	100
100	734 973	100	734 973
100	4 033 916	100	4 033 916
100	1 000	100	1 000
100	688 755	100	688 755
100	100	100	100
100	100	100	100
100	100	100	100
100	100	-	-
100	100	100	100
100	100	100	100
100	100	100	100
100	100	100	100
100	2 170 082	100	2 170 082
100	439 264	100	439 264
100	100	100	100
100	3 017 120	100	3 017 120
100	2 489 757	100	2 489 757
100	150 000	100	150 000
100	100	100	100
100	3 365 538	100	3 365 538
100	100	100	100
100	100	100	100
49	855	49	855
100	100	100	100
100	100	100	100
100	2 005 193	100	2 005 193
100	425 020	100	425 020
100	100	-	-
100	2 849 148	100	2 849 148
100	100	100	100
100	100	100	100
100	100	100	100
100	16 331 720	100	16 331 720
100	1 300 000	100	1 300 000
100	100	-	-
100	100	100	100
324 946 101		324 945 501	

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

In BWP	2015		2014	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
21. Subsidiaries (continued)				
Name				
Balance brought forward		324 946 101		324 945 501
Spin and Shine (Pty) Limited	100	100	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	100	14 332 511
Taffeta Roses (Pty) Limited	100	100	100	100
Tampatrail Investments (Pty) Limited	100	100	100	100
Tanglewood (Pty) Limited	100	100	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
Wolf Lake (Pty) Limited	100	100	-	-
Well Done (Pty) Limited	100	100	100	100
		340 326 095		340 325 395
Total in thousands (BWP)		340 326		340 325

In BWP'000	Group	
	2015	2014
Non-controlling shareholders' interests		
Nanavac Investments (Private) Limited**		
Percentage of non-controlling shareholder (%)	51	51
	2015	2014
Total assets	398 603	277 666
Total liabilities	265 601	242 360
Net assets	133 002	35 306
Carrying amount of non-controlling shareholder	2 035	7 149
Revenue	864 521	424 511
Profit and total comprehensive income for the year	8 267	18 194
Profit for the year allocated to non-controlling shareholder	579	9 278
Reallocation of prior year profit to owners of the company	(6 167)	-
Other comprehensive income at holding company level allocated to non-controlling shareholder	474	(2 129)
Total statement of comprehensive income	(5 114)	7 149
Cash flows from operating activities	24 267	78 317
Cash flows from investing activities	(58 965)	(193 358)
Cash flows from financing activities	18 466	141 942
Net (decrease)/increase in cash and cash equivalents	(16 232)	26 901

Nanavac Investments (Private) Limited includes the group's operations in Zimbabwe where legislation requires an indigenous shareholding of at least 51% in all businesses. Although the group has only 49% of the shares, management has determined that the group controls Nanavac Investments (Private) Limited. This is on the basis that the shareholders holding the balance of the shares have agreed to allow the group to manage the company as it deems fit and the success of its operations are dependent on the investment of the group. The group is recognising an economic interest of 93% relating to its investments in the Zimbabwean operations.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

21. Subsidiaries (continued)

Acquisition of subsidiaries

During the year, the group acquired 100% of the shares and voting rights through the forming of the following entities as a part of the expansion of its retail business in Botswana and South Africa:

- Crystal Shine (Pty) Limited
- Dragon Gold (Pty) Limited
- Heaven Hill (Pty) Limited
- Motopi Holdings SA (Pty) Limited
- Path for Glory (Pty) Limited
- Smart Buy Holdings (Pty) Limited
- Wolflake (Pty) Limited

22. Earnings and dividends per share

22.1 Basic and diluted earnings per share

Basic earnings per share (Thebe)
Diluted earnings per share (Thebe)

Group

2015 2014

15.70 14.30
17.11 14.30

Group

2015 2014

202 826 167 882
1 291 629 1 174 207
1 185 468 1 174 207
1 174 207 1 174 207
11 261 -
1 185 468 1 174 207

The calculation of basic and diluted earnings per share is based on:
Profit for the year attributable to owners of the company (BWP'000)
Number of shares in issue during the year

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

Weighted average number of shares:

Issued ordinary share at 1 July

Weighted average number of shares newly issued

Weighted average number of ordinary shares at 30 June

There are no diluted instruments in issue.

22.2 Headline earnings and diluted headline earnings per share (Thebe)

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

Headline earnings attributable to owners of the company

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

Profit for the year attributable to owners of the company (BWP'000)

Remeasurements:

Profit on disposal of plant and equipment

Tax effect on remeasurement

Headline earnings

Headline earnings and diluted headline earnings per share (Thebe)

200 541 162 924
1 185 468 1 174 207
202 826 167 882
(2 945) (6 426)
660 1 468
200 541 162 924
16.92 13.88

Group and company

2015 2014

4.51 4.25
52 958 49 925
1 174 207 1 174 207

22.3 Dividend per share (Thebe)

Dividend declared and paid (BWP'000)
Ordinary shares eligible for dividend

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

23. 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 distribution and service companies.

