

# Extended wings for new African destinations



## CHOPPIES

**VALUE FOR YOUR MONEY!**

Integrated annual report 2016



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## 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 at

30 June 2016: 1 291 628 341

As the fastest-growing retailer in Africa, we are driven by our customer-centric ethos and commitment to consistently providing the best value for money, convenience and a broad service offering from bakery, butchery, fresh fruit and vegetables, takeaway and financial services. Our services are underpinned by our own extensive logistics network including strategically located distribution centres and the Choppies vehicle fleet.

# About this report

This is Choppies' third integrated annual report and presents the financial results and the environmental, social and governance (ESG) performance of the group for the year 1 July 2015 to 30 June 2016.

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 discloses 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 disclosures encompass Choppies' retail network as well as subsidiaries, as illustrated in the organisational overview on page 6, across all regions of operations. These same entities are included in the company's consolidated financial statements as set out on pages 31 – 85 of this report.

The annual 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 – 85.)

## 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 Sanooj Pullarote (CFO). The executive directors can be contacted at the registered office of the company. A full list of the directors is set out on pages 92 – 93.

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

## Assurance

The company's external auditor, KPMG, has independently audited the annual financial statements for the year ended 30 June 2016. Their unqualified audit report is set out on page 35. The scope of the audit is limited to the information set out in the annual financial statements on pages 36 – 85.

## Feedback

A copy of this integrated annual report is available online at [www.choppies.co.bw](http://www.choppies.co.bw). A hard copy is available on request. For additional contact details please see page 91.

We welcome your feedback and any suggestions. Please forward comments to:

**Sanooj Pullarote (CFO)**

**Email:** [sanooj@choppiesbotswana.co.bw](mailto:sanooj@choppiesbotswana.co.bw)

**Telephone:** +267 397 1855

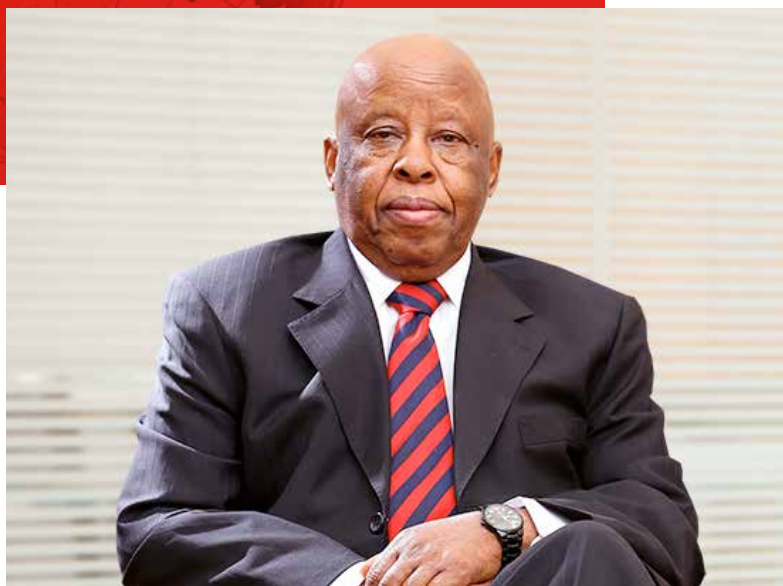
**Fax:** +267 397 1806



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



# 2016 **has been** another year where Choppies has continued its growth strategies by expanding its network and **entering new markets.**



HE Festus G Mogae, *Chairman*

2016 has been another year where Choppies has continued its growth strategies by expanding its network and entering new markets. The group is dedicated to continuing the extension of its shopping experience with particular emphasis on providing for the underserved markets throughout sub-Saharan Africa. The driving force behind this strategy is the provision of a full range of quality FMCG products at affordable prices. Choppies staff are trained to understand the needs of shoppers and therefore help provide a desirable value for money shopping experience.

Operations in Botswana continued to produce robust growth in trading profits. However, the South African operations incurred substantial losses. Many of the South African stores are in depressed towns resulting in poor sales and margins. The Jwayelani business purchased in the eastern area of South Africa in the year traded well and helped offset some of these losses. Substantial set-up costs incurred in opening new stores and in new territories had an impact on profit.

I am pleased to note that the supply chain continues to be regarded as a critical element of the expansion plans therefore enabling goods to be available in all stores at the right price. During the year, capital expenditure has continued to be directed to infrastructural developments through strategically located distribution centres and related increases in the vehicle fleet. This strategy is vital to the delivery of future growth and revenue earning opportunities.

The group is well set to meet the challenges going forward based on its overall structure and culture. Funding generated has been utilised for the long-term benefit of all stakeholders. Support for local communities is a key

element of our culture in that we continue to support local producers, including the farming enterprises, in the regions where we are active. Our staff training programmes are directed to uplifting our staff and making sure that skills transfer occurs leading to promotion of achievers. This contributes to the long-term sustainability of the group and assists in our dream to be successfully active in a number of countries in sub-Saharan Africa.

### **Appreciation**

I wish to thank our CEO, Ram Ottapathu, for his continued dedication to the Choppies vision and mission and his strong enlightened leadership of the impressive management team. I thank the management team and staff of the group for their hard work and support of the CEO in the progress of the business. I also thank my fellow board members for their continued support during the course of the year.

Finally, the group cannot achieve its objectives without the most important support of all stakeholders. I therefore thank you all for your continued support.

**HE Festus G Mogae**  
*Chairman*  
20 September 2016

# Who we are

## FY16 overview

Turnover **up**

**24%** to **BWP7.4 billion**  
(2015: BWP5.9 billion)

Gross profit **up**

**12%** to **BWP1.44 billion**  
(2015: BWP1.29 billion)

EBITDA **down**

**23%** to **BWP297 million**  
(2015: BWP384 million)

Asset value **up**

**18%** to **BWP2.86 billion**  
(2015: BWP2.42 billion)

## Operational highlights

- **56 new stores**
- **Commenced operation in Kenya** with **8 stores** and 2 distribution centres
- **Commenced operation in Zambia** with **5 stores** and a distribution centre
- **Transactions increased 25%**
- Strong trading **profit improvement in Botswana**
- **Strong footfall growth in Zimbabwe** despite deterioration of the economy and considerably reduced basket size
- **Retail space grew** by 36% to 256 075m<sup>2</sup>
- **Acquired 21 Jwayelani stores in KZN and Eastern Cape, South Africa**
- **Regional expansion** within South Africa to KZN and Eastern Cape
- **Expanded and enhanced** financial services offering
- **Increased own brand to 268 SKUs**
- **3 111 new jobs created**

### INVESTMENT CASE

- Well-positioned in existing markets with growth potential
- Consistent gross revenue trajectory
- Highly cash generative
- Dividend-paying
- Competitive advantage of in-house full supply chain including sourcing and distribution
- Experienced management team with proven track record
- Well-positioned for expansion in new markets across Africa

# Who we are

## Group snapshot

Botswana-based Choppies is the fastest growing grocery retailer in Africa. Dual listed on the BSE (Botswana) and the JSE (South Africa), the company has a total market cap of over BWP4.5 billion (ZAR5 billion) as at 30 June 2016. The leading retailer in Botswana, Choppies also has a presence in eight of the nine provinces in South Africa as well as in Zimbabwe, Kenya and Zambia, with Tanzania and Mozambique following in FY17. In addition to traditional grocery offerings Choppies is rapidly expanding its financial services offering throughout its outlets.

## Fast facts

- 256 075m<sup>2</sup> retail space
- 14 661 employees
- Footprint in five African countries
- 183 stores
- 132 million transactions (FY16)
- 11 distribution centres
- 36% market share in Botswana (market leader)
- 62 600 SKUs
- 268 high-quality Choppies branded SKUs

## Choppies timeline



## Our mission

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

## We will achieve our mission by ...

- Being a strong responsive provider of consumer goods at affordable prices
- Giving customers the best value for their money
- Bringing products to urban, semi-urban and rural areas
- Generating sustainable economic development by supporting local businesses and farmers and value creation in society
- Creating new jobs, ensuring proper skills transfer to the local workforce and developing all employees to their highest potential



## Our competitive advantages

- Consistently lowest prices
- Stores close to commuter and residential nodes
- Attractive ranges of popular items at value-for-money prices
- Vertically integrated
- Excellent logistics with in-house distribution and centralised warehousing
- “Reverse logistics” principle – focuses on lowest pricing to end-users
- Economies of scale enabling Choppies to deliver best value for money for consumers

**2011**

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



**2012**

- Listing on BSE
- 50th store opens in Botswana

**2013**

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

**2014/2015**

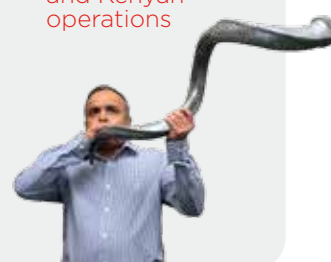
- Total stores: 129
- New distribution centres opened in Harare



- Fruit and vegetable distribution centre opens in Rustenburg
- Listing on JSE

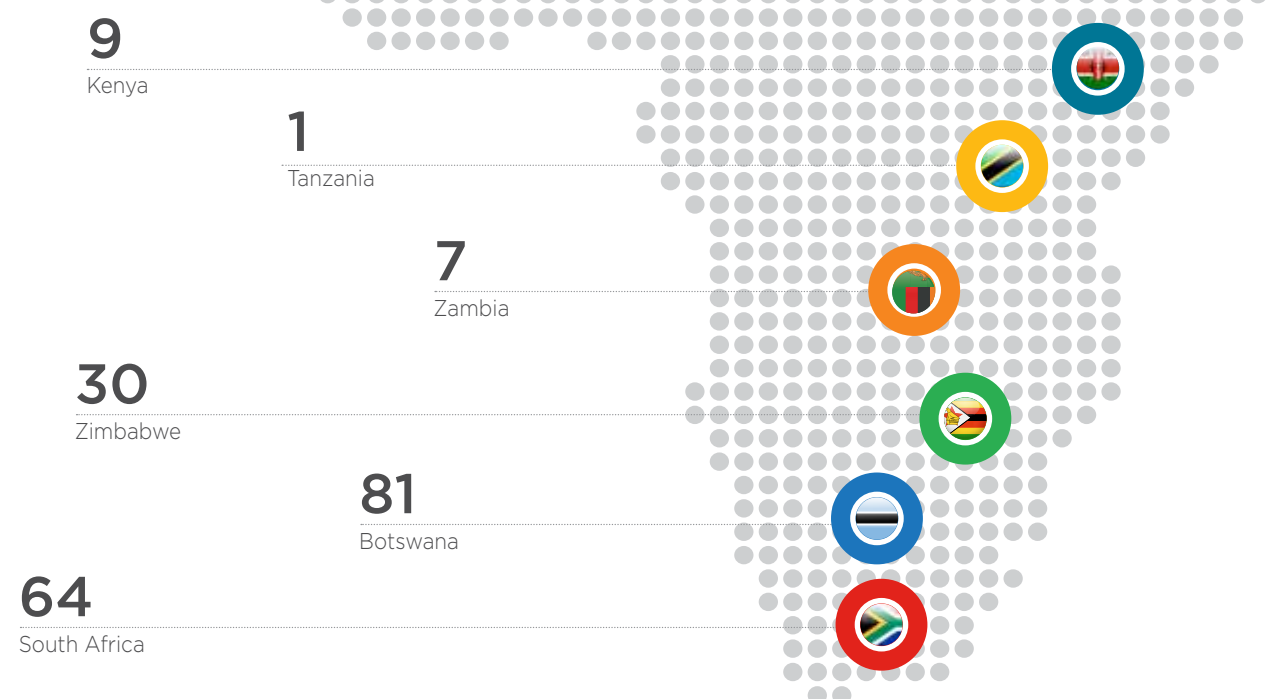
**2016**

- KZN and Eastern Cape acquisition
- Commenced Zambian and Kenyan operations



## Expanding our footprint

Choppies has **192 stores** as at 7 October 2016, with total retail space of **271 117m<sup>2</sup>**



	Stores	Retail space (m <sup>2</sup> )	Distribution centres	Service entities	Processing plant	SKUs	2016 highlights
<b>Botswana</b>	<b>81</b>	<b>108 853</b>	<b>3</b>	<b>2</b>		<b>50 648</b>	<b>Full integration</b> with financial services
<b>South Africa</b>	<b>64</b>	<b>101 048</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>62 000</b>	<b>Acquisition</b> of stores in KwaZulu-Natal and Eastern Cape
<b>Zimbabwe</b>	<b>30</b>	<b>35 841</b>	<b>2</b>			<b>23 032</b>	<b>10 stores opened</b> in the year
<b>Kenya</b>	<b>9</b>	<b>16 315</b>	<b>2</b>			<b>39 277</b>	<b>Acquisition</b> of Ukwala stores finalised March 2016
<b>Zambia</b>	<b>7</b>	<b>8 591</b>	<b>1</b>			<b>9 943</b>	<b>First store</b> opened in Lusaka in November 2015
<b>Tanzania</b>	<b>1</b>	<b>469</b>				<b>1 277</b>	<b>First store opened</b> in Makhumbusho on 28 September 2016



## Our store formats

### Hyperstores

- >3 000m<sup>2</sup> (largest format)
- Widest range of products – up to 62 000 SKUs
- More spacious layout
- Located in urban and peri-urban areas
- Attracts more affluent consumers demanding greater variety

### Superstores

- Full supermarket service offering – bakery, deli, butchery, fresh fruit and vegetable products and financial services
- >1 000m<sup>2</sup> (1 500m<sup>2</sup> – 1 700m<sup>2</sup>)
- Up to 22 000 SKUs
- Average retail consumer in LSM3 – 6
- Planned roll-out across Africa

### Value stores

- No-frills shopping experience
- Based in rural areas with low levels of formal retail penetration
- 1 000m<sup>2</sup>
- Fewer service offerings
- Target retail consumers in lower income brackets

## 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
- Specialised fruit and vegetable distribution centre in Rustenburg
- Strong support from farming community enables competitive 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
- “Store-in-store take-away” concept
- Choppies Fried Chicken, popular in Botswana – being rolled out to South Africa and Zimbabwe
- Daily menu depending on customer profile in every location. Items include fried chicken, chips and curries

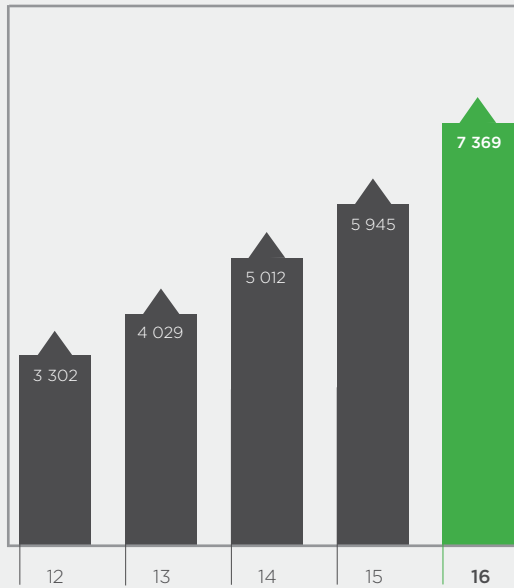


### Financial services

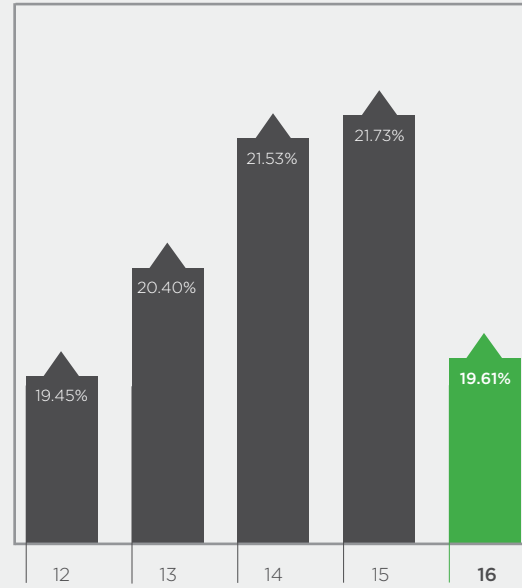
- Third party ATMs
- SIM cards/airtime
- Mobile money and money transfer
- Travel
- Local council payments
- Pension distributions
- Utility payments
- Orange Money and MyZaka – in Botswana
- Choppies provides financial services in Botswana with Blue Label in South Africa, Kasang in Zambia, and MoB Capital in Zimbabwe

## Five-year review

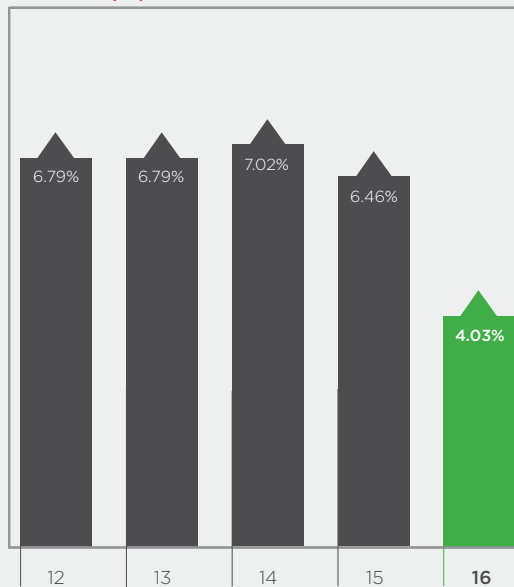
Revenue (BWP'000)



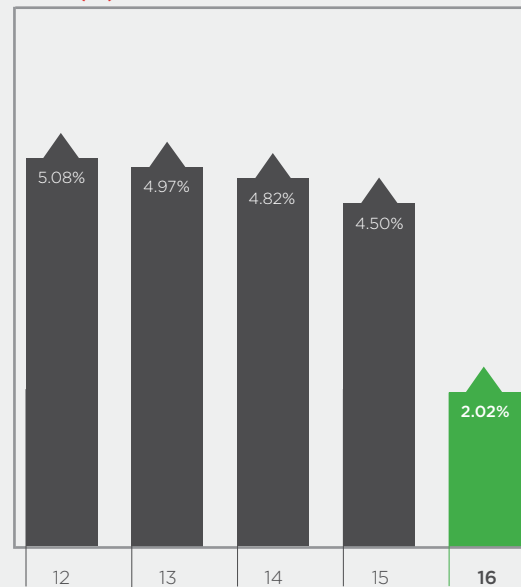
Gross profit (margin)



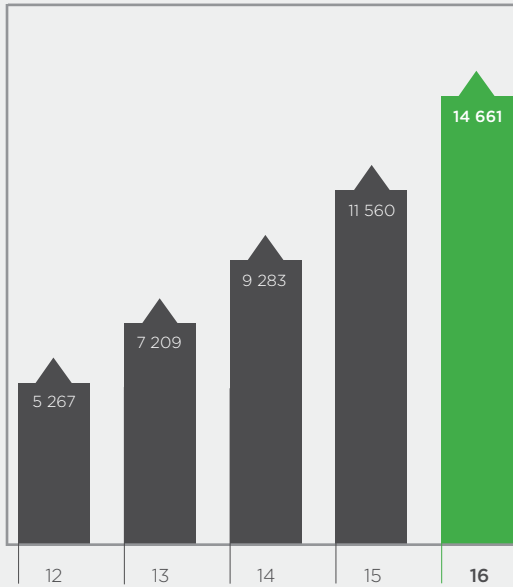
EBITDA (%)



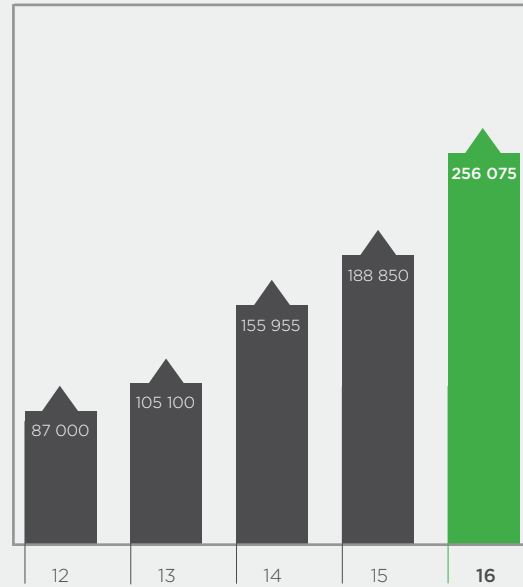
EBIT (%)



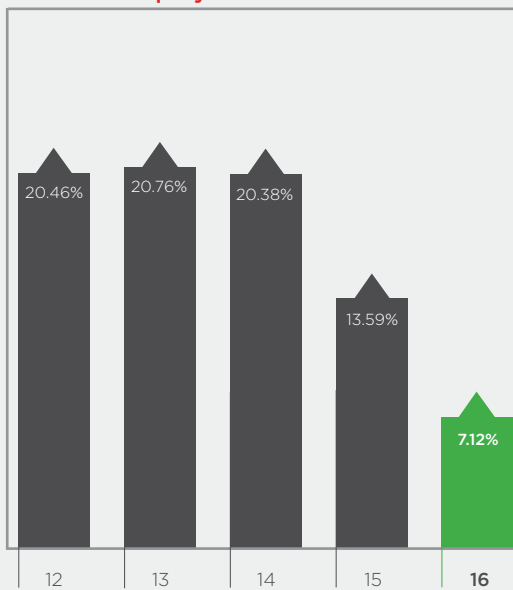
Employees number



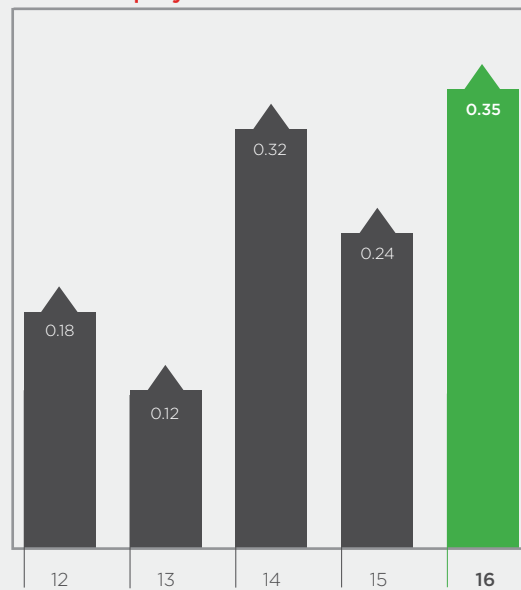
Retail space - m<sup>2</sup>



Return on equity



Debt to equity



# How we operate

## We use

- Equity and debt
- In-house supply chain model<sup>1</sup>
- 666 vehicle fleet<sup>2</sup>
- 11 distribution centres<sup>3</sup>
- Maintenance facilities<sup>4</sup>
- Processing plant
- 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 customers, suppliers, funders, communities and government
- Prudent use of water, electricity and carbon footprint

## To provide

- Supermarkets
- Distribution and supply
- Meat and poultry
- Bakery products
- Fresh produce
- Takeaway products
- Private label goods
- Financial services
- Logistics
- Maintenance services

## Resulting in

- Shareholder value
- Job creation
- Groceries in underserved urban, semi-urban and rural areas
- Support for local suppliers and landlords
- Economic upliftment
- Socioeconomic development
- Investment in Africa
- Value for money for consumers



## Our competitive advantages

- Consistently the lowest prices
- Stores close to commuter nodes and close to where people live
- Attractive ranges of popular items at value-for-money prices
- Vertically integrated
- Excellent logistics based on in-house distribution and centralised warehousing
- Reverse logistics principle – focuses on lowest prices to end-users
- Economies of scale enabling Choppies to deliver best value for money to consumers





## OUR BUSINESS MODEL

### “Farm to shelf” or “Factory to shelf”

1

#### Logistics

- Custom designed Enterprise Resource Planning (“ERP”) system in place across all operating regions. In Botswana, South Africa and Zimbabwe we ensure centralised management through collated, real-time information
- Centralised pricing system helps efficiencies

2

#### Vehicle fleet

- 666 commercial vehicles, trailers and forklifts
- Enhances brand awareness and serves as moving billboards
- Vehicle finance from Scania

3

#### Distribution centres

- 11 wholly owned distribution centres
  - Botswana 18 000m<sup>2</sup> – Gaborone, Lobatse and Francistown
  - South Africa 34 619m<sup>2</sup> – Rustenburg (two) and Durban
  - Zimbabwe 8 313m<sup>2</sup> – Bulawayo and Harare
  - Zambia 1 680m<sup>2</sup> – Lusaka
  - Kenya 3 448m<sup>2</sup> – Nairobi and Kisumu
- Strategically located
- Central depot for retail stores
- Supplier agreements negotiated per region
- Stores charged handling and delivery fees
- Supported by group services and logistics functions

4

#### Maintenance

- Managed in-house
- Provides stores with plumbing, refrigeration, electrical and other general repair services
- Lead-time and maintenance costs significantly reduced

5

#### Processing plant

- Meat processing plant in Durban

# How we operate (continued)

## Our strategy

### Strategic scorecard

Strategic objective	Progress FY16
<b>Offer lowest prices based on broad basket</b>	<ul style="list-style-type: none"> <li>→ Capitalised on distribution centre efficiencies</li> <li>→ Local partnerships</li> <li>→ Expanded private label offering to 268 products</li> <li>→ Fresh fruit and vegetable sourced direct from farms</li> <li>→ Efficiencies driven by “reverse logistics”</li> </ul>
<b>Ensure cost efficiencies with local distribution capabilities</b>	<ul style="list-style-type: none"> <li>→ Maximised distribution centres</li> <li>→ Improved efficiencies</li> <li>→ Increased farming partnerships</li> </ul>
<b>Locations close to target markets</b>	New stores: <ul style="list-style-type: none"> <li>→ 7 Botswana</li> <li>→ 26 South Africa</li> <li>→ 10 Zimbabwe</li> <li>→ 5 Zambia</li> <li>→ 8 Kenya</li> </ul>
<b>Provide value-added offerings (butchery, bakery, fresh, produce, takeaway and financial services)</b>	Added more services targeting full integration of all financial services
<b>Offer private label for value conscious customers</b>	268 private label products
<b>Strong fresh product sourcing</b>	<ul style="list-style-type: none"> <li>→ Established relationships with farmers</li> <li>→ Added new fresh produce relationships</li> </ul>
<b>Existing market expansion</b>	Continued to improve product mix and expand retail
<b>African expansion</b>	Expanded into Zambia and Kenya. In FY17 will be expanding into Tanzania, (September 2016) and Mozambique

### Stocking our shelves

It is critical to our sustainability to ensure shelves are well-stocked with fresh, good quality products as efficiently and cost-effectively as possible, while maintaining our commitment to delivering value for money. One of our key differentiators and a standout competitive advantage is our extensive logistics and distribution network, with distribution centres in every country in which we operate. The resultant efficiencies and economies of scale enable us to pass savings onto consumers and offer consistently lowest prices based on a broad basket of KVIs. Our own fleet of Choppies-branded vehicles ensures uninterrupted supplies to stores.

Choppies' supply chain employs the principle of “reverse logistics” to ensure efficiencies, where focus is on optimising the final (end-user) cost structure. This vertically integrated business model ensures we have full control of our distribution centres, our fleet, maintaining our storefronts and achieving exceptionally high asset velocity.

### Our customers

At Choppies we are driven by our customer-centric ethos and commitment to consistently providing the best value for money, convenience and a broad service offering, including bakery, butchery, fresh fruit and vegetables, takeaways and relevant financial services.

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

Our customers are primarily;

- value-conscious
- lower to middle-income consumers (LSM3 – 6)
- cash, small basket size, daily (therefore high frequency) shoppers

In Botswana we are increasingly finding a shift to attracting upper-middle income customers and are adapting our service offering to meet their needs.

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

### Our store locations

We target urban, semi-urban and rural areas and shopping centres. Proximity to residential areas and transport nodes is prioritised.

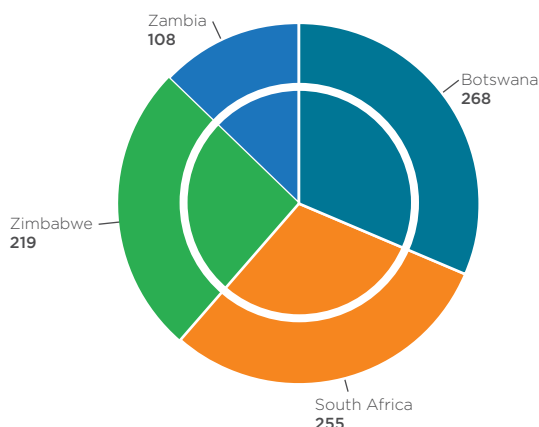
### Our quality

We do not franchise our stores and are therefore able to assure consistent quality across the group, supported by our superior in-house distribution and logistics capabilities.

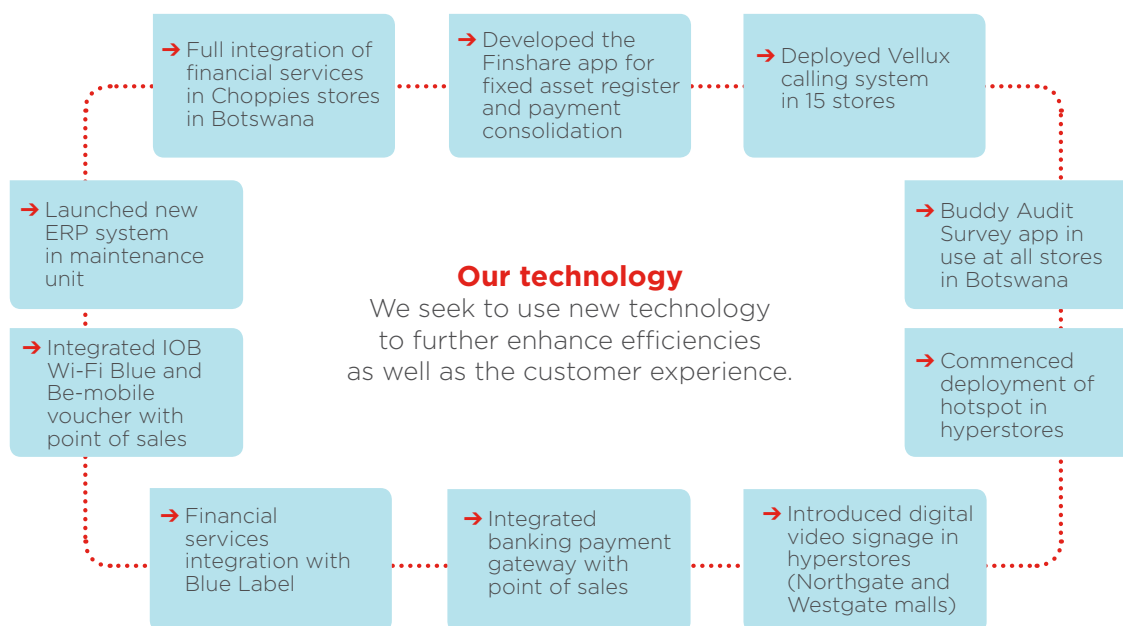
## Our own brand products

Our 268 quality Choppies-branded value products range from food and beverages to cleaning products and cosmetics. They specifically cater for our value-conscious customers. The Choppies own brand products currently account for 19% of sales in Botswana, 5% in South Africa and 9% in Zimbabwe. The own brand has also been launched in Zambia and Kenya. Most importantly, our private label delivers gross margins higher than those generated by third party branded products, while continuing to deliver better value for money to our customers. In the medium term we are therefore targeting 25% of revenue from private label and we plan to increase the offering to over 300 products.

## Choppies Private Label SKUs



During the year we achieved the following:



## How we operate (continued)

### Risk management

Effective risk management supports the delivery of our strategic growth objectives. The board of directors, through 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.

Choppies is and will remain 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.

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.

Our key risks and mitigations are set out below:

### Risks and mitigations

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



## Our market place

### Future stores and markets

Segment	FY2016	December 2016
Botswana	79	82
South Africa	61	68
Zimbabwe	30	32
Zambia	5	11
Kenya	8	9
Tanzania	-	1
Mozambique	-	1
<b>Cumulative stores</b>	<b>183</b>	<b>204</b>

#### Botswana

Choppies remains the market leader in Botswana, supported by our extensive logistics infrastructure. The opportunity to expand formal retail in Botswana continues unabated and currently accounts for around 60% of the market. As with the rest of the world, we have seen increasing macroeconomic headwinds in the country and the deflationary effect of the Rand devaluation continued in the year. Consequently we have also noted an economic shift in consumption patterns towards low value, high volume items. Annual inflation is 3%.

#### South Africa

Choppies has leveraged the traditional supply route between Johannesburg and Gaborone by opening stores in small towns en route in South Africa. Just over half of these stores are located in hard hit 'mining towns', which have seen significant declines in footfall due to falling levels of employment. However, despite these challenges, gross profit margins in South Africa remained strong in the year. As in Botswana, consumers have switched to lower cost, high volume products but the basket size has increased. To address this consumption pattern, Choppies is re-evaluating the product mix, promotions strategies, cost base and staffing, ensuring efficient inventory management and introducing energy saving initiatives.