South Africa – Retail of fast moving consumer goods in South Africa. The business is supported by and includes a distribution centre company.

Zimbabwe – Retail of fast moving consumer goods in Zimbabwe.

In BWP'000	Botswana	South Africa	Zimbabwe	Total per annual financial statements
2015				
Statement of profit or loss and other comprehensive income				
Revenue:				
Trading income	3 806 193	1 275 589	863 452	5 945 234
Other income	5 220	2 322	1 069	8 611
Total segment revenue	3 811 413	1 277 911	864 521	5 953 845
Reportable segment gross profit	851 713	284 248	155 860	1 291 821
Reportable segment EBITDA	330 649	23 052	30 349	384 050
Reportable segment profit/(loss) before taxation	253 761	(23 712)	13 177	243 226
Reportable segment profit/(loss) after taxation	200 979	(12 008)	8 267	197 238
Statement of financial position				
Reportable segment assets	1 510 388	509 705	398 603	2 418 696
Reportable segment liabilities	556 803	144 754	265 601	967 158
2014				
Statement of profit or loss and other comprehensive income				
Revenue:				
Trading income	3 586 393	1 001 693	424 332	5 012 418
Other income	7 324	1 226	179	8 729
Total segment revenue	3 593 717	1 002 919	424 511	5 021 147
Reportable segment gross profit	789 151	203 054	86 866	1 079 071
Reportable segment EBITDA	330 347	3 018	30 058	363 423
Reportable segment profit/(loss) before taxation	233 623	(28 525)	24 336	229 434
Reportable segment profit after taxation	178 022	(19 056)	18 194	177 160
Statement of financial position				
Reportable segment assets	1 124 217	347 588	277 666	1 749 471
Reportable segment liabilities	524 979	112 809	242 360	880 148

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

24. 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'000	2015	2014
Subsidiary		
Amphora (Pty) Limited	607	42
Bell Garden (Pty) Limited	1 006	1 664
Crystal Shine (Pty) Limited	902	-
Choppies Supermarket SA Pty Limited - ZAR	60 529	36 764
Enchanted Oaks (Pty) Limited	1 934	552
Golden Irish (Pty) Limited	2 218	545
Heaven Hill (Pty) Limited	1 967	-
Highland Haven (Pty) Limited	2 868	3 925
Leaf Motifs (Pty) Limited	634	925
Mafila Holdings (Pty) Limited	1 814	3 121
MegaSave (Pty) Limited	6 651	6 144
Million Touch (Pty) Limited	452	690
Ollur Investments (Pty) Limited	172	-
Path For Glory (Pty) Limited	617	-
Pearland (Pty) Limited	639	398
Smart Buy Holdings (Pty) Limited	2 978	-
Spin and Shine (Pty) Limited	274	358
Summer Queen (Pty) Limited	864	231
SupaSave (Pty) Limited	3 739	9 849
Tanglewood (Pty) Limited	-	259
Wolf Lake (Pty) Limited	599	-

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

In BWP'000	Group	
	2015	2014
25. Details of related-party balances and transactions		
25.1 Amounts due from related entities		
Name		
Browalia (Pty) Limited	345	347
Cascade Avenue (Pty) Limited	247	-
Electrometric Enterprises (Pty) Limited	-	26
Fantique Trade (Pty) Limited	-	2
Feasible Investments (Pty) Limited	5 821	-
I Qube SA Pty Limited	138	-
Keriotic Investments SA Pty Limited	9	-
Montrose Investments (Pty) Limited	2 400	2 020
Navy Blue (Pty) Limited	117	117
Ovais Investments (Pty) Limited	68	-
Peardale (Pty) Limited	271	-
Pennywise Investments (Proprietary) Limited	13	-
Princeton (Pty) Limited	1 316	1 783
Solace (Pty) Limited	1 205	-
Strides of Success (Pty) Limited	1 120	1 017
The FAR Property Company (Pty) Limited	524	-
Variety Liquors (Pty) Limited	183	-
Vet Agric Supplies (Pty) Limited	3 934	-
ZCX Investments (Pty) Limited	24	24
Total	17 735	5 336