In the year our footprint in South Africa was significantly expanded with the acquisition of the 21 profitable Jwayelani stores in KwaZulu-Natal and Eastern Cape, supported by our Durban-based distribution centre. The strong butchery component in this acquisition provides a key opportunity for further roll-out across other Choppies stores in South Africa.

#### Zimbabwe

Zimbabwe remains significantly underpenetrated in terms of formal retail but competition from informal trade has intensified. Softer aggregate demand impacted the retail sector in the year and basket size decreased due to price deflation and USD strength. Choppies has opened 10 new stores to date. There has been significant focus on driving like for like store transactions and sales. Deflation stands

at -2,8%, which saw prices reducing without a reduction in operating costs. In addition, import restrictions, liquidity constraints and suppliers requesting cash impacted the operating environment. The impact of the introduction of bond notes remains to be seen.

#### Zambia

Choppies has established a presence in Zambia with our first store opening in November 2015 with total stores now at five. In addition we opened a 1 680m<sup>2</sup> distribution centre in Lusaka. There have been difficult macroeconomic conditions in the country with the downturn in the mining sector and power cuts presenting major economic and operational challenges. However, we believe there is good long-term potential due to recent noticeable price growth in agri-based commodities. Once we have achieved critical mass we expect margins to improve.

#### Kenya

Kenya has the highest formal retail penetration outside of Southern Africa at 30% and is dominated by local players. Following the Ukwala acquisition Choppies has eight stores in Kenya and two distribution centres. Choppies is also focusing on expanding the service departments, which have recently been launched. This footprint will be used as a basis for expansion across Kenya and other East African countries.

#### Tanzania

We commenced operations in Tanzania in September 2016.

The challenge in Tanzania is the lack of available suitable store locations and retail developments. Choppies is currently developing two smaller-size stores (less than 750m<sup>2</sup>) in Dar es Salaam, which are envisaged to be open by June 2017. The aim is to have 40 stores in Tanzania in the longer term.

#### 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 our existing infrastructure alongside outsourced distribution. A joint venture agreement has been concluded for Namibia.

#### Mozambique

A joint venture agreement was concluded subsequent to year end. The first store will be opening in the middle of November 2016.

# How we performed

## CEO's report and review of operations



Ramachandran Ottapathu, CEO

### The year in review

It has been another exciting year for Choppies, marked by significant advancement of our Africa expansion strategy. We can undoubtedly claim the title of the 'fastest growing African grocery retailer'.

During the year the group not only widened its footprint in South Africa, now encompassing eight of the country's nine provinces, but also expanded into Zambia and Kenya. Our African trajectory is set to continue in the new financial year with the opening of Choppies' first store in Tanzania in September 2016, and will be followed by Mozambique in November 2016.

During the year we further focused on improving our value added services and successfully added a wide range of financial services in our stores across Botswana, South Africa, Zambia and Zimbabwe. These services will be rolled-out to Kenya going forward.

Our distinctive logistics network, with strategically located distribution centres and our own fleet, remains a key competitive advantage by ensuring products are distributed to our stores as efficiently as possible. We have distribution centres in every country in which we operate, giving Choppies our own established network to move goods across Africa.

### Acquisitions

Choppies acquired seven Ukwala stores in Kenya with a local partner for East Africa. This transaction was completed in the year after clearance by the Kenya Competition Authority. 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. Out of seven supermarkets, two are in Nakuru and five

are in the port city of Kisumu. Three more Ukwala supermarkets, situated in Nairobi, are being taken over in FY17.

Our alliance with strong local partners ensures us established relationships with relevant developers. The acquisition provides an excellent footprint for expansion across Kenya and other East African countries.

### Operational review

#### Botswana

The country experienced subdued economic activity with growth of less than 2%. Generally prices were lower than the previous year due to deflation caused by the weakening rand. Our main challenges were the depressed economy and low demand for diamonds resulting in a decrease in estimated government expenditure for the year 2016/17. We do not expect this macro landscape to change in the near future.

The retail market grew slightly in the year due to the shift from wholesale to retail, with the retail market now exceeding 60% of the total pie. While basket size reduced, fast food improved. We noted the trend in the year of customers cutting down on luxuries and opting for smaller pack sizes. Our house brand SKUs increased to 268 and we are planning to introduce a further number of new goods in FY17. We also plan to launch clothing in six hyperstores in the coming months.

We added seven new stores during the year which created 600 new jobs. Turnover amounted to BWP4 545.1 million and the profit increased 1.11% to BWP203.21 million.

The newly introduced value added services, such as money transfers and utility payments, performed well and we expect this offering to continue growing in the future. The back-end technical integration of the services with the supporting banks is complete and the Oracle system, which runs the services platform, was launched.

Management successfully introduced a number of new product categories in the year which boosted profitability, and we expect this positive momentum to continue in the year ahead.

Five new store are planned in FY17.

The transaction with Ukwala in Kenya 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 and other East African countries. During the year seven Ukwala stores were acquired and a further three Ukwala stores are to be acquired in Nairobi in FY17. This provides the base for further expansion in East Africa.

#### South Africa

General trading in the country remained under severe pressure. Mining towns, in which we have a concentrated footprint, were hard-hit by the drop in demand for commodities and accounted for the bulk of our losses. While basket sizes did increase, footfall reduced drastically. Further, general spending power was curtailed by a stagnant economy, forcing many shoppers to rely on small social grants. Service delivery strikes and political election-related issues also contributed to the lower trading density.

We opened 28 new stores nationally and closed one existing store. The bulk of new stores were the result of the Jwayelani acquisition, which contributed EBIT and EBITDA of R3.97 million and R11.55 million, respectively. This contribution, supported by other operational and strategic improvements from our side, should see the South African operations deliver a significant improvement in FY17.

We remain confident that the critical mass we have now achieved in South Africa will reflect positively in our results going forward.

#### Zimbabwe

We added 10 stores during the year, taking the total in the country to 30. Three new stores are currently in progress. A number of months of poor trading negatively impacted profitability. In particular, the period from February to May 2016 was marked by challenging conditions that saw both basket size and footfall reduce. In addition, the country's liquidity crisis caused a shortage of available cash to our customers thus having an adverse effect on our performance from January to May 2016. This situation has since stabilised and trade is returning to normal levels.

#### Zambia

We opened five stores during the year and operations are consistently improving. We started importing the Choppies branded products which has improved margins. The trading losses for the year were mainly attributable to the opening expenses for the new footprint. The group will add a further six new stores in FY17 and we expect the Zambian operations to level out and be profitable.

#### Kenya

As noted above, we acquired seven Ukwala stores during the year with three more to be acquired in FY17. Choppies added two more stores under its own banner, one being in Kissi and one in Kondele.

#### Tanzania

We opened our first store on 23 September 2016. The lack of sites remains a challenge in Tanzania.

#### Mozambique

The first store in Mozambique is expected to be operational in November 2016. We have identified further sites across the country which will add to the footprint going forward.

#### Dividend

In accordance with the dividend policy adopted at the time of the BSE listing, that a dividend cover of three will be maintained, the board declared a gross final dividend of 2.8266 thebe (or South African cents equivalent) per share for FY16, down by 42% on the prior year (2015: 4.88 thebe).

#### Prospects

While our profits suffered during the year due to the trading conditions in South Africa and Zimbabwe, cash flows remained robust. Our revenue growth and increased transactions, which were up 25%, further demonstrates the strong consumer appeal of Choppies. Our expansion plans are progressing well and we expect to commence operations in Mozambique and add to our store in Tanzania in the next few months. We plan to roll out at least 20 more stores in all regions by the end of FY17.

#### Appreciation

I thank our management team and all employees for their hard work and dedication. My appreciation also goes to our chairman and the board for their guidance and wise counsel during the year, as well as our suppliers, customers and business partners for their loyal support.



**Ram Ottapathu**

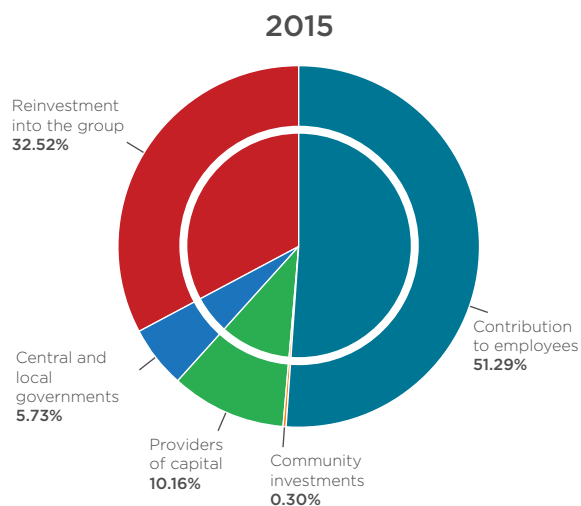
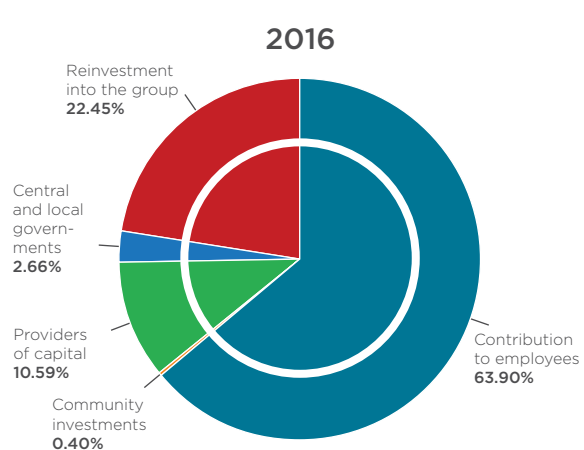
CEO

20 September 2016

## How we performed (continued)

### Value added statement

In BWP	2016 Amount	%	2015 Amount	%
Revenue (including other income and interest income)	7 426 719 525		5 958 024 328	
Direct expenses	(6 580 328 176)		(5 156 043 079)	
<b>Value added</b>	<b>846 391 349</b>	100	<b>801 981 249</b>	100
Contribution to employees	540 801 823	63.90	411 367 759	51.29
Community investments	3 422 260	0.40	2 386 384	0.30
Providers of capital	89 653 944	10.59	81 511 791	10.16
Central and local governments	22 494 626	2.66	45 988 031	5.73
Reinvestment into the group				
– Depreciation	148 103 446		116 480 168	
– Profits ploughed back for expansion	41 915 250		144 247 116	
	190 018 696	22.45	260 727 284	32.52
<b>Value applied</b>	<b>846 391 349</b>		<b>801 981 249</b>	





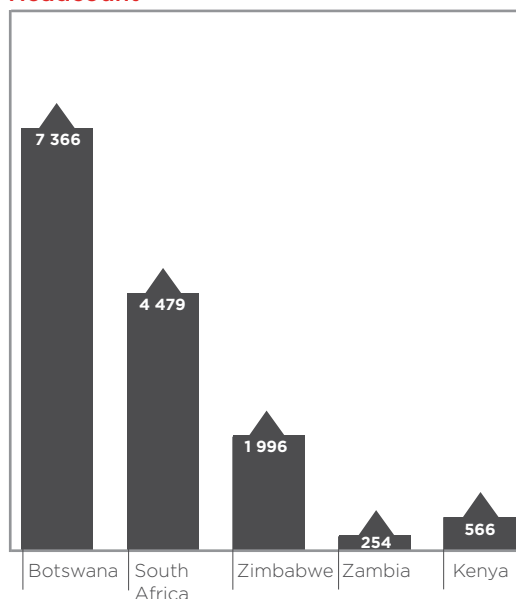
# Our people

## Fast facts 2016

**14 661** employees in  
**5 countries**  
**3 111** new jobs created  
**5 266** employees trained  
**Single largest private  
sector employer in  
Botswana**

Our workforce currently stands at over 14 600 people across five countries. As we expand across Africa we are constantly growing our headcount.

### Headcount



We strive to attract and retain high calibre employees as our frontline brand ambassadors, who are integral to our success and sustainability. To this end we prioritise optimal working conditions and provide adequate opportunities for growth and development. Employing locally has proven highly successful and we focus on creating employment in high unemployment rural areas.

Choppies is an equal opportunities employer and discrimination at any level is not tolerated. We employ the largest contingent of people with disabilities in the private sector in Botswana and encourage this in our other countries of operation.

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 and are used to assess increases and incentives.

A long-term incentive plan is being put in place for senior executive employees.

### Skills development

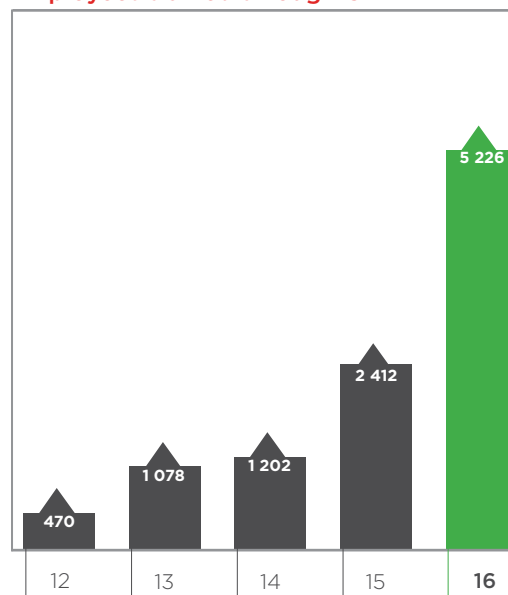
The Choppies Retail Academy ("CRA") provides employees with various forms of training. Set up four years ago, it is aligned with the Botswana Ministry of Labour and Home Affairs requirements for upskilling staff and localisation.

The CRA is focused on operations staff and places a particular emphasis on customer service training. Where the CRA is not equipped to provide specific training, an external training provider is engaged. Currently 10 CRA courses are accredited by the Botswana Qualifying Authority and range from Retail Management, Management and Supervisory Skills to Forklift Operations. The CRA is addressing the need to better monitor the progression of graduates in the workplace in line with government requirements.

The CRA intends to further 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.

To date 5 226 employees have been trained through the CRA.

### Employees trained through CRA



## Our people (continued)

### Safety, health and environment

During the year Choppies developed a safety, health and environment ("SHE") policy and standards. A SHE programme was developed to implement the policy. A third party, Encyclo Consulting, was engaged to assist in the development and assessment of the programme which included training of SHE representatives, implementation and performance measurements. The first two aspects have been completed while the performance measurements are ongoing. The programme includes a biannual occupational health and safety audit for all stores in Botswana.

### Safety

Choppies subscribes to a zero-harm policy and we are committed to preventing accidents that may affect our employees, equipment, facilities or customers. A comprehensive group policy is in place in this regard – the Choppies Health and Safety Manual. Adherence to the Manual is monitored by regular audits. With the implementation of the SHE policy in the year, certain areas were marked for improvement including working at heights, housekeeping, electrical safety, maintenance of tools and equipment, ergonomics, fire safety, environmental management and ventilation. An action plan has been compiled to ensure the safety aspects of the SHE policy is functional throughout the Botswana operations.

### Food safety

Food safety and hygiene audits are conducted every quarter for each store. The audits encompass the butchery, deli and bakery to ensure food safety and hygiene practices are adhered to and ensure the production and delivery of food products safe for human consumption. This includes sampling high-risk ready-to-eat foods, surface swabs on food contact surfaces and hand swabs of food handlers. These are tested in laboratories for microbiological contamination against set standards. The audit criteria includes the country-specific food safety legislation of Botswana, South Africa, Zimbabwe, Zambia and Kenya.

### Waste management

During the year Choppies signed a trade effluent agreement with Water Utilities Corporation, which outlines our commitment to monitoring the effluent water from all stores in Botswana. Effluent water samples are collected from each store on a quarterly basis and tested to determine compliance levels. From testing to date the average compliance per store is 90.74%. Efforts are currently underway to install more efficient grease traps throughout all stores to improve the quality of effluent discharged.