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

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

In BWP'000		Group	
		2015	2014
25. Details of related-party balances and transactions (continued)			
25.2 Amounts due to related entities			
Name			
The FAR Property Company (Pty) Limited	-		3
Angarappa (Pty) Limited	129		427
Bagpiper (Pty) Limited	371		-
Balanced Fortune (Pty) Limited	36		-
DCS Tropicana (Pty) Limited	-		80
Electrometric Enterprises (Pty) Limited	106		-
Feasible Investments (Pty) Limited	-		464
Honey Guide (Pty) Limited	2 264		2 654
ILO Industries (Pty) Limited	5 308		5 655
ILO Industries SA Pty Limited	314		-
Keriotic Investments (Pty) Limited	17 282		23 861
Mediland Healthcare Distributors (Pty) Limited	76		148
Mont Catering and Refrigeration (Pty) Limited	3 173		169
Mont Catering and Refrigeration SA Pty Limited	2 390		-
RBV Consultants (Pty) Limited	4 383		-
Real Plastics & Moulds (Pty) Limited	2 094		740
SAI Enterprise (Private) Limited	-		65 636
Solace (Pty) Limited	-		856
Tow Bar (Pty) Limited	55		-
Vet Agric Supplies (Pty) Limited	-		572
Weal (Pty) Limited	320		139
Total	38 301		101 404

These balances are trading-related, unsecured and interest-free and are payable on normal trading terms.

In BWP'000		Company	
		2015	2014
25.3 Amounts due from related entities			
Beavers Investments (Pty) Limited	397		397
Choppies Distribution Centre (Pty) Limited	481 614		75 506
Choppies Supermarket SA Pty Limited	47 645		-
Daisy Gardens (Pty) Limited	197		197
Kanye Friendly Grocer (Pty) Limited	203		203
Nanavac Investments (Pty) Limited	17 879		17 879
SupaSave (Pty) Limited	21 422		21 422
MegaSave (Pty) Limited	6 142		6 143
	575 499		121 747
These balances are unsecured, interest-free and repayable on demand.			
25.4 Amounts due to related entities			
Chathley Enterprises (Pty) Limited	5 036		5 036
F & A Enterprises (Pty) Limited	3 576		3 576
Kaar Distributors & Marketing Services (Pty) Limited	2 170		2 170
Macha Investments (Pty) Limited	2 490		2 490
Mafila Holdings (Pty) Limited	150		150
Walrus (Pty) Limited	256		256
	13 678		13 678

These balances are trading-related, unsecured and interest-free and are payable on normal trading terms.

Notes to the annual financial statements (continued)

for the year ended 30 June 2015

In BWP		Group		
		Nature of transactions	2015	2014
25. Details of related-party balances and transactions (continued)				
25.5 Related-party transactions				
Name				
Angarappa (Pty) Limited		Purchase of capital goods	11 816	10 841
Bagpiper (Pty) Limited		Purchase of goods	1 038	-
Balanced Fortune (Pty) Limited		Purchase of goods	2 194	-
Browalia (Pty) Limited		Purchase of goods	144	151
Cascade Avenue (Pty) Limited		Purchase of goods	-	-
Electrometric Enterprises (Pty) Limited		Purchase of goods/services	2 138	1 380
Feasible Investments (Pty) Limited		Purchase of goods/services	35 233	25 190
Honey Guide (Pty) Limited		Purchase of goods	27 827	40 151
ILO Industries (Pty) Limited		Purchase of goods	65 274	65 947
ILO Industries SA (Pty) Limited		Purchase of goods	865	-
I Qube SA Pty Limited		Purchase of goods/services	7 696	-
Keriotic Investments (Pty) Limited		Purchase of goods	184 783	167 665
Keriotic Investments SA Pty Limited		Purchase of goods	11 150	-
Mediland Healthcare Distributors (Pty) Limited		Purchase of goods	5 262	1 464
Mont Catering and Refrigeration (Pty) Limited		Purchase of capital goods	55 086	45 646
Mont Catering and Refrigeration SA Pty Limited		Purchase of capital goods	41 346	-
Montrose Investments (Pty) Limited		Purchase of goods	137	635
Ovais Investments (Pty) Limited		Purchase of goods	53	-
Princieton (Pty) Limited		Purchase of goods	126	-
Peardale (Pty) Limited		Purchase of goods	87	-
Real Plastics & Moulds (Pty) Limited		Purchase of goods	19 048	16 021
SAI Enterprise (Private) Limited		Rental paid	-	3 315
SAI Enterprise (Private) Limited		Purchase consideration paid	-	153 985
Solace (Pty) Limited		Purchase of goods	23 029	18 654
The FAR Property Company (Pty) Limited		Rental paid	42 860	23 844
Vet Agric Supplies (Pty) Limited		Purchase of goods	61 996	53 364
Weal (Pty) Limited		Purchase of goods	241	251
Angarappa (Pty) Limited		Sale of stock	2 252	2 759
Bagpiper (Pty) Limited		Sale of stock	18	-
Balanced Fortune (Pty) Limited		Sale of stock	99	-
Cascade Avenue (Pty) Limited		Expenses reimbursement	246	-