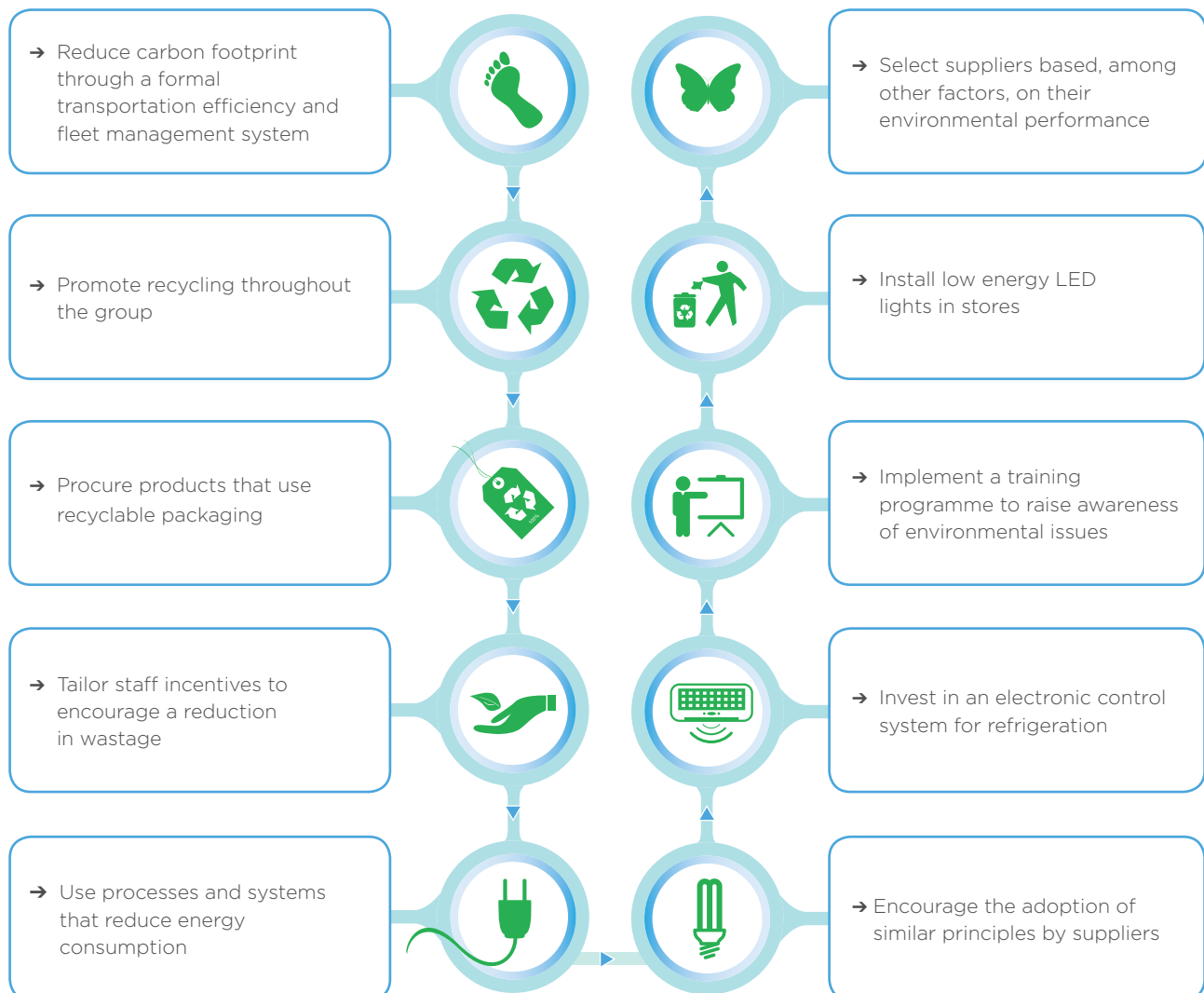


# Sustainability

## Environment

Choppies recognises the need to limit our environmental impact for sustainable growth. We are committed to leading our industry in this regard at home in Botswana, and are striving to achieve the same position in the other countries in which we operate.

An environmental policy is in place which outlines our key strategic thrusts:



## Community

### Awards for community services

- Zimbabwe National Chamber of Commerce
- PMR Africa Golden Arrow Award – retail stores (food and fresh produce) – Botswana
- PMR Africa Diamond Arrow Award – companies/institutions held in high esteem as good corporate citizens based on their corporate responsibility initiatives and investments – Botswana
- Recognition for Vision 2016 goals contribution – Botswana
- African Leadership Network award for transformational business (2014)

We are committed to adding value to the communities in which we operate and a formal CSR programme is in place. The programme focuses on health and wellness, improving the lifestyle of vulnerable and disadvantaged groups and sports and arts development. Further, by creating jobs in high unemployment rural areas in the ordinary course of our operations, we are helping to address poverty in sub-Saharan Africa.

As a policy we employ physically challenged individuals wherever possible in all the countries in which Choppies operates and today we employ the highest staff contingent with disabilities in the private sector in Botswana.

# Sustainability (continued)

Our CSR beneficiaries during the year are outlined below:

## Botswana

### Ethical sourcing

- Almost 75% of locally produced fresh produce is distributed through Choppies outlets. In this endeavour Choppies has 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 agricultural production. We are in the process of replicating this programme in South Africa and Zimbabwe.
- During the year Motopi Holdings, Choppies fruit and vegetable department, extended its relationship with the local farmers by providing a detailed plan of fruit and vegetable requirements. This has enabled farmers to increase production accordingly. Motopi Holdings purchases over 51% of its product needs from local farmers, which is more than 30% of total annual Choppies requirements. Motopi further provides assistance to farmers in upgrading their machinery and technology systems in the farms. The aim is to reach over 50% of total Choppies requirements which would equate to 100% of items currently produced by Botswana local farmers.

### Botswana Olympic Team

- Choppies previously announced our intention to support athletes competing in the 2016 Olympic and Paralympic Games in Brazil with prize money for medal winners. Gold medallists would receive BWP1 million, a silver BWP500 000 and a bronze BWP250 000. Athletes reaching the finals of their respective disciplines, but not placing, would receive BWP75 000.

### Cheshire Foundation Rehabilitation Centre Easter visit

- The foundation is based in Mogoditshane and is a centre for disabled children. Staff at the centre provide the children with physiotherapy, special diets, psychosocial needs and more. The centre is home to 25 children who require 24-hour care with additional children benefiting on a part-time basis.
- For Easter the Choppies team visited the centre and hosted an Easter egg hunt. Each child was paired with an adult and had to look for clues to complete the hunt. Choppies donated T-shirts, caps, mugs and all the food including the all important Easter eggs and sweets!

### Charitable donations

- Lady Khama Charitable Trust Fund, which supports vulnerable women and children.
- BWP1,2 million worth of groceries donated to Boys at the Border campaign benefiting soldiers and hospital staff who work over the Christmas Holidays
- Presidential Housing Initiative – 138 houses
- Inaugural Botswana Stock Exchange Listing Forum – Associate Sponsor
- UB Foundation – Gold Sponsor
- My Star Talent Show – Main Sponsor
- South African High Commission (Botswana) – Grocery donation to commemorate Mandela Day
- Sir Ketumile Masire Foundation – Gold Sponsor
- Botswana – Kenya Business Forum – lunch sponsor for delegates
- Kalahari Conservation Society, a Botswana based environmental NGO working to protect the nation's rich biodiversity and natural resources
- Euro Cup 2016 – broadcast sponsor on Botswana Television
- Gabane House of Hope, which provides home visits to the elderly to ensure their needs are met – Choppies visited the home and donated food and merchandise while staff members spent time with the elderly.
- Leapers bonus – anyone who was celebrating their birthday on 29 February was offered a free Choppies cake and 127 lucky people took advantage of this offer





## South Africa

→ In support of poverty alleviation Choppies handed out food parcels to 18 beneficiaries in the farm areas of Mushlendor and Ratsegae.

Under the banner of Choppies CARE, the following activities were supported as part of our social responsibility programme:

- Mandela Day was celebrated with the orphaned children of St Thomas Children's Home. Choppies CARE had lunch with the children and donated hampers to the Home;
- water was donated throughout the year to Koster Old Age Home;
- a hamper donation was made to Lesedi Day Care; and
- grocery packs were provided to a homeless shelter based in Rustenburg.



## Zimbabwe

### Wheelchair donation

→ At the opening ceremony for the Jason Moyo Branch, Choppies donated 10 wheelchairs to two major hospitals, Mpilo hospital and United Bulawayo Hospital (UBH).



### Emthunzini We Themba Children's Home

→ Choppies organised a collection drive in its stores for second hand clothes. In addition store managers added groceries including rice, salt, mealie-meal and washing bar soap as well as unsold blankets. These items were then donated to Emthunzini We Themba, which looks after orphans and street children.



### Chiedza Children's Home

→ Choppies paid a visit to Chiedza Children's Home in Harare on Mother's Day and donated food parcels. The home caters for orphans in the surrounding community of Mbare helping them to prepare for formal schooling as well as providing breakfast, lunch and supper.

### Bulawayo and Gweru clean up campaigns

- As part of Africa Day, Choppies went to the streets of Gweru to clean up two bus stop ranks in the city – Kudzanai terminus and Commuter omnibus terminus. The theme of the clean-up was 'Choppies for a cleaner Gweru'. Students from local schools, including Nashville High, Thornhill High, Chaplin High and Mambo High School, were invited to foster a passion for waste management in future leaders.
- In Bulawayo, clean up participants marched from Bulawayo centre to Egodini terminus, which caters for high density residential areas. The theme was 'Choppies for a cleaner Bulawayo'. The following schools also participated – Eveline High, Gifford High, Townsend High, Sobukhazi High, Columbus High and Ross Camp primary school.





# Being accountable

## Stakeholder engagement

We are committed to communicating openly, transparently and in a timely manner with all our stakeholders. This engagement with stakeholders informs our strategy discussions. We communicate through diverse means including our website, release of results bi-annually, integrated annual report, BSE and JSE regulatory announcements, one-on-one meetings, customer surveys and ongoing informal discussions.

Stakeholder	What matters to them
Shareholders	<ul style="list-style-type: none"><li>→ Sustainable growth</li><li>→ Share price performance</li><li>→ Risk and mitigation strategies</li><li>→ Management stability and competence</li><li>→ Dividends</li></ul>
Providers of capital and debt financing	<ul style="list-style-type: none"><li>→ Sustainable growth</li><li>→ Loan covenant compliance</li><li>→ Solvency</li></ul>
Suppliers	<ul style="list-style-type: none"><li>→ Adherence to payment terms</li><li>→ Clear communication of expectations</li><li>→ Communication on company's strategy</li></ul>
Customers	<ul style="list-style-type: none"><li>→ Value for money</li><li>→ Convenience – location of stores and opening hours</li><li>→ Fresh and good quality products</li><li>→ Availability and variety of products</li></ul>
Government and regulators	<ul style="list-style-type: none"><li>→ Tax payments</li><li>→ Compliance with legislation</li></ul>
Employees	<ul style="list-style-type: none"><li>→ Job security</li><li>→ Health and safety</li><li>→ Skills and development</li><li>→ Transparent and regular communication</li></ul>
Communities	<ul style="list-style-type: none"><li>→ Job creation</li><li>→ Good corporate citizenship</li></ul>

We are committed to the highest standards of honesty, integrity, fairness and transparency, and have zero tolerance for the commissioning or concealment of fraudulent acts by our people including our business partners and associates. This approach applies across the group from the board downwards.

### **Ethical leadership**

A code of conduct is in place which sets out the structures and processes, governing standards of conduct and ethical behaviour within the group and in our interactions with stakeholders. The code is contained in the employee handbook and all employees are required to sign an acknowledgement of the code. 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. The group's confidential whistleblowing process, with a toll-free number for anonymous reporting, is managed by an independent third party. During the year 35 calls involving 12 Choppies outlets were received and

appropriate action was taken in all cases. The majority of the incidents related to victimisation with only two incidents of theft and one of misuse of company property.

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 oversees Choppies performance in terms of ethics and its report is set out on page 30.

## Governance



\* Resigned 10 December 2015

\*\* Appointed 10 December 2015

• Resigned 20 September 2016

## Appointed 20 September 2016

# Non-executive

+ Independent non-executive

We are committed to maintaining the highest standards of governance and adopt stringent compliance practices. Our disclosure standards are regulated by the Botswana Companies Act, BSE Listings Requirements, BSE Code of Best Practice on Corporate Governance, JSE Listings Requirements, South African Companies Act and King III. The board appreciates that effective 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](http://www.choppies.co.bw)) with application of Chapter 2 set out on page 95 of this report.

## The board

The board consists of eight directors, five of whom are non-executive directors with four of these being independent.

The role and responsibilities of the chairman and the CEO have been clearly defined and are distinct. The independent chairman is responsible for ensuring proper governance of the board and its committees, ensuring that the interests of all stakeholders are protected and facilitating constructive relations between the executive and the board. The CEO is responsible for the overall operations of the group and implementation of the strategy and objectives adopted by the board.

### Board and committee meetings attendances for year

Director	Board meetings	Audit and risk committee meetings	Remuneration committee meetings	Social and ethics committee meetings
His Excellency Festus G Mogae <sup>+</sup> (chairman)	3/3			
Ramachandran Ottapathu (CEO)	3/3	3/3	2/2	2/2
Peter Baird*	3/3	3/3	2/2	2/2
Farouk Ismail	3/3			
Dorcas Kgosietsile <sup>+</sup>	3/3	3/3	2/2	2/2
Manikandan Madakkavil <sup>#</sup> (CFO)	1/1	1/1	1/1	
Robert Matthews <sup>+</sup>	3/3	3/3	2/2	2/2
Sydney Muller <sup>+</sup>	3/3	3/3	2/2	2/2
Sanooj Pullarote (CFO) <sup>##</sup>	2/2	2/2	1/1	1/1
Brett Stewart (attended certain meetings on behalf of Peter Baird)*				

\* Non-executive

<sup>+</sup> Independent non-executive

<sup>#</sup> Resigned 10 December 2015

<sup>##</sup> Appointed 10 December 2015

## 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.

# Being accountable (continued)

## **Governance (continued)**

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 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. Sydney Muller will be retiring by rotation and standing for re-election at the upcoming annual general meeting.

## **Remuneration committee**

The remuneration committee is responsible for assisting the board in setting the remuneration policy for the group and ensuring that this and recruitment is aligned with the overall business strategy. Attracting and retaining skilled employees is a key factor in our success and sustainability. Choppies seeks to ensure our approach and policies in this regard will enable the group to attract and retain personnel who will create long-term value for all stakeholders.



## Remuneration committee report

The remuneration committee comprised of independent non-executive directors Sydney Muller (chairman) and Dorcas Kgosietsile, non-executive director Peter Baird (resigned on 20 September 2016 and was replaced by Brett Stewart on that date) and CEO Ramachandran Ottapathu. The CFO attended by invitation. Attendance at committee meetings is set out on page 27.

Terms of reference are reviewed annually. The committee chairman reports 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

A long-term share incentive plan has been finalised and is now applicable to senior executives of the company.

## Incentive scheme at store level

There is an incentive scheme at store level to incentivise all staff and takes into account key performance indicators (KPIs) such as gross profit, safety, health, environment and stock controls.

## 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 our commitment to lifelong staff welfare.

## Directors' remuneration paid 2016

In BWP	Salary	Sitting fees	Other allowance	Retainer fee	Total
<b>Directors</b>					
HE Festus G Mogae*	529 392	133 332			662 724
Mr Sydney Muller*		366 667			366 667
Mr Robert Matthews*		366 666			366 666
Mrs Dorcas Kgosietsile*		366 666			366 666
Mr Farouk Ismail	4 064 177				4 064 177
Mr Ramachandran Ottapathu (CEO)	10 741 853				10 741 853
Mr Manikandan Madakkavil# (CFO)	771 628				771 628
Mr Peter Baird <sup>+</sup>	-	-	-	-	-
Sanooj Pullarote##(CFO)	764 867				764 867
<b>Total</b>	<b>16 871 917</b>	<b>1 233 331</b>			<b>18 105 248</b>

+Non-executive \*Independent non-executive #Resigned 10 December 2015 ##Appointed 10 December 2015

## Directors' remuneration paid 2015

In BWP	Salary	Sitting fees	Other allowance	Retainer fee	Total
<b>Directors</b>					
HE Festus G Mogae*	529 392	133 333			662 725
Mr Sydney Muller*		200 000	150 000	660 217	1 010 217
Mr Robert 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 <sup>+</sup>	-	-	-	-	-
<b>Total</b>	<b>17 091 034</b>	<b>1 133 333</b>	<b>300 000</b>	<b>980 217</b>	<b>19 504 584</b>

\*Independent non-executive +Non-executive

## Sydney Muller

Remuneration committee chairman  
20 September 2016

### Social and ethics committee report

In accordance with the JSE Listings Requirements, the group is required to have a social and ethics committee ("SEC"). The South African Companies Tribunal has determined that the SEC must be constituted at the South African subsidiaries level and thus the committee will, therefore, specifically cover the South African operations of the group. It has been agreed that SEC meetings can be held in Botswana as there is no need for the committee to physically meet in South Africa.

A formal charter has been approved and adopted by the board. This charter guides the committee in ensuring that, while meeting South African requirements, the group conducts its business in an ethical and properly governed manner and reviews or develops policies, governance structures and practices for sustainability.