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

In BWP	Group		
	Nature of transactions	2015	2014
25. Details of related-party balances and transactions (continued)			
25.5 Related-party transactions (continued)			
Name			
Callao (Pty) Limited	Sale of stock	10	-
Cottonvale (Pty) Limited	Sale of stock	76	-
Electrometic Enterprises (Pty) Limited	Sale of stock	6	40
Fantique Trade (Pty) Limited	Sale of stock	-	197
Feasible Investments (Pty) Limited	Sale of stock	1 055	1 206
Honey Guide (Pty) Limited	Sale of stock	4 098	4 706
ILO Industries (Pty) Limited	Sale of stock	3 910	4 550
I Qube SA Pty Limited	Sale of stock	2 769	-
Keriotic Investments (Pty) Limited	Sale of stock	9 147	5 879
Keriotic Investments SA Pty Limited	Sale of stock	10	-
Mediland Healthcare Distributors (Pty) Limited	Sale of stock	473	390
Mont Catering and Refrigeration (Pty) Limited	Sale of stock	406	464
Montrose Investments (Pty) Limited	Sale of stock	518	31
Ovais Investments (Pty) Limited	Sale of stock	226	-
Peardale (Pty) Limited	Sale of stock	393	-
Princieton (Pty) Limited	Sale of stock	37	291
RBV Consultants (Pty) Limited	Sale of stock	1 954	-
Real Plastics & Moulds (Pty) Limited	Sale of stock	3 223	2 696
Solace (Pty) Limited	Sale of stock	1 068	1 055
Strides of Success (Pty) Limited	Sale of stock	17	72
The FAR Property Company (Pty) Limited	Sale of stock	621	111
Towbar (Pty) Limited	Sale of stock	31	-
Variety Liquors (Pty) Limited	Sale of stock	68	-
Vet Agric Supplies (Pty) Limited	Sale of stock	2 697	5 317
Weal (Pty) Limited	Sale of stock	48	26
ZCX Investments (Pty) Limited	Sale of stock	390	1 583

The majority of related-party companies transacted with during the 2014 financial year have been consolidated and disposed of by the common shareholders and directors through a business combination deal involving both private equity and a Botswana consortium. The necessary regulatory approvals have been obtained and the transaction was effective 30 June 2015. This resulted in the elimination of the majority of related-party balances compared to the prior financial year.

26. 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 group.

Shareholder analysis

for the year ended 30 June 2015

ANALYSIS - 2015

SI no Shareholders by size of holding - 30 June 2015		Number of shareholders 2015	Number of shares held 2015	Percentage of shares held 2015
1	1 - 1 000	4 176	2 001 663	0.15
2	1 001 - 10 000	3 030	11 728 045	0.91
3	10 001 - 100 000	811	21 985 517	1.70
4	100 001 - 1 000 000	164	63 287 833	4.90
5	1 000 001 and above	96	1 192 625 283	92.34
Total		8 277	1 291 628 341	100

TOP 10 SHAREHOLDERS

CHOPPIES ENTERPRISES SHARE REGISTER 30 JUNE 2015/2014

SI no	Names of top 10 shareholders 2015	Number of shares held 2015	Percentage of holding 2015	Names of top 10 shareholders 2014	Number of shares held 2014	Percentage of holding 2014
1	Ramachandran Ottapathu	251 693 936	19.5	Ramachandran Ottapathu	326 956 136	27.8
2	Farouk Ismail	188 068 920	14.6	Farouk Ismail	270 160 647	23.0
3	Standard Chartered Private Equity (MU)	173 900 000	13.5	Standard Chartered Private Equity (MU) BW0000016630	150 000 000	12.8
4	Investec Asset Management	70 961 132	5.5	FNB BW Nominees (Pty) Limited RE: IAM BPOFPF 10001031	56 413 615	
5	African Alliance Asset Management	55 194 140	4.3	SCBN (Pty) Limited RE: SSB 001/224	44 375 304	
6	State Street Bank & Trust Co (US)	52 935 850	4.1	HE Festus Gontebanye Mogae	30 000 000	4.8
7	Stanlib Asset Management	37 275 042	2.9	FNB Nominees BW (Pty) Limited RE: FAM BPOPF1-10001028	27 511 680	
8	Citibank NA (US)	36 604 925	2.8	FNB Nominees (Pty) Limited RE: CFM BPOPF10001011	23 041 519	3.8
9	Sanlam Investment Management (ZA)	33 906 282	2.6	SCBN (Pty) Limited RE: NT 006314A	21 915 938	2.6
10	Mazi Capital (Pty) Limited (ZA)	30 538 550	2.4	Stanbic Nominees Botswana RE: BNY10000158	21 525 644	2.3
Total		931 078 777	72.2	Total	971 900 483	77.1

LIST OF SHAREHOLDERS HOLDING ABOVE 5% - 2015/2014

Name of shareholder - 2015	Number of shares held 2015	Percentage of holding 2015	Number of shares held 2014	Percentage of holding 2014
1 Ramachandran Ottapathu	251 693 936	19.5	326 956 136	27.8
2 Farouk Ismail	188 068 920	14.6	270 160 647	23.0
3 Standard Chartered Private Equity	173 900 000	13.5	150 000 000	12.8
4 Investec Asset Management	70 961 112	5.5	-	-
Total	684 623 968	53.0	747 116 783	63.6

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Shareholder analysis - 2015/2014

Details	Number of shareholders 2015	Number of shares held 2015	Percentage of holding 2015	Number of shareholders 2014	Number of shares held 2014	Percentage of holding 2014
Public	8 267	586 568 714	45	5 916	396 403 984	34
Directors	8	460 198 515	36	6	627 803 599	53
Shareholders holding above 5% except directors	2	244 861 112	19	1	150 000 000	13
Total	8 277	1 291 628 341	100	5 923	1 174 207 583	100

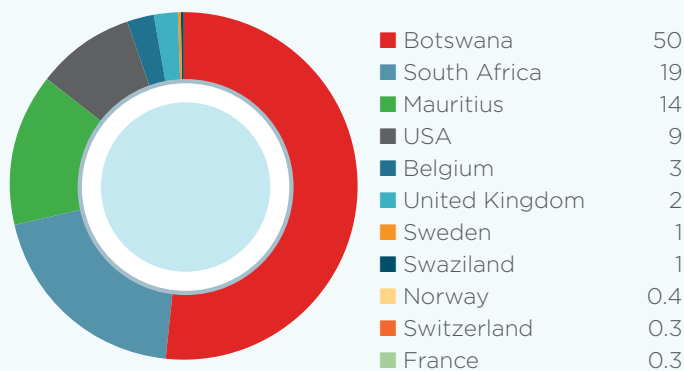
Shareholders' classifications - 2015/2014

	Number of shareholders 2015	Number of shares held 2015	Percentage of holding 2015	Number of shareholders 2014	Number of shares held 2014	Percentage of holding 2014
Individuals	7 994	55 274 572	4	5 709	38 678 437	3
Companies	155	52 598 488	4	106	6 469 875	1
Institutional investors	120	723 556 766	56	103	501 255 672	43
Directors	8	460 198 515	36	6	627 803 599	53
Total	8 277	1 291 628 341	100	5 924	1 174 207 583	100

Directors' holdings

Name of director	Number of shares held	Percentage of holding
Ramachandran Ottapathu	251 693 936	19.49
Farouk Ismail	188 068 920	14.56
FGM Holdings	177 112	0.01
Sydney Alan Muller (SCBB/C/34029/Fc)	606 731	0.05
Dorcas Kgosietsile	565 000	0.04
HE Festus Mogae	19 000 000	1.47
Robert Neil Matthews	61 816	0.00
Manikandan Madakkavil	25 000	0.00
	460 198 515	35.62

Geographic classification of shareholders (%)



SHAREHOLDERS' DIARY

Financial year-end	June
Preliminary annual results announcement	16 September 2015
Annual report posted	November 2015
Annual general meeting	4 December 2015
Interim results announcement	25 March 2016

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of Choppies Enterprises Limited will be held at Lansmore Hotel, Plot 54353, Masa Centre, New CBD, Gaborone, Botswana at 15:30 on Friday, 4 December 2015 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 2015 together with the directors' and auditor's reports thereon;
3. To consider and ratify the following distribution of the dividend declared for the year ended 30 June 2015:
Dividend number 4: declared 22 September 2015, paid 9 November 2015;
Net dividend of 4.8768 Thebe per share to Botswana shareholders; and
Gross final dividend of 6.31546 cents per share to South African shareholders;
4. To re-elect below retiring directors and confirm new directors of the company in terms of clause 20.9.1 of the constitution of the company:
 - 4.1 Ms Dorcas Kgosietsile who retires by rotation in terms of clause 20.9.1 of the constitution of the company, and being eligible, offers herself for re-election; and
 - 4.2 Mr Robert Matthews who retires by rotation in terms of clause 20.9.1 of the constitution of the company, and being eligible, offers himself for re-election;
5. To consider and ratify the remuneration paid to independent directors for the year ended 30 June 2015 as set out on page 29 of the annual report;
6. To approve the remuneration paid to the auditor, KPMG, for the year ended 30 June 2015 and to reappoint KPMG as the auditor for the ensuing financial year;
7. To consider and, if thought fit, pass with or without amendment the following resolution as a special resolution:
To specially 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 2015 as set out on page 50 of the annual report;
8. The answering by the directors and management of questions put by shareholders in respect of the affairs and the business of the company; and
9. To close the meeting.

Proxies

A member(s) entitled to attend and vote may appoint a proxy to attend and vote for him on his/their 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 c/o Corporate Services, Plot 115, Unit 5, Kgale Mews, PO Box 406, Gaborone, Botswana not less than 48 hours before the meeting.

Note to shareholders

Shareholders to note that a copy of the minutes of annual general meeting held on 4 December 2014 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
PO Box 406
Gaborone, Botswana

Date: 4 November 2015

Form of proxy

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

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 Lansmore Hotel, Plot 54353, Masa Centre, New CBD, Gaborone, Botswana at 15:30 on Friday, 4 December 2015.