The committee is chaired by independent non-executive director Sydney Muller and further comprises CEO Ramachandran Ottapathu, independent non-executive directors Robert Matthews and Dorcas Kgosietsile and non-executive director Brett Stewart. Attendance at committee meetings is set out on page 27.

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 SEC.

The core purpose of the committee is to regularly monitor activities in terms of social and economic development with regard to relevant legislation in the geographical locations where the group operates, having regard for all legal requirements and prevailing codes of best practice.

In summary, the committee is responsible for reviewing:

- performance in respect of B-BBEE and employment equity legislation to the extent applicable to the group's South African operations;
- skills and other development programmes aimed at the educational development of employees;
- corporate social investment programmes;
- labour practices and policies;
- code of ethics and whistleblowing process;
- SHE performance;
- stakeholder relations;
- promotion of the responsibilities outlined in the constitutions of the countries where the group is active; and
- progress in addressing the principles of the UN Global Compact Principles and the OECD.

Management reports to the committee on matters relevant to its deliberations and the committee, in turn, draws relevant matters to the attention of the South African subsidiary companies' boards and the group board. Mechanisms to encourage ethical behaviour, such as the code of conduct, anti-corruption policies and the whistleblower's hotline were assessed by the committee to confirm their adequacy.

### Sydney Muller

*Social and ethics committee chairman*  
20 September 2016

# Annual financial statements

for the year ended 30 June 2016

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# Directors' responsibility statement

for the year ended 30 June 2016

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 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, the significant accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards (IFRSs).

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

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

The auditor is responsible for reporting on whether the group annual financial statements and annual financial statements 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 directors on 20 September 2016 and are signed on their behalf by:



**Ramachandran Ottapathu**  
CEO



**Robert N Matthews**  
Director

# Declaration by company secretary

for the year ended 30 June 2016

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



**Corporate Services (Pty) Limited**  
Company secretary  
20 September 2016

# Audit and risk committee report

for the year ended 30 June 2016

The audit and risk committee is a committee appointed by the board of directors. The committee has its own charter, which is approved by the board. The committee consists of three independent non-executive directors, one of whom acts as chairman. The chief executive officer, chief financial officer, the external auditor and chief internal audit executive attend by invitation. Other executives may be requested to attend sections of meetings as required. 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 AND ACTIVITIES OF THE COMMITTEE

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

- Planning for the external audit process, including discussions on key issues related to the external audit process, the proposed fee for the audit and other related matters.
- Year-end planning for clearance of the audited financial statements and receipt of the external audit reports on issues raised in the external audit process relating to the group.
- Review of the integrity of the integrated annual report.
- Review of press releases, specifically for six month and annual financial reporting purposes.
- Review of 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 implementation of the Oracle System is on plan.
- Activities of the internal audit department and discussions with the chief internal audit executive with regard to progress and training in his department to achieve 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.
- Continuing progress has been made related to compliance with the BSE Code of Best Practice on Corporate Governance, specifically with regard to adoption of King III. Attention has been given, by the board through the social and ethics committee, to the code of conduct, whistleblowing, fraud and ethics issues.
- Compliance with regulatory issues relating particularly to the Botswana Securities Exchange, Johannesburg Stock Exchange, the applicable Companies Acts, Trading Acts and the relevant Income and other Tax Acts.

## REPORTING TO THE BOARD

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

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

## COMMITTEE MEMBERSHIP AND ATTENDANCE

Name	Status	Sept 2015	March 2016	June 2016	Sept 2016
Robert N Matthews	Chairman of committee				
Robert N Matthews	Independent non-executive director	Y	Y	Y	Y
Dorcas A Kgosietsile	Independent non-executive director	Y	Y	Y	Y
Sydney A Muller	Independent non-executive director	Y	Y	Y	Y



**Robert N Matthews**

Chairman – Audit and Risk Committee

20 September 2016



# Directors' report

for the year ended 30 June 2016

The directors have pleasure in presenting their report and the annual group and company financial statements of Choppies Enterprises Limited for the year ended 30 June 2016.

## GENERAL INFORMATION

Choppies Enterprises Limited is a company registered and domiciled in the Republic of Botswana and listed on the Botswana Stock Exchange ("BSE") and is secondary inward listed on the Johannesburg Stock Exchange ("JSE"). The company registration number in Botswana is 2004/1681.

## NATURE OF BUSINESS

The primary business of the group is concentrated in the retail supermarket industry. Choppies Enterprises Limited and its subsidiaries operated in Botswana, South Africa, Zimbabwe, Zambia and Kenya. Choppies Enterprises Limited operates as an investment holding company.

## FINANCIAL POSITION AND RESULTS

The financial position and results for the year are reflected in these financial statements set out on pages 36 to 85.

## STATED CAPITAL

There were no movements in the stated capital during the year (2015: 117 420 758 ordinary shares were issued at a value of BWP454 002 031). At the reporting date, the total number of shares in issue were 1 291 628 341 (2015: 1 291 628 341).

## PREFERENCE SHARES

10 000 preference shares at a value of BWP1 495 were issued in the group during the year (2015: 85 000 preference shares at a total value of BWP135 were issued). At the reporting date the total number of preference shares in issue was 730 000 (2015: 720 000).

## DIVIDENDS

A gross dividend of BWP62 990 131 was declared and paid during the current financial year (2015: BWP52 989 167).

## EVENTS AFTER REPORTING DATE

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

## DIRECTORS

The directors during the year and up to the date of approval of the financial statements were: His Excellency Festus Gontebanye Mogae (Chairman); Farouk Essop Ismail; Ramachandran Ottapathu; Dorcas Kgosietsile; Robert Neil Matthews; Sydney Alan Muller; Manikandan Madakkavil resigned on 10 December 2015 and Sanooj Pullarote was appointed in his stead, on the same date. Peter Baird resigned on 20 September 2016 and Brett Sean Stewart was appointed in his place on the same date.

## SECRETARY

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

## REGISTERED ADDRESS

Unit 5, Plot 115  
Kgale Mews,  
Gaborone, Botswana

## INDEPENDENT GROUP AUDITOR

KPMG  
Plot 67977,  
Off Tlokweng Road  
Fairgrounds  
PO Box 1519  
Gaborone, Botswana

## BANKERS

Absa Bank South Africa Limited; Bank of Baroda (Botswana) Limited; Barclays Bank of Botswana Limited; Central African Building Society (CABS) Limited; Diamond Trust Bank Limited; Barclays Bank of Zimbabwe Limited; Capital Bank Botswana Limited; First National Bank (South Africa) Limited; First National Bank Botswana Limited; Nedbank South Africa Limited; Stanbic Bank Botswana Limited; Standard Bank South Africa Limited; Standard Chartered Bank Botswana Limited; Standard Chartered Bank Kenya Limited; Standard Chartered Bank Limited; Steward Bank Limited; ZB Bank Limited; FBC Bank Limited

# Independent auditor's report

for the year ended 30 June 2016



KPMG, Chartered Accountants  
Audit  
Plot 67977, Off Tlokweng Road,  
Fairgrounds Office Park  
PO Box 1519, Gaborone, Botswana  
Telephone +267 391 2400  
Fax +267 397 5281  
Web <http://www.kpmg.com/>

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHOPPIES ENTERPRISES LIMITED

We have audited the group financial statements and the financial statements of Choppies Enterprises Limited, which comprise the statements of financial position at 30 June 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, the significant accounting policies and the notes to the financial statements, as set out on pages 36 to 85.

### **DIRECTORS' RESPONSIBILITY FOR THE GROUP FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

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

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

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

### **OPINION**

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of Choppies Enterprises Limited at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.



**KPMG**  
**Certified Auditors**  
**Practising member:** Francois Roos (20010078:45)

**Date:** 28 October 2016  
**Place:** Gaborone

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

Partners: AG Devlin\* NP Dixon-Warren FJ Roos\*\*  
G Motsamai  
\*British \*\* South African

# Statements of profit or loss and other comprehensive income

for the year ended 30 June 2016

In BWP'000	Notes	2016	Group 2015	2016	Company 2015
Revenue	1	<b>7 369 005</b>	5 945 234	<b>58 265</b>	52 989
Cost of sales		<b>(5 924 214)</b>	(4 653 413)	-	-
Gross profit		<b>1 444 791</b>	1 291 821	<b>58 265</b>	52 989
Other income		<b>52 265</b>	8 611	-	-
Operating income		<b>1 497 056</b>	1 300 432	<b>58 265</b>	52 989
Expenditure		<b>(1 348 442)</b>	(1 032 864)	<b>(209)</b>	(203)
Administrative expenses		<b>(1 086 843)</b>	(817 993)	<b>(209)</b>	(203)
Selling and distribution expenses		<b>(49 022)</b>	(48 322)	-	-
Other operating expenses		<b>(212 577)</b>	(166 549)	-	-
Operating profit before net finance cost and taxation		<b>148 614</b>	267 568	<b>58 056</b>	52 786
Net finance cost		<b>(21 214)</b>	(24 342)	-	187
Interest cost		<b>(26 664)</b>	(28 522)	-	-
Interest income		<b>5 450</b>	4 180	-	187
Profit before taxation	2	<b>127 400</b>	243 226	<b>58 056</b>	52 973
Taxation	3	<b>(22 495)</b>	(45 988)	-	-
<b>Profit for the year</b>		<b>104 905</b>	197 238	<b>58 056</b>	52 973
Attributable to:					
Owners of the company		<b>109 527</b>	202 826	<b>58 056</b>	52 973
Non-controlling interests		<b>(4 622)</b>	(5 588)	-	-
<b>Other comprehensive income</b>					
<b>Items that will be reclassified to profit or loss:</b>					
Foreign currency translation differences from foreign operations		<b>(19 861)</b>	(16 068)	-	-
Attributable to:					
Owners of the company		<b>(21 055)</b>	(16 542)	-	-
Non-controlling interests		<b>1 194</b>	474	-	-
<b>Profit and total comprehensive income for the year</b>		<b>85 044</b>	181 170	<b>58 056</b>	52 973
Attributable to:					
Owners of the company		<b>88 472</b>	186 284	<b>58 056</b>	52 973
Non-controlling interests		<b>(3 428)</b>	(5 114)	-	-
		<b>85 044</b>	181 170	<b>58 056</b>	52 973

# Statements of financial position

at 30 June 2016

In BWP'000		Notes	2016	Group 2015	2016	Company 2015
<b>ASSETS</b>						
<b>Non-current assets</b>			<b>1 740 579</b>	1 269 313	<b>426 347</b>	340 326
Plant and equipment	4		<b>1 082 968</b>	746 050	-	-
Deferred taxation assets	6		<b>51 431</b>	19 572	-	-
Investment in subsidiaries	22		-	-	<b>426 347</b>	340 326
Investments in new projects	5.2		<b>95 560</b>	30 165	-	-
Goodwill	7		<b>510 620</b>	473 526	-	-
<b>Current assets</b>			<b>1 115 556</b>	1 149 383	<b>489 675</b>	575 964
Inventories	8		<b>703 539</b>	535 653	-	-
Investments in listed shares	5.1		<b>3</b>	3	-	-
Advances and deposits	9		<b>83 212</b>	66 023	-	-
Trade and other receivables	10		<b>191 444</b>	186 148	-	265
Amounts due from related entities	11.1		<b>4 901</b>	17 735	<b>489 116</b>	575 499
Cash and cash equivalents	13		<b>132 457</b>	343 821	<b>559</b>	200
<b>Total assets</b>			<b>2 856 135</b>	2 418 696	<b>916 022</b>	916 290
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>			<b>1 473 593</b>	1 451 538	<b>902 176</b>	902 385
Stated capital	14.1		<b>875 476</b>	875 476	<b>875 476</b>	875 476
Preference shares	14.2		<b>87</b>	86	-	-
Retained earnings			<b>634 823</b>	588 286	<b>26 700</b>	26 909
Foreign currency translation reserve			<b>(35 400)</b>	(14 345)	-	-
Equity attributable to owners of the company			<b>1 474 986</b>	1 449 503	<b>902 176</b>	902 385
Non-controlling interests			<b>(1 393)</b>	2 035	-	-
<b>Non-current liabilities</b>			<b>468 072</b>	312 429	-	-
Long-term borrowings	16		<b>412 897</b>	273 591	-	-
Deferred operating lease liabilities	17		<b>55 175</b>	38 838	-	-
<b>Current liabilities</b>			<b>914 470</b>	654 729	<b>13 846</b>	13 905
Trade and other payables	18		<b>694 411</b>	453 130	<b>164</b>	227
Amounts due to related entities	11.2		<b>9 551</b>	38 301	<b>13 682</b>	13 678
Taxation payable	3.1		<b>20 027</b>	16 742	-	-
Current portion of deferred operating lease liabilities	17		<b>4 651</b>	4 805	-	-
Current portion of long-term borrowings	16		<b>105 459</b>	79 185	-	-
Bank overdraft	13		<b>80 371</b>	62 566	-	-
<b>Total equity and liabilities</b>			<b>2 856 135</b>	2 418 696	<b>916 022</b>	916 290

# Statements of changes in equity

for the year ended 30 June 2016

<i>In BWP'000</i>	Stated capital	Preference shares	Retained earnings	Foreign currency translation reserve	Total amounts attributable to the owners of the parent	Non-controlling interests	Total
<b>GROUP</b>							
Balance at 1 July 2014	421 474	85	438 418	2 197	862 174	7 149	869 323
<b>Total comprehensive income for the year</b>	-	-	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)
<b>Transaction with owners</b>	454 002	1	(52 958)	-	401 045	-	401 045
Dividend declared	-	-	(52 958)	-	(52 958)	-	(52 958)
Issue of ordinary shares	454 002	-	-	-	454 002	-	454 002
Issue of preference shares	-	1	-	-	1	-	1
<b>Balance at 30 June 2015</b>	<b>875 476</b>	<b>86</b>	<b>588 286</b>	<b>(14 345)</b>	<b>1 449 503</b>	<b>2 035</b>	<b>1 451 538</b>
<b>Total comprehensive income for the year</b>	-	-	109 527	(21 055)	88 472	(3 428)	85 044
Profit	-	-	109 527	-	109 527	(4 622)	104 905
Other comprehensive income	-	-	-	(21 055)	(21 055)	1 194	(19 861)
<b>Transaction with owners</b>	-	1	(62 990)	-	(62 989)	-	(62 989)
Dividend declared	-	-	(62 990)	-	(62 990)	-	(62 990)
Issue of preference shares	-	1	-	-	1	-	1
<b>Balance at 30 June 2016</b>	<b>875 476</b>	<b>87</b>	<b>634 823</b>	<b>(35 400)</b>	<b>1 474 986</b>	<b>(1 393)</b>	<b>1 473 593</b>
<b>COMPANY</b>							
Balance at 1 July 2014	421 474	-	26 925	-	448 399	-	448 399
<b>Total comprehensive income for the year</b>	-	-	52 973	-	52 973	-	52 973
Profit	-	-	52 973	-	52 973	-	52 973
<b>Transaction with owners</b>	454 002	-	(52 989)	-	401 013	-	401 013
Issue of ordinary shares	454 002	-	-	-	454 002	-	454 002
Dividend declared	-	-	(52 989)	-	(52 989)	-	(52 989)
<b>Balance at 30 June 2015</b>	<b>875 476</b>	<b>-</b>	<b>26 909</b>	<b>-</b>	<b>902 385</b>	<b>-</b>	<b>902 385</b>
<b>Total comprehensive income for the year</b>	-	-	58 056	-	58 056	-	58 056
Profit	-	-	58 056	-	58 056	-	58 056
<b>Transaction with owners</b>	-	-	(58 265)	-	(58 265)	-	(58 265)
Dividend declared	-	-	(58 265)	-	(58 265)	-	(58 265)
<b>Balance at 30 June 2016</b>	<b>875 476</b>	<b>-</b>	<b>26 700</b>	<b>-</b>	<b>902 176</b>	<b>-</b>	<b>902 176</b>



# Statements of cash flows

for the year ended 30 June 2016

<i>In BWP'000</i>	Notes	2016	Group 2015	2016	Company 2015
Profit after taxation		104 905	197 238	58 056	52 973
Adjusted for:					
Tax expense		22 495	45 988	-	-
Depreciation		148 104	116 482	-	-
Interest cost		26 664	28 522	-	-
Interest income		(5 450)	(4 180)	-	(187)
Profit on disposal of plant and equipment		(20 386)	(2 945)	-	-
Increase in deferred lease liabilities		16 183	5 221	-	-
Foreign currency translation losses		(19 861)	(16 068)	-	-
<b>Operating cash flows before working capital changes</b>		<b>272 654</b>	<b>370 258</b>	<b>58 056</b>	<b>52 786</b>
Movement in trade and other receivables		(5 296)	(102 066)	265	(246)
Movement in amount due from related entities		12 834	(12 399)	86 383	(453 752)
Movement in advances and deposits		(17 189)	(12 151)	-	(7)
Movement in trade and other payables		241 281	48 970	(63)	-
Movement in amounts due to related parties		(28 750)	(63 103)	4	-
Movement in inventories		(167 886)	(127 782)	-	-
<b>Cash flows from operations</b>		<b>307 648</b>	<b>101 727</b>	<b>144 645</b>	<b>(401 219)</b>
Taxation paid	3.1	(51 069)	(47 753)	-	-
Interest received		5 450	4 180	-	187
Dividend paid		(62 990)	(52 958)	(58 265)	(52 989)
<b>Net cash generated from/(utilised in) operating activities</b>		<b>199 039</b>	<b>5 196</b>	<b>86 380</b>	<b>(454 021)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(479 565)	(263 827)	-	-
Proceeds on disposal of plant and equipment		28 360	12 459	-	-
Acquisition of businesses		(20 433)	-	(86 021)	(1)
Investments in new projects		(94 091)	(26 880)	-	-
Foreign currency translation differences in property, plant and equipment		15 265	14 045	-	-
Foreign currency translation differences in goodwill		(16 661)	(19 484)	-	-
<b>Net cash utilised in investing activities</b>		<b>(567 125)</b>	<b>(283 687)</b>	<b>(86 021)</b>	<b>(1)</b>
<b>Cash flows from financing activities</b>					
Financing obtained from third parties		177 160	232 955	-	-
Capital repayment of long-term liabilities		(11 580)	(156 529)	-	-
Proceeds from issue of preference shares		1	1	-	-
Proceeds from issue of ordinary shares		-	454 002	-	454 002
Interest paid		(26 664)	(28 522)	-	-
<b>Net cash generated from financing activities</b>		<b>138 917</b>	<b>501 907</b>	<b>-</b>	<b>454 002</b>
<b>Movement in cash and cash equivalents</b>		<b>(229 169)</b>	<b>223 416</b>	<b>359</b>	<b>(20)</b>
Cash and cash equivalents at beginning of year	13	281 255	57 839	200	220
<b>Cash and cash equivalents at end of year</b>	13	<b>52 086</b>	<b>281 255</b>	<b>559</b>	<b>200</b>

# Significant accounting policies

for the year ended 30 June 2016

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 Johannesburg Stock Exchange requirements.