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 2015 annual general meeting, to vote for or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name in accordance with the following instruction:

Number of ordinary shares		For	Against	Abstain
Ordinary resolution 1	Agenda number 2			
Ordinary resolution 2	Agenda number 3			
Ordinary resolution 3	Agenda number 4.1			
Ordinary resolution 4	Agenda number 4.2			
Ordinary resolution 5	Agenda number 5			
Ordinary resolution 6	Agenda number 6			
Ordinary resolution 7	Agenda number 7			

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 the form of proxy

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.

Contact details

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 79
CONTACT DETAILS	83
ANNEXURES	84 - 92

Registered office

Choppies Enterprises Limited
(Incorporated in Botswana on 19 January 2004)
(Registration number 2004/1861)
Corporate Services (Pty) Ltd
Plot 115, Unit 5, Kgale Mews, Kgale Hill,
Gaborone, Botswana
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

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

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

JSE sponsor

Rand Merchant Bank
a division of FirstRand Bank Limited
(Registration number 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, Johannesburg, 2196
South Africa
PO Box 786273, Sandton, 2146, South Africa

Company secretary

Corporate Services (Pty) Limited
(Registration number Co. 85/822)
Plot 115, 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
Fonenet: 2267 1535
Fax: +267 397 5289
Website: 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

Barclays Bank of Zimbabwe Limited

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

Standard Chartered Bank

51 Plumtree Road, Belmont Bulawayo, Zimbabwe
Tel: +263 9 461582/+263 9 461583
Fonenet: 2631 5702
Website: www.sc.com

Nedbank Limited

Ground Floor, Cornerstone House, 300 Acacia Road
Darrenwood, 2194, South Africa
Private Bag X13, Randburg 2125
Tel: +27 11 214 3735
Fax: +27 11 500 8067
Website: www.nedbank.co.za

Barclays Bank of Botswana Limited

Plot 74358, Building 4 Prime Plaza, Central Business
District, Gaborone
Tel: +267 395 2041/+267 363 3900
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

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: +27 10 226 8037
Website: 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

Annexure 1 – Directorate

Executive directors



Ramachandran ('Ram') Ottapathu (51)

BCom, CA

CEO

Appointed to the board: 2004

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 25 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 Essop Ismail (62)

Deputy chairman

Appointed to the board: 2004

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.



Manikandan ('Mani') Madakkavil (42)

BCom, CA

CFO

Appointed to the board: 2015

Mani joined Choppies in 2006 as finance manager and was appointed group chief financial officer in 2012. Prior to joining Choppies, Mani spent several years working in Kerala, India. He was previously the financial manager of Synthite Industries Pvt Ltd, one of the world's largest producers of value-added spices. He also spent several years as an auditor at Varma and Varma Chartered Accountants in Kerala, India. Mani is a fellow of the Institute of Chartered Accountants of India and also an associate member of the Botswana Institute of Chartered Accountants.

Independent non-executive directors



His Excellency FG Mogae (76)

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 has also been the Governor of the Bank of Botswana, Permanent Secretary to the President, Secretary to the Cabinet and Supervisor of Elections and the Vice President of the Republic of Botswana. 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.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Independent non-executive directors (continued)



Dorcas Ana Kgosietsile (56)

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) Limited. She served on various and diverse entities as a 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 such as 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 (72)

FICAEW, FBICA
Appointed to the board: 2012

Robert is a fellow of the Institute of Chartered Accountants in 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 (66)

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 Wooltru 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.

Non-executive director



Peter Walther Baird (49)

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.

Annexure 2 – Board and committee meetings attendance

for the year ended 30 June 2015

Board meetings

Name of member		16 September 2014	18 March 2015	23 April 2015	10 June 2015
Hon FG Mogae	Chairman	Y	Y	Y	Y
Peter W Baird (alternative Brett Stewart)	Independent non-executive Representative of Standard Chartered Private Equity Non-executive	Y	Y	Y	Y
Farouk Ismail	Deputy chairman	N	Y	Y	Y
Dorcas A Kgosietsile	Independent non-executive	Y	Y	Y	Y
Robert N Matthews	Independent non-executive	Y	Y	Y	Y
Sydney A Muller	Independent non-executive	Y	N	N	Y
Ramachandran Ottapathu	CEO	Y	Y	Y	Y
Manikandan Madakkavil	CFO	Y*	Y*	N	Y

* Attended by invitation

Remuneration committee

Name of member		17 March 2015	10 June 2015
Dorcas A Kgosietsile	Chairman	Y	Y
Peter W Baird (alternative Brett Stewart)	Independent non-executive Representative of Standard Chartered Private Equity Non-executive	Y	Y
Sydney A Muller	Independent non-executive	N	Y
Ramachandran Ottapathu	CEO	Y	Y
Manikandan Madakkavil	CFO	Y*	Y*
Robert N Matthews	Independent non-executive	Y*	Y*