## BASIS OF PRESENTATION

The group and company financial statements are presented in Botswana Pula, which is also the functional currency of the company. All amounts have been rounded to nearest thousand, except where otherwise stated.

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 where otherwise stated.

No new standards or interpretation became effective during the current year.

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 7), the evaluation of amounts due from related parties for possible impairment (per note 11), the evaluation of investments in subsidiaries for possible impairment (per note 22), the evaluation of depreciation rates and residual values applied to property, plant and equipment items (per note 4), and the calculation accrual of income and deferred taxation (per note 3 and 6).

## 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 measured at fair value, as are the identifiable net assets acquired. Transaction costs are expressed as incurred except if it refers to the issue of debit or equity securities. Any goodwill that arises is tested annually for impairment (refer note 7).

### 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.

### 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.

NCIs are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

### Loss of control

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

### Changes in 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.

## 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 for 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%
→ Aircrafts	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 under 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. The amounts are transferred to respective asset classes when the assets are available for their intended use. Depreciation commences when the assets are ready for their 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.

# Significant accounting policies (continued)

for the year ended 30 June 2016

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.

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

## LEASES

### 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.

## **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.

## **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 directly in equity or other comprehensive income in which case it is recognised directly in equity or other comprehensive income.

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.

## **DIVIDENDS WITHHOLDING TAX**

Withholding tax of 7.5% is payable on the gross value of dividends declared and paid.

## **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, 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 labour laws. An accrual is recognised for the estimated liability for services rendered by the employees up to reporting date.

# Significant accounting policies (continued)

for the year ended 30 June 2016

## 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 products comprises retail sales to customers. Revenue from services rendered comprises money transfer and sale of airtime.

Revenue from sale of goods and services rendered are recognised in profit or loss when the following conditions have been satisfied:

- The group has provided the service or 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.

The aforesaid conditions are met at point of sale.

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

## INTEREST INCOME

Interest income is recognised as it accrues in profit or loss using 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. Diluted EPS are 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 2/2015 issued by the South African Institute of Chartered Accountants as required by the Johannesburg Stock Exchange Listings Requirements.

## DIVIDEND PER SHARE

Dividends per share are 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 as they are 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.

## 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 recognised directly in 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 Botswana Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities designated in foreign currencies are subsequently translated to Pula 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 off in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

## **FINANCIAL INSTRUMENTS**

### **Recognition 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 in the specified 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 impairment losses.

# Significant accounting policies (continued)

for the year ended 30 June 2016

## 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.

## 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 2016 and have not been applied in preparing these financial statements:

*Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)* – The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

As a consequence of these amendments, the group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The standard is not expected to have an 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.

*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 amendments are 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 company financial statements and may have an impact on the valuation of investments in these separate financial statements.

*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 and 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.

*Disclosure initiative (Amendments to IAS 7)*

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

## Significant accounting policies (continued)

for the year ended 30 June 2016

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. The amendments will result in additional disclosures relating to the changes in liabilities arising from financing activities in the group's financial statements.

### *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

This standard will have an impact on the group, which will include changes in the methods used to evaluate the recovery of the deferred tax assets and calculation of the future taxable profits. In addition unrealised losses will be assessed on a combined basis.

### *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 2018, with early adoption permitted.

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 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 financed instruments into the different categories and may result in an increase in this group's provision for bad debts. The impact of the standard on the group's result and financial position will be monitored on a continued basis.

#### *Clarifying share-based payment accounting (Amendments to IFRS 2)*

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payment*.

The amendments cover three accounting areas:

*Measurement of cash-settled share-based payments* – There is currently no guidance in IFRS 2 on how to measure the fair value of the liability in a cash-settled share-based payment. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method. Therefore, in measuring the liability market and non-vesting conditions are taken into account in measuring its fair value and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions.

The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

*Classification of share-based payments settled net of tax withholdings* – The company may be obligated to collect or withhold tax related to a share-based payment, even though the tax obligation is often a liability of the employee and not the company. Currently, it is unclear whether the portion of the share-based payment that is withheld in these instances should be accounted for as equity-settled or cash-settled. The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

*Accounting for a modification of a share-based payment from cash-settled to equity-settled* – There is no specific guidance in IFRS 2 that addresses the accounting when a share-based payment is modified from cash-settled to equity-settled. The amendments clarify the approach that companies are to apply.

The amendments are effective for annual periods commencing on or after 1 January 2018.

The amendments are not expected to have a significant impact on the group's financial statements as the group does not currently have share based payments. The impact will be assessed in the event that the group introduces a share-based payment scheme.

#### *IFRS 16 Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The group and company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

#### *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.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

The amendments are not expected to have a significant impact on the group's financial statements as the group does not currently have sales or contributions of businesses.

# Notes to the annual financial statements

for the year ended 30 June 2016

In BWP'000		Group		Company	
	Notes	2016	2015	2016	2015
<b>1. REVENUE</b>					
Revenue from sale of goods		6 964 098	5 731 286	-	-
Dividend income		-	-	58 265	52 989
Income from other services		404 907	213 948	-	-
		<b>7 369 005</b>	<b>5 945 234</b>	<b>58 265</b>	<b>52 989</b>
<b>2. PROFIT BEFORE TAXATION</b>					
The profit before taxation is stated after taking into account the following:					
Movement in deferred lease liabilities		16 183	5 221	-	-
Depreciation		148 104	116 482	-	-
Audit fees		2 724	2 751	-	-
- For audit services		2 724	2 700	-	-
- For non-audit services		-	51	-	-
Rent expense – cash payments		196 935	156 127	-	-
Interest paid – borrowings		24 857	27 236	-	-
Interest paid – bank overdraft		1 807	1 286	-	-
Interest received – fixed deposits		(5 450)	(4 180)	-	-
Donations		3 422	2 386	-	-
Salaries and wages		485 142	371 315	-	-
Pension fund contributions		8 561	2 995	-	-
Profit on disposal of property, plant and equipment		(20 386)	(2 945)	-	-
Training levy		11 615	10 577	-	-
Directors' remuneration (refer to note 12)		18 107	19 505	-	-
<b>3. TAXATION</b>					
Basic company taxation		53 924	49 434	-	-
Prior year under provision of company taxation		430	907	-	-
Net deferred taxation movement		(31 859)	(4 355)	-	-
Taxation per profit or loss		22 495	45 988	-	-
Tax losses available for set off against future taxable income are as follows:					
Unutilised tax losses		322 079	139 133	-	-
Tax losses include:					
	Botswana	South Africa	Zimbabwe	Zambia	Kenya
Current year	50 780	192 847	46 493	14 806	17 153
Previous year	39 581	99 552	-	-	-
Tax losses fall away as follows if not utilised:	5 years	No limit	5 years	5 years	10 years



	Group		Company	
	2016	2015	2016	2015
In BWP'000				
<b>3. TAXATION (continued)</b>				
Tax losses are analysed as follows:				
- 2009	5 205	5 773	-	-
- 2010	12 699	14 085	-	-
- 2011	11 719	12 999	-	-
- 2013	18 907	20 184	-	-
- 2014	33 394	36 991	-	-
- 2015	41 226	46 027	-	-
- 2016	198 929	-	-	-
- Effects of movement in foreign exchange rates	-	3 074	-	-
<b>Total</b>	<b>322 079</b>	<b>139 133</b>	<b>-</b>	<b>-</b>

	2016 %	2016 BWP'000	2015 %	2015 BWP'000
Reconciliation of effective tax rates:				
<b>Group</b>				
Profit before taxation		127 400		243 226
Normal income tax at statutory rate	22.00	28 028	22.00	53 510
Effect of tax rates in foreign jurisdictions	(6.35)	(8 093)	0.38	929
Non-deductible expenses	(1.40)	(1 781)	0.24	584
Recognition of previously unrecognised tax losses	-	-	(0.10)	(264)
Prior year under-provision of company taxation	0.34	430	0.37	909
Foreign currency translation differences	3.24	4 129	(2.79)	(6 783)
Over-provision of deferred taxation	(0.17)	(218)	(1.19)	(2 897)
Taxation per profit or loss	17.66	22 495	18.91	45 988
<b>Company</b>				
Profit before taxation		58 056		52 973
Normal income tax at statutory rate	22.00	12 772	22.00	11 654
Disallowed expenses	0.08	46	-	-
Exempt income	(22.08)	(12 818)	(22.00)	(11 654)
Taxation per profit or loss	-	-	-	-

	2016	2015
In BWP'000		
<b>3.1 Taxation paid</b>		
<b>Group</b>		
Taxation payable is reconciled as follows:		
Taxation payable at the beginning of the year	16 742	14 152
Current year charge	53 924	49 434
Prior year under-provision of company taxation	430	909
Taxation payments made	(51 069)	(47 753)
Taxation payable at year-end	20 027	16 742

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

<i>In BWP'000</i>	At beginning of year	Additions*	Disposals	Effects of foreign currency fluctuations	At end of year
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Group</b>					
<b>2016</b>					
<b>Cost</b>					
Buildings and leasehold improvements	30 295	2 215	-	-	32 510
Plant and machinery	578 719	225 967	(17)	(15 925)	788 744
Computer equipment	80 448	53 172	(138)	(1 449)	132 033
Office equipment	7 627	-	-	-	7 627
Furniture and fittings	178 294	127 604	-	(5 635)	300 263
Aircraft	105 340	340	(23 940)	-	81 740
Motor vehicles	229 220	98 963	(13 344)	(3 572)	311 267
	<b>1 209 943</b>	<b>508 261</b>	<b>(37 439)</b>	<b>(26 581)</b>	<b>1 654 184</b>

<i>In BWP'000</i>	At beginning of year	Charge of the year	Disposals	Effects of foreign currency fluctuations	At end of year
<b>Accumulated depreciation</b>					
Buildings	1 141	461	-	-	1 602
Plant and machinery	229 865	82 042	(6)	(6 858)	305 043
Computer equipment	34 503	19 254	(95)	(802)	52 860
Office equipment	1 910	-	-	-	1 910
Furniture and fittings	61 152	19 277	-	(1 687)	78 742
Aircraft	33 296	5 500	(21 546)	-	17 250
Motor vehicles	102 026	21 570	(7 818)	(1 969)	113 809
	<b>463 893</b>	<b>148 104</b>	<b>(29 465)</b>	<b>(11 316)</b>	<b>571 216</b>
<b>Net book value</b>	<b>746 050</b>				<b>1 082 968</b>

<i>In BWP'000</i>	At beginning of year	Additions*	Disposals	Effects of foreign currency fluctuations	At end of year
<b>4. PROPERTY, PLANT AND EQUIPMENT</b> (continued)					
<b>Group</b>					
<b>2015</b>					
<b>Cost</b>					
Buildings	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

<i>In BWP'000</i>	At beginning of year	Charge of the year	Disposals	Effects of foreign currency fluctuations	At end of year
<b>Accumulated depreciation</b>					
Buildings	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
<b>Net book value</b>	597 040				746 050

\*Included in additions are amounts reclassified from investments in new projects of BWP28 696 000 (2015: BWP25 224 000). Refer to note 5.2.

Motor vehicles with a net book value of BWP59 526 080 (2015: BWP68 495 441), plant and machinery with a net book value of BWP8 128 856 (2015: BWP18 886 748) and aircraft with a net book value of BWP122 588 722 (2015: BWP72 044 172) are encumbered under finance leases with various financial institutions as per note 16. Moveable assets with a net book value of BWP367 814 048 (2015: BWP nil) in respect of Choppies Supermarkets SA Proprietary Limited, Motopi Holding SA Proprietary Limited and Choppies Warehousing Services Proprietary Limited are encumbered under a term loan facility with Rand Merchant Bank per note 16. Movable assets with a net book value of BWP1 052 059 866 (2015: BWP716 894 845) limited to a value of BWP27 000 000 are encumbered under an overdraft facility with Barclays Bank of Botswana as disclosed in note 13.

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP'000		Group	
		2016	2015
<b>5. INVESTMENTS</b>			
<b>5.1 Investments in listed shares:</b>			
Investment in shares – listed		<b>3</b>	3
The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2016 was BWP3.40 per share (2015: BWP3.93 per share).			
<b>5.2 Investments in new projects</b>			
Investments in new projects is reconciled as follows:			
Opening balance		<b>30 165</b>	28 509
Amounts reclassified as additions to property, plant and equipment during the year		<b>(28 696)</b>	(25 224)
Capital advanced during the year		<b>94 091</b>	26 880
Closing balance		<b>95 560</b>	30 165
These amounts relate to capital expenditure incurred with regards to new stores to be opened in the following financial year.			
<b>6. DEFERRED TAXATION ASSETS</b>			
The movement in deferred taxation can be analysed as follows:			
Balance at beginning of the year		<b>19 572</b>	15 217
Net movement for the year recognised in profit or loss		<b>31 859</b>	4 355
Prior year over-provision		<b>(218)</b>	(2 897)
Current year charge		<b>32 077</b>	7 252
Balance at end of the year		<b>51 431</b>	19 572
Deferred tax comprises the following:			
Tax losses		<b>87 523</b>	35 684
Accelerated capital allowances on items of property, plant and equipment		<b>(59 965)</b>	(28 736)
Unrealised foreign exchange loss		<b>13 591</b>	4 553
Advances and deposits		<b>(1 163)</b>	-
Deferred lease liabilities		<b>11 445</b>	8 071
		<b>51 431</b>	19 572

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

In BWP'000

Group  
2016 2015

## 7. GOODWILL

Opening balance	473 526	454 042
Businesses acquired (refer to note 22)		
– Acquisition of KZN and Eastern Cape business (Jwayelani)	6 182	–
– Acquisition of Kenyan business (Ukwala)	14 251	–
Effects of foreign currency fluctuations	16 661	19 484
Closing balance	510 620	473 526

The valuation of goodwill at the reporting date was determined by comparing the value in use of the cash-generating units (“CGUs”) that the goodwill is allocated to, to the carrying amounts of the assets and liabilities within the CGUs. The value in use is determined by comparing the present value of estimated incremental future cash flows against the carrying amount. This was based on five-year cash flow projections on the most recent budgets approved by management and extrapolations of cash flows. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market.