* Attended by invitation

Audit and risk committee

Name of member		15 September 2014	17 March 2015	22 April 2015	9 June 2015
Robert N Matthews	Chairman	Y	Y	Y	Y
Dorcas A Kgosietsile	Independent non-executive	Y	Y	Y	Y
Peter W Baird (alternative Brett Stewart)	Independent non-executive Representative of Standard Chartered Private Equity Non-executive	Y	Y	N	Y*
Sydney A Muller	Independent non-executive	Y*	N	N	Y
Ramachandran Ottapathu	CEO	Y*	Y*	Y*	Y*
Manikandan Madakkavil	CFO	Y	Y	N	Y*

* Attended by invitation

Social and ethics committee

The committee was established post year-end.

Annexure 3 – Directors' responsibility and forward-looking statements

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

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 outlined on page 1. 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 and the JSE Listings Requirements or any other applicable regulations.

Annexure 4 – King III chapter 2 application

Principles of the King Code	Wording of the principle	Applied/ Explained	Compliance status
2.1	The board should act as the focal point for and custodian of corporate governance.	Applied	As contemplated in the board charter, the board is responsible for ensuring that Choppies complies with all relevant laws and codes of best practices and meets all statutory and regulatory requirements (article 3.8 – board charter).
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	Explained	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. The 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.
2.3	The board should provide effective leadership based on an ethical foundation.	Applied	The board leads Choppies based on values underpinning good governance, integrity, independence, responsibility, accountability, fairness and transparency. These principles are incorporated in the approved board charter and demonstrate a sound framework for effective leadership premised on an ethical foundation (article 3.5 – board charter).
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied	<p>The board strives to ensure that the company is a responsible corporate citizen by incorporating social responsibility in its leadership values (article 3.5 – board charter).</p> <p>The board determines the company's disclosure practices, which shall be based on the principles of timeliness, openness and substance over form and designed to offer shareowners and other stakeholders (internal and external) a balanced understanding of material aspects of the company's economic, social and environmental performance and impact (article 3.10 – board charter).</p>
2.5	The board should ensure that the company's ethics are managed effectively.	Applied	The board ensures that a corporate code of conduct is in place and that structures and processes exist to ensure that established standards of conduct and ethical behaviour are duly observed within the company and in its interactions with stakeholders (article 3.11 – board charter).
2.6	The board should ensure that the company has an effective and independent audit and risk committee.	Applied	As of 18 March 2015 the members of the audit and risk committee are Robert Matthews (chairman), Dorcas Kgosietsile and Sydney Muller, all of whom are independent non-executive directors.
2.7	The board should be responsible for the governance of risk.	Applied	The audit and risk committee reports to the board on governance of risk. The board takes overall responsibility for ensuring the integrity of risk management and internal control (Preamble – board charter).
2.8	The board should be responsible for information technology (IT) governance.	Explained	The audit and risk committee oversees and monitors information systems governance and the role this plays in providing internal controls. The committee reports to the board on these issues.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Principles of the King Code	Wording of the principle	Applied/ Explained	Compliance status
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The board is responsible for ensuring that the company complies with all relevant laws and codes of best practices (article 3.8 – board charter).
2.10	The board should ensure that there is an effective risk-based internal audit.	Applied	The board has established an internal audit department, appointed a chief audit executive and approves and maintains an internal audit charter (article 3.13 – board charter).
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	Applied	The board provides effective leadership based on an ethical foundation by, among other things, ensuring that an understanding of stakeholder requirements relevant to its business exists (article 3.1 – board charter).
2.12	The board should ensure the integrity of the company's integrated annual report.	Explained	The 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.
2.13	The board should report on the effectiveness of the company's system of internal controls.	Applied	<p>The board has established an internal audit department, appointed a chief audit executive and approves and maintains an internal audit charter (article 3.13 – board charter).</p> <p>During the 2014 financial year an internal audit department was introduced. This department will be further equipped to function as a fully fledged internal audit department capable of covering operational and financial risks to which the business is exposed. In addition, during the 2014 financial year, the senior management team attended a risk workshop.</p> <p>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.</p> <p>The audit and risk committee provides assistance to the board regarding the actions of the internal audit department, specifically with regard to scope, planning and the execution of internal audits (Purpose – Audit and Risk Committee Charter).</p> <p>The audit and risk committee reviews the internal audit control structures including financial controls, accounting systems and reporting (Specific duties and compliance – Audit and Risk Committee Charter).</p> <p>The 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.</p>

Annexure 4 – King III chapter 2 application (continued)

Principles of the King Code	Wording of the principle	Applied/ Explained	Compliance status
2.14	The board should act in the best interests of the company.	Applied	Directors are appointed in accordance with the Constitution of Choppies. The Constitution has been approved by the BSE and JSE.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Explained	Choppies is a company incorporated under the Botswana Companies Act and listed on the BSE. In this regard Choppies complies with the Botswana Companies Act, the Listings Requirements of the BSE and the Botswana Stock Exchange Act.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	Applied	As contemplated in the board charter, the chairperson of the board shall be an independent non-executive director (article 1.2 – board charter). Honourable Festus Gontebanye Mogae, former President of the Republic of Botswana, an independent non-executive director, is presently the chairman of the board and Ram Ottapathu is the current CEO of the company.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied	The board appoints the CEO and ensures that a succession plan is in place (articles 2.2 and 3.6 – board charter).
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied	The board currently consists of three executive directors and five non-executive directors, four of whom are independent non-executive directors.
2.19	Directors should be appointed through a formal process.	Applied	Board members shall be formally appointed for a period of three years, shall retire by rotation and shall be eligible for re-election (article 1.3 – board charter).
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Applied	The board ensures that there is induction and ongoing training for directors. The performance of the board as a whole and of individual directors is annually and formally assessed in order to identify training requirements where necessary (article 5 – board charter).
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	Applied	The board selects and appoints the company secretaries and recognises the important role to be played by the company secretaries. The company secretaries of Choppies is Corporate Services (Pty) Limited and the board is satisfied that their representatives are appropriately qualified, competent and experienced to fulfil this function. The board reviews the competence, qualifications and experience of the company secretaries annually and reports on whether it is satisfied therewith. The board is satisfied that there is an arm's-length relationship with the company secretaries.

OUR BUSINESS	3 - 11
CHOPPIES IN CONTEXT	12 - 15
OUR PERFORMANCE	16 - 24
ACCOUNTABILITY	25 - 30
ANNUAL FINANCIAL STATEMENTS	31 - 77
SHAREHOLDER INFORMATION	78 - 82
CONTACT DETAILS	83
ANNEXURES	84 - 92

Principles of the King Code	Wording of the principle	Applied/ Explained	Compliance status
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	Applied	<p>The board assesses its effectiveness and that of each subcommittee and each individual director in fulfilling their respective responsibilities (article 3.14 – board charter).</p> <p>The board also evaluates the performance of the CEO (article 2.2 – board charter).</p>
2.23	The board should delegate certain functions to well-structured committees without abdicating its own responsibilities.	Applied	<p>The board committees assist the board in executing its duties, powers and authorities. The required authority is delegated by the board to each committee to enable them to fulfil their respective functions through formally approved terms of reference. The committees report back to the board (article 3.12 – board charter).</p> <p>The board has established the following committees:</p> <ul style="list-style-type: none"> ■ Audit and risk committee; ■ Remuneration committee; and ■ Social and ethics committee.
2.24	A governance framework should be agreed between the company and its subsidiary boards.	Applied	The board advocates and promotes good governance by its subsidiaries. The formalised board charter has been implemented in order to ensure that good corporate governance is maintained throughout the group.
2.25	Companies should remunerate directors and executives fairly and responsibly.	Explained	The company complies with the BSE Code of Best Practice on Corporate Governance, which provides, inter alia, that companies should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.
2.26	Companies should disclose the remuneration of each individual director and prescribed officer.	Applied	This is set out on page 29 of the integrated annual report.
2.27	Shareholders should approve the company's remuneration policy.	Applied	The board shall be remunerated at a base level set by the shareholders at general meetings subject to periodic adjustment in line with increases awarded to senior staff members based on advice received from the remuneration committee (article 6.1 – board charter).

Annexure 5 – definitions

“the board”	The board of directors of Choppies Enterprises Limited, as set out on pages 84 and 85
“BSE”	Botswana Stock Exchange Limited
“BWP”	Botswana Pula, the functional currency of Botswana
“CEO”	Chief executive officer of Choppies Enterprises Limited, Ramachandran (“Ram”) Ottapathu
“Choppies” or “the company”	Choppies Enterprises Limited, listed on the BSE and JSE
“the current year”	The year ending 30 June 2016
“ESG”	Environmental, social, governance
“FMCG”	Fast moving consumer goods
“the group”	Choppies Enterprises Limited and its subsidiaries
“JSE”	The JSE Limited
“KVI”	Known value item
“same-store sales”	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
“SKU”	Stock keeping unit, a unique identifier for each distinct product and service that can be purchased in business
“SupaSave and MegaSave”	SupaSave (Pty) Limited and MegaSave (Pty) Limited, acquired by Choppies in 2014
“the previous year”	The year ended 30 June 2014
“the year” or “the year under review”	The year ended 30 June 2015
Financial definitions	
“CAGR”	Compound annual growth rate
“EBITDA”	Earnings before interest, taxation, depreciation and amortisation
“FY”	Financial year, for Choppies ending 30 June
“IFRS”	International Financial Reporting Standards
“HEPS”	Headline earnings per share

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)

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