Goodwill is allocated to the group’s CGUs as follows:

Choppies Supermarkets South Africa (Proprietary) Limited	273 436	267 255
Mafila Holdings (Proprietary) Limited	3 271	3 271
Nanavac Investments (Private) Limited	163 011	146 349
Number of smaller entities in Botswana	19 146	19 146
Sarfrosh Holdings (Proprietary) Limited	14 838	14 838
Supa Save (Proprietary) Limited and Mega Save (Proprietary) Limited	22 667	22 667
Choppies Enterprises Kenya Limited	14 251	–
	510 620	473 526

The following assumptions were applied in the evaluation of goodwill:

%	2016	Group 2015
Discount rate	14 – 16	14 – 16
Average sales growth rate per year:		
In Botswana	3 – 4	4 – 15
In South Africa	4 – 5	8 – 60
In Zimbabwe	1 – 3	10 – 50
In Kenya	5 – 7	–
Terminal value growth rate	2 – 5	4

### Sensitivity analysis

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. The following key assumptions would need to change by the amounts disclosed below, assuming all other assumptions remained constant, in order for the estimated recoverable amounts of the CGUs to equal their carrying amounts:

- an increase in the discount rate of between 6% and 64% depending on the CGU
- a decrease in the average sales growth rate for adjusted operating cash flows in the five-year forecast period of between 14% and 15%, depending on the CGU
- a decrease in terminal value growth rates in excess of 13%.

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP'000		Group	
		2016	2015
<b>8. INVENTORIES</b>			
Finished goods		<b>692 643</b>	522 167
Goods in transit		<b>10 896</b>	13 486
		<b>703 539</b>	535 653
Due to the fast moving nature of the inventories, no impairment allowance was recognised (2015: BWP nil). The average inventory turnover days for the group is 38 days (2015: 37 days). Inventories of BWP66 240 208 (2015: BWP63 095 140) are encumbered under the Bifm Capital Promissory Note as per note 16.			
<b>9. ADVANCES AND DEPOSITS</b>			
Deposits		<b>14 635</b>	8 162
Prepayments		<b>60 169</b>	55 421
Rent advances		<b>3 129</b>	375
Salary advances		<b>4 554</b>	2 065
Other advances		<b>725</b>	-
		<b>83 212</b>	66 023

In BWP'000		Group		Company	
		2016	2015	2016	2015
<b>10. TRADE AND OTHER RECEIVABLES</b>					
Trade and receivables		<b>54 703</b>	92 457	-	-
Other receivables		<b>136 741</b>	93 691	-	265
		<b>191 444</b>	186 148	-	265

Other receivables includes VAT refundable of BWP12 848 930 (2015: BWP11 841 013) and rebates receivable of BWP98 219 627 (2015: BWP73 573 108).

Trade and other receivables of BWP34 657 119 (2015: BWP70 998 356) are encumbered as per note 16.



In BWP'000		Group		Company	
		2016	2015	2016	2015
<b>11. RELATED-PARTY BALANCES</b>					
The directors confirm that transactions with related entities are carried out on mutually agreed terms, conditions and rates in the normal course of business.					
Balances with related entities for the company and group are disclosed by nature below.					
<b>11.1 Amounts due from related entities</b>					
The following amounts were due from entities which are considered related entities through common ownership and were excluded from being consolidated into the Choppies Enterprises Limited group:					
Amounts due from related entities (refer to note 26)					
		<b>4 901</b>	17 735	<b>489 116</b>	575 499
These balances are trade related, unsecured, interest free and are repayable under normal trading terms. No significant credit risk is associated with amounts due from related entities.					
<b>11.2 Amounts due to related entities</b>					
The following amounts were due to entities which are considered related entities through common ownership and were excluded from being consolidated into the Choppies Enterprises Limited group:					
Amounts due to related entities (refer to note 26)					
		<b>9 551</b>	38 301	<b>13 682</b>	13 678
These balances are trade related, unsecured, interest free and are payable under normal trading terms.					
Refer to note 26 for the details of related party balances and transactions.					

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

## 12. 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> <b>Salaries</b>	<b>Directors' fees</b>	<b>Salaries</b>	<b>Bonuses and allowances</b>	<b>Total</b>
<b>2016</b>				
<b>Independent non-executive directors</b>				
His Excellency Festus Gontebanye Mogae, Former President of the Republic of Botswana	<b>663</b>	-	-	<b>663</b>
Robert Neil Matthews	<b>367</b>	-	-	<b>367</b>
Dorcas Ana Kgosietsile	<b>367</b>	-	-	<b>367</b>
Sydney Alan Muller	<b>367</b>	-	-	<b>367</b>
<b>Executive directors</b>				
Ramachandran Ottapathu	-	<b>10 742</b>	-	<b>10 742</b>
Farouk Essop Ismail	-	<b>4 064</b>	-	<b>4 064</b>
Manikandan Madakkavil – up to 10 December 2015	-	<b>772</b>	-	<b>772</b>
Sanooj Pullarote – from 10 December 2015	-	<b>757</b>	<b>14</b>	<b>765</b>
<b>Total</b>	<b>1 764</b>	<b>16 329</b>	<b>14</b>	<b>18 107</b>
<b>2015</b>				
<b>Independent non-executive directors</b>				
His Excellency Festus Gontebanye Mogae, Former President of the Republic of Botswana	663	-	-	663
Robert Neil Matthews	710	-	-	710
Dorcas Ana Kgosietsile	560	-	-	560
Timothy Gordon Marsland				
Sydney Alan Muller	1 010	-	-	1 010
<b>Executive directors</b>				
Ramachandran Ottapathu	-	10 759	-	10 759
Farouk Essop Ismail	-	5 653	-	5 653
Manikandan Madakkavil	-	150	-	150
<b>Total</b>	<b>2 943</b>	<b>16 562</b>	<b>-</b>	<b>19 505</b>

In BWP'000	Group		Company	
	2016	2015	2016	2015
<b>13. CASH AND CASH EQUIVALENTS</b>				
Cash on hand	17 679	11 241	-	-
Cash at bank	114 778	332 580	559	200
	132 457	343 821	559	200
Bank overdraft	(80 371)	(62 566)	-	-
	52 086	281 255	559	200

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 a value of BWP27 000 000, issued by Choppies Enterprises Limited and its subsidiaries (refer note 4). At the reporting date BWP21 062 076 (2015: BWP22 725 776) of this facility was utilised.
- BWP40 000 000 overdraft facility from Standard Chartered Bank Botswana Limited guaranteed by Choppies Enterprises Limited. At the reporting date BWP38 350 903 (2015: BWP39 840 683) of this facility was utilised.
- USD3 000 000 overdraft facility from Barclays Bank of Zimbabwe Limited guaranteed by Choppies Enterprises Limited. At the reporting date, BWP20 958 491 (USD1 905 144) of this facility was utilised.

The banking facilities have been granted to Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises Limited, and have been allocated within the group as required. The facilities are thus reflected in both the financial statements of the individual subsidiaries and in the consolidated group financial statements.

In BWP'000	Group		Company	
	2016	2015	2016	2015
<b>14. STATED CAPITAL AND PREFERENCE SHARES</b>				
<b>14.1 Stated capital</b>				
1 291 628 341 (2015: 1 291 628 341 issued ordinary shares at no par value)	875 476	875 476	875 476	875 476

The movement in stated capital can be analysed as follows:

In BWP'000	Group 2016		Group 2015	
	Shares	Value	Shares	Value
Balance at beginning of year	1 291 628 341	875 476	1 174 207 583	421 474
Issue of ordinary shares	-	-	117 420 758	454 002
Balance at end of year	1 291 628 341	875 476	1 291 628 341	875 476

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

In the previous year, the JSE 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 on the JSE, effective 27 May 2015. At the listing date, the group's stated capital comprised 1 291 628 341 ordinary shares. The subscription for shares by way of private placement represented 10% of the group's issued ordinary shares.

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

## 14. STATED CAPITAL AND PREFERENCE SHARES (continued)

### 14.2 Preference shares

In BWP'000	Group		Company	
	2016	2015	2016	2015
730 000 (2015: 720 000) preferences shares at no par value	87	86	-	-

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.

The movement in preference shares can be analysed as follows:

In BWP'000	Group 2016		Group 2015	
	Shares	Value	Shares	Value
Balance at beginning of year	720 000	86	635 00	85
Issued during the year	10 000	1	85 000	1
Balance at end of year	730 000	87	720 000	86

### 14.3 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 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.

## 15. 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	
	2016	2015
<b>16. LONG-TERM BORROWINGS</b>		
<b>Finance leases</b>		
Bank of Baroda (Botswana) Limited	-	5
Scania Finance Southern Africa	22 761	39 864
Wesbank Botswana Limited	70 255	52 565
<b>Term loans</b>		
Barclays Bank of Botswana Limited	267 042	160 342
Botswana Investment Fund Management Capital (BIFM Capital)	85 000	100 000
Rand Merchant Bank Limited	73 298	-
	518 356	352 776
Less: Current portion transferred to current liabilities	(105 459)	(79 185)
	412 897	273 591

## 16. LONG-TERM BORROWINGS (continued)

The terms and conditions of outstanding borrowings 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 BWP nil (2014: BWP75 601). These liabilities bear interest at the Botswana prime lending rate less 1% per annum and are repayable in 36 monthly instalments. These finance lease liabilities were settled in full during the current financial year.

### **Scania Finance South Africa**

#### ***Finance lease liabilities***

These lease liabilities are secured over motor vehicles with a net book value of BWP59 526 080 (2015: BWP68 419 840) and plant and equipment with a net book value of BWP8 128 856 (2015: BWP18 886 748). These liabilities bear interest at the South African prime lending rate less 2% per annum and are repayable in 48 monthly instalments.

### **Wesbank Botswana Limited**

#### ***Finance lease liabilities***

These lease liabilities are secured over an aircraft with a net book value of BWP122 588 722 (2015: BWP72 044 172). These liabilities bear interest at the Botswana prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

### **Barclays Bank of Botswana Limited**

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 basic points above the bench mark rate (benchmark rate being three-month USD LIBOR rate).
- Quarterly repayments of USD1 121 218 over five years commencing 1 April 2014.
- Secured by an unlimited guarantee provided by Choppies Enterprises Limited.

A facility of BWP131 000 000 for expansion of retail stores with the following conditions:

- Interest – Prime lending rate for Botswana being 7.5% as at 30 June 2016.
- Monthly repayment of BWP2 964 617 (including interest) over a period of five years.
- Secured by an unlimited guarantee provided by Choppies Enterprises Limited and its subsidiaries.

#### ***Loan covenant***

The loan facility contained a covenant stating that the company (Nanavac Investments (Private) Limited) should hold a minimum net tangible assets of USD85 000 000 during the period of the loan facility until final settlement. However, the company's net tangible assets at the previous reporting date 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 prior year financial statements were approved by the board of directors. This covenant clause was removed by Barclays Bank of Botswana Limited during the current year.

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

## 16. LONG-TERM BORROWINGS (continued)

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

#### Promissory notes

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

#### Promissory note A

The Note carried interest at a fixed rate of 12% per annum commencing at 12 December 2007 and was redeemable on 31 December 2015 for BWP15 million. This note was repaid during the current financial year.

#### 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.

A term loan facility for BWP65 million with the following conditions:

- Interest rate of 9.10% per annum payable bi-annually; and
- Repayment of BWP20 million on 31 December 2020 and 30 December 2021 and BWP25 million on 31 December 2022.

#### Securities

- Principal shareholders' guarantees and pledge;
- Issuer deed of subordination, deed of cession and pledge;
- Choppies Distribution Centre (Proprietary) Limited guarantee, deed of hypothecation and deed of subordination;
- Insurance cover in respect of furniture and fittings; and
- Deed of hypothecation over trade and other receivables and inventory of Choppies Distribution Centre (Proprietary) Limited.

### Rand Merchant Bank ("RMB")

A facility of R250 000 000 for expansion of retail stores with the following conditions:

- Interest – JIBAR +3.4% per annum;
- Quarterly repayment of R12.5 million commencing on 30 September 2018;
- Secured by:
  - A cession and pledge in security entered or to be entered between Choppies Enterprises Limited and its subsidiaries;
  - A general notary bond by Choppies Supermarket SA Proprietary Limited over all of its movable assets for R300 million;
  - A general notary bond by Motopi Holdings SA Proprietary Limited over all of its movable assets for R300 million; and
  - A general notary bond by Choppies Warehousing Services Proprietary Limited over all of its movable assets for R 300 million.

#### Finance lease commitments

In BWP'000	Group	
	2016	2015
At the reporting date, finance lease payables are as follows:		
Cash flows within one year	40 853	89 756
Capital repayments	35 896	79 179
Interest	4 957	10 577
Cash flows within two to five years	62 013	183 321
Capital repayments	57 120	173 591
Interest	4 893	9 730
Total	102 866	273 077
Capital repayments	93 016	252 770
Interest	9 850	20 307



## 17. 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.

<i>In BWP'000</i>	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
Balance at beginning of year	<b>43 643</b>	38 422
Charge for the year	<b>16 183</b>	5 221
Balance at end of year	<b>59 826</b>	43 643
The deferred operating lease liabilities reverse as follows:		
Within 1 year	<b>4 651</b>	4 805
2 – 5 years	<b>32 084</b>	28 121
6 – 10 years	<b>23 091</b>	10 717
	<b>59 826</b>	43 643
Current portion of deferred lease liabilities	<b>4 651</b>	4 805
Non-current portion of deferred lease liabilities	<b>55 175</b>	38 838
	<b>59 826</b>	43 643
The following future non-cancellable minimum lease rentals for premises occupied by the group are payable at the reporting date:		
Within 1 year	<b>191 676</b>	68 302
2 – 5 years	<b>582 701</b>	204 742
6 – 10 years	<b>259 286</b>	111 855
	<b>1 033 663</b>	384 899

<i>In BWP'000</i>	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>18. TRADE AND OTHER PAYABLES</b>				
Trade payables	<b>654 258</b>	396 040	-	-
Amounts owing to vendors for acquisitions	-	27 291	-	-
Withholding tax payable	<b>2 302</b>	1 664	-	-
Other payables	<b>37 851</b>	28 135	<b>164</b>	227
	<b>694 411</b>	453 130	<b>164</b>	227

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 19.

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.

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

## 19. FINANCIAL INSTRUMENTS OVERVIEW

### 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 through the audit committee 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 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 results 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	2016	Group	2015
<b>Interest cost</b>			
<b>Botswana</b>			
Wesbank Botswana Limited	Prime less 2%		Prime less 2%
Bank of Baroda (Botswana) Limited	-		Prime less 1%
Barclays Bank of Botswana Limited (Overdraft)	Prime less 2.5%		Prime less 2.5%
Standard Chartered Bank Botswana Limited (Overdraft)	Prime less 1%		Prime less 1%
Botswana Investment Fund Management Capital (BIFM Capital)	9.1 – 12%		9.1 – 12%
<b>South Africa</b>			
Rand Merchant Bank	3.4% above JIBAR		-
Scania Finance Southern Africa	Prime less 2%		Prime less 2%
Barclays Bank of Botswana Limited	Prime lending rate		-
<b>Zimbabwe</b>			
Barclays Bank of Botswana Limited	3.5% above 3-month LIBOR		3.5% above 3-month LIBOR
Barclays Bank of Zimbabwe Limited (Overdraft)	3.5% above 3-month LIBOR		3.5% above 3-month LIBOR
<b>Interest income</b>			
<b>Botswana</b>			
Call account denominated in Pula	4.00% to 6.00%		4.00% to 6.00%
Call account denominated in foreign currencies	1.00% to 2.00%		1.00% to 2.00%
Fixed deposits with banks	5.50% to 7.00%		5.50% to 7.00%
<b>South Africa</b>			
Call account denominated in Rand	5.00% to 7.00%		5.00% to 7.00%

## 19. FINANCIAL INSTRUMENTS OVERVIEW (continued)

### Interest rate risk (continued)

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

<i>In BWP'000</i>	Group	
	2016	2015
Long-term borrowings	(518 356)	(352 776)
Bank overdrafts	(80 371)	(62 566)
Call accounts denominated In BWP	5 013	3 463
Call accounts denominated in foreign currencies	35 161	267 412
Fixed deposits with banks	8 341	7 152

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 as shown below:

<i>In BWP'000</i>	Impact on profit before tax Group		Impact on equity Group	
	2016	2015	2016	2015
Long-term borrowings	(2 592)	(1 764)	(2 134)	(1 430)
Bank overdraft	(402)	(313)	(331)	(254)
Call accounts denominated in Pula	25	17	21	14
Call accounts denominated in foreign currencies	176	1 337	145	1 084
Fixed deposits with banks	42	36	35	29
<b>Net decrease in profit before taxation</b>	<b>(2 751)</b>	<b>(687)</b>	<b>(2 264)</b>	<b>(557)</b>

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 shown 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 is analysed as follows:

		Foreign currency amount	BWP equivalent
<b>Group 2016</b>			
South African Rand denominated assets – balances with banks	ZAR	49 941	36 606
United States Dollar denominated assets – balances with banks	USD	538	5 916
British Pound Sterling denominated assets – balances with banks	GBP	151	2 211
South African Rand denominated liabilities	ZAR	(181 977)	(133 385)
United States Dollar denominated liabilities	USD	(8 578)	(94 367)
<b>Net statement of financial position exposure</b>			<b>(183 019)</b>
<b>Group 2015</b>			
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)
<b>Net statement of financial position exposure</b>			<b>78 653</b>

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP'000		2016	2015
<b>19. FINANCIAL INSTRUMENTS OVERVIEW (continued)</b>			
<b>Foreign currency risk (continued)</b>			
Year-end translation rates:			
South African Rand		<b>1.3643</b>	1.2365
United States Dollar		<b>0.0909</b>	0.1009
British Pound Sterling		<b>0.0683</b>	0.0642
Average transaction rates:			
South African Rand		<b>1.3478</b>	1.2121
United States Dollar		<b>0.0920</b>	0.1060
British Pound Sterling		<b>0.0668</b>	0.0673

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 by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

In BWP'000	Impact of profit before tax	Impact on equity
<b>Group 2016</b>		
South African Rand denominated assets – balances with banks	<b>3 328</b>	<b>2 740</b>
United States Dollar denominated assets – balances with banks	<b>538</b>	<b>443</b>
British Pound Sterling denominated assets – balances with banks	<b>201</b>	<b>166</b>
South African Rand denominated liabilities	<b>(12 126)</b>	<b>(9 985)</b>
United States Dollar denominated liabilities	<b>(8 579)</b>	<b>(7 064)</b>
<b>Net decrease in profit before taxation</b>	<b>(16 638)</b>	<b>(13 700)</b>
<b>Group 2015</b>		
South African Rand denominated assets – balances with banks	27 672	22 439
United States Dollar denominated assets – balances with banks	1 148	931
British Pound Sterling denominated assets – balances with banks	214	174
South African Rand denominated liabilities	(13 041)	(10 575)
United States Dollar denominated liabilities	(8 842)	(7 170)
<b>Net increase in profit before taxation</b>	<b>7 151</b>	<b>5 799</b>

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

## 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.

## 19. FINANCIAL INSTRUMENTS OVERVIEW (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	
	2016	2015	2016	2015
Trade receivables	54 703	92 457	-	-
Other receivables	136 741	93 691	-	265
Advances and deposits	23 043	10 602	-	-
Amounts due from related entities	4 901	17 735	489 116	575 499
Bank balances	114 778	332 580	559	200
	<b>334 166</b>	<b>547 065</b>	<b>489 675</b>	<b>575 964</b>

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

In BWP'000	Gross 2016	Gross 2015
Not past due	18 991	16 845
Past due 1 – 30 days	3 056	6 326
Past due 31 – 120 days	32 656	69 286
	<b>54 703</b>	<b>92 457</b>

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 with no history of default. 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 amounts 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	
	2016	2015	2016	2015
Long-term borrowings	518 356	352 776	-	-
Amounts due to related entities	9 551	38 301	13 682	13 678
Bank overdrafts	80 371	62 566	-	-
Trade payables	654 258	396 040	-	-
Amount owing to vendors for acquisitions	-	27 291	-	-
Other payables	37 851	28 135	164	227
	<b>1 300 387</b>	<b>905 109</b>	<b>13 846</b>	<b>13 905</b>

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

## 19. FINANCIAL INSTRUMENTS OVERVIEW (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
<b>Group 2016</b>					
Long-term borrowings	518 356	(589 993)	(172 357)	(391 643)	(25 993)
Amounts due to related entities	9 551	(9 551)	(9 551)	-	-
Bank overdrafts	80 371	(80 371)	(80 371)	-	-
Trade payables	654 442	(654 442)	(654 442)	-	-
Other payables	37 851	(37 851)	(37 851)	-	-
	<b>(1 300 571)</b>	<b>(1 372 208)</b>	<b>(954 572)</b>	<b>(391 643)</b>	<b>(25 993)</b>
<b>Group 2015</b>					
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 overdrafts	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)	-	-
	<b>905 109</b>	<b>(979 049)</b>	<b>(651 252)</b>	<b>(247 722)</b>	<b>(80 075)</b>
<b>Company 2016</b>					
Amounts due to related entities	13 682	(13 682)	(13 682)	-	-
Other payables	164	(164)	(164)	-	-
	<b>13 846</b>	<b>(13 846)</b>	<b>(13 846)</b>	<b>-</b>	<b>-</b>
<b>Company 2015</b>					
Amounts due to related entities	13 678	(13 678)	(13 678)	-	-
Other payables	227	(227)	(227)	-	-
	<b>13 905</b>	<b>(13 905)</b>	<b>13 905)</b>	<b>-</b>	<b>-</b>

### Guarantees

The group's policy is to provide financial guarantees for subsidiaries' liabilities. At the reporting date the group and company had issued guarantees to certain financial institutions and suppliers per note 21.

## 20. FAIR VALUE MEASUREMENTS

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
<b>Group 2016</b>								
<b>Assets</b>								
<b>Financial assets measured at fair value</b>								
Investments in shares	3	-	-	3	3	-	-	3
<b>Financial assets not measured at fair value*</b>								
Advances and deposits	-	23 043	-	23 043	-	-	-	-
Trade and other receivables	-	191 444	-	191 444	-	-	-	-
Amounts due from related entities	-	4 901	-	4 901	-	-	-	-
Cash and cash equivalents	-	132 457	-	132 457	-	-	-	-
<b>Total</b>	<b>3</b>	<b>351 845</b>	<b>-</b>	<b>351 848</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>Liabilities</b>								
<b>Financial liabilities not measured at fair value*</b>								
Long-term borrowings	-	-	518 356	518 356	-	-	-	-
Trade and other payables	-	-	692 109	692 109	-	-	-	-
Amounts due to related entities	-	-	9 551	9 551	-	-	-	-
Bank overdraft	-	-	80 371	80 371	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1 300 387</b>	<b>1 300 387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* 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 2016

## 20. FAIR VALUE MEASUREMENTS (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
<b>Group 2015</b>								
<b>Assets</b>								
<b>Financial assets measured at fair value</b>								
Investments in shares	3	-	-	3	3	-	-	-
<b>Financial assets not measured at fair value*</b>								
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	-	-	-	-
<b>Total</b>	3	558 306	-	558 309	3	-	-	-
<b>Liabilities</b>								
<b>Financial liabilities not measured at fair value*</b>								
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	-	-	-	-
<b>Total</b>	-	-	905 109	905 109	-	-	-	-

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

## 20. FAIR VALUE MEASUREMENTS (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
<b>Company 2016</b>								
<b>Assets</b>								
<b>Financial assets not measured at fair value*</b>								
Amounts due from related entities	-	489 116	-	489 116	-	-	-	-
Cash and cash equivalents	-	559	-	559	-	-	-	-
<b>Total</b>	-	489 675	-	489 675	-	-	-	-
<b>Liabilities</b>								
<b>Financial liabilities not measured at fair value*</b>								
Other payables	-	-	164	164	-	-	-	-
Amounts due to related entities	-	-	13 682	13 682	-	-	-	-
<b>Total</b>	-	-	13 846	13 846	-	-	-	-
<b>Company 2015</b>								
<b>Assets</b>								
<b>Financial assets not measured at fair value*</b>								
Trade and other receivables	-	265	-	265	-	-	-	-
Amounts due from related entities	-	575 499	-	575 499	-	-	-	-
Cash and cash equivalents	-	200	-	200	-	-	-	-
<b>Total</b>	-	575 964	-	575 964	-	-	-	-
<b>Liabilities</b>								
<b>Financial liabilities not measured at fair value*</b>								
Other payables	-	-	227	227	-	-	-	-
Amounts due to related entities	-	-	13 678	13 678	-	-	-	-
<b>Total</b>	-	-	13 905	13 905	-	-	-	-

\* 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 2016

## 21. CONTINGENT LIABILITIES

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

### Guarantees

Choppies Enterprises Limited, together with its subsidiaries, has issued the following guarantees in respect of banking facilities granted to group companies:

- guarantee of BWP27 000 000 in favour of Barclays Bank of Botswana Limited;
- a deed of hypothecation to the extent of BWP27 000 000 in favour of Barclays Bank of Botswana Limited;
- an unlimited guarantee in favour of Barclays Bank of Zimbabwe Limited; and
- a guarantee of BWP40 000 000 in favour of Standard Chartered Bank Botswana Limited.

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

Beneficiaries	Expiry date	2016 USD '000	2015 USD '000	2016 BWP '000	2015 BWP '000
Delta Corporation Limited	Not applicable	800	800	8 801	7 929
National Foods Operations Limited	Not applicable	700	700	7 701	6 938
Dairiboard Zimbabwe Private Limited	Not applicable	1 000	-	11 001	-
		<b>2 500</b>	1 500	<b>27 503</b>	14 867

Beneficiaries	Expiry date	2016 Rand '000	2015 Rand '000	2016 BWP '000	2015 BWP '000
Amka Products Proprietary Limited	Not applicable	3 000	-	2 199	-
Glocell Proprietary Limited	Not applicable	1 000	-	733	-
Unilever South Africa Proprietary Limited	Not applicable	15 000	-	10 995	-
		<b>19 000</b>	-	<b>13 927</b>	-

Beneficiaries	Expiry date	2016 KES '000	2015 KES '000	2016 BWP '000	2015 BWP '000
Kapa Oil Refineries Limited	Not applicable	20 000	-	2 144	-
		-	-	2 144	-
		<b>20 000</b>	-	<b>43 574</b>	14 867

Choppies Supermarkets SA Proprietary Limited has the following guarantees with Standard Bank of South Africa:

Beneficiaries	Expiry date	2016 Rand '000	2015 Rand '000	2016 BWP '000	2015 BWP '000
South African Revenue Service	1/1/2030	50	50	37	40
Parmalat SA Proprietary Limited	1/1/2030	300	300	220	243
Unilever South Africa Proprietary Limited	1/1/2030	500	500	366	404
Coca Cola Fortune Proprietary Limited	1/1/2030	750	600	550	485
Tshwane Fresh Produce Market Proprietary	1/1/2030	500	500	366	404
Blinkwater Mills Proprietary Limited	1/1/2030	250	250	183	202
		<b>2 350</b>	2 200	<b>1 722</b>	1 778

## 22. SUBSIDIARIES

Choppies Enterprises Limited held the following interests in the stated capital of subsidiaries consolidated into these financial statements. The company has 89 subsidiaries, 86 of which are considered to be material to the group.

→ 83 subsidiaries are wholly owned.

→ In four subsidiaries, majority shares are held.

→ In the Zimbabwean subsidiary, Nanavac Investments (Private) Limited, the group holds less than the majority shares but has a 93% economic interest as disclosed on page 76.

→ Non-controlling interests have a material interest in one subsidiary (refer below).

In BWP	2016		2015	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
<b>Name</b>				
Abbas Enterprises (Proprietary) Limited	100	3 000	100	3 000
Accrete Investments (Proprietary) Limited	100	100	100	100
Amphora (Proprietary) Limited	100	100	100	100
Askrite (Proprietary) Limited	100	100	100	100
Atladis (Proprietary) Limited	100	100	100	100
Beavers Investments (Proprietary) Limited	100	4 779 146	100	4 779 146
Bell Garden (Proprietary) Limited	100	100	100	100
Bestlite Investments (Proprietary) Limited	100	100	100	100
Bowerbird (Proprietary) Limited	100	2 364 913	100	2 364 913
Catbird (Proprietary) Limited	100	100	100	100
Chathley Enterprises (Proprietary) Limited	100	5 035 746	100	5 035 746
Choppies Distribution Centre (Proprietary) Limited	100	100	100	100
Choppies Logistics Services Proprietary Limited	100	733	-	-
Choppies Supermarkets Namibia (Proprietary) Limited	100	2 932	-	-
Choppies Supermarkets Tanzania Limited	75	368	-	-
Choppies Enterprises Kenya Limited	75	85 999 524	-	-
Choppies Distribution Centre Kenya Limited	75	10 716	-	-
Choppies Supermarkets Limited (Zambia)	90	5 490	-	-
Choppies Supermarkets SA Proprietary Limited	100	266 686 757	100	266 686 757
Choppies Warehousing Services Proprietary Limited	100	900	100	900
Crystal Shine (Proprietary) Limited	100	100	100	100
Daisy Gardens (Proprietary) Limited	100	290 273	100	290 273
Deluxe (Proprietary) Limited	100	5 778 525	100	5 778 525
Dhalia (Proprietary) Limited	100	1 000	-	-
Dostana Investments (Proprietary) Limited	100	1 000	100	1 000
Dragon Gold (Proprietary) Limited	100	100	100	100
Enchanted Oaks (Proprietary) Limited	100	100	100	100
Flowting Ideas (Proprietary) Limited	100	100	100	100
F & A Enterprises (Proprietary) Limited	100	734 973	100	734 973
Freshtake Holdings (Proprietary) Limited	100	4 033 916	100	4 033 916
Ganga (Proprietary) Limited	100	1 000	100	1 000
Genuine Passions (Proprietary) Limited	100	688 755	100	688 755
Gliftwood (Proprietary) Limited	100	100	-	-
Gobrand Holdings (Proprietary) Limited	100	100	100	100
Golden Irish (Proprietary) Limited	100	100	100	100
Godavari (Proprietary) Limited	100	100	100	100
Gritnit (Proprietary) Limited	100	100	100	100
<b>Balance carried forward</b>		<b>376 421 367</b>		<b>290 400 504</b>

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP	2016		2015	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
<b>22. SUBSIDIARIES (continued)</b>				
<b>Name</b>				
<b>Balance brought forward</b>		<b>376 421 367</b>		290 400 504
Heaven Hill (Proprietary) Limited	100	100	100	100
Heritic Holdings (Proprietary) Limited	100	100	–	–
Hoovernit (Proprietary) Limited	100	100	100	100
Highland Haven (Proprietary) Limited	100	100	100	100
Himalayas (Proprietary) Limited	100	100	100	100
Jarapino Ventures (Proprietary) Limited	100	100	100	100
Jobfine Holdings (Proprietary) Limited	100	100	100	100
Kaar Distributors & Marketing Services (Proprietary) Limited	100	2 170 082	100	2 170 082
Kanye Friendly Grocer (Proprietary) Limited	100	439 264	100	439 264
Karling Investments (Proprietary) Limited	100	100	–	–
Leaf Motifs (Proprietary) Limited	100	100	100	100
Lisboa Trading (Proprietary) Limited	100	3 017 120	100	3 017 120
Macha Investments (Proprietary) Limited	100	2 489 757	100	2 489 757
Mafila Holdings (Proprietary) Limited	100	150 000	100	150 000
Maypearl (Proprietary) Limited	100	100	–	–
Million Touch (Proprietary) Limited	100	100	100	100
Motopi Holdings (Proprietary) Limited	100	3 365 538	100	3 365 538
Motopi Holdings SA (Proprietary) Limited	100	100	100	100
Naivasha (Proprietary) Limited	100	100	100	100
Nanavac Investments (Private) Limited**	49	855	49	855
Ndongolela Investments (Proprietary) Limited	100	100	100	100
New Page (Proprietary) Limited	100	100	100	100
Ollur Investments (Proprietary) Limited	100	2 005 193	100	2 005 193
Ourluck Investment (Proprietary) Limited	100	425 020	100	425 020
Path for Glory (Proprietary) Limited	100	100	100	100
Pucko Investments (Proprietary) Limited	100	2 849 148	100	2 849 148
Pearland (Proprietary) Limited	100	100	100	100
Right Time Holdings (Proprietary) Limited	100	100	100	100
Rigil (Proprietary) Limited	100	100	100	100
S & F Enterprises (Proprietary) Limited	100	100	100	100
Sarfrosh Holdings (Proprietary) Limited	100	16 331 720	100	16 331 720
Shopper's Paradise (Proprietary) Limited	100	1 300 000	100	1 300 000
Smart Buy Holdings (Proprietary) Limited	100	100	100	100
Smoothsail Holdings (Proprietary) Limited	100	100	100	100
Spin and Shine (Proprietary) Limited	100	100	100	100
Summer Queen (Proprietary) Limited	100	100	100	100
Sunrise Holdings (Proprietary) Limited	100	239 247	100	239 247
Supasave (Proprietary) Limited & Megasave (Proprietary) Limited	100	14 332 511	100	14 332 511
Taffeta Roses (Proprietary) Limited	100	100	100	100
Tampatrail Investments (Proprietary) Limited	100	100	100	100
Tanglewood (Proprietary) Limited	100	100	100	100
<b>Balance carried forward</b>		<b>425 539 522</b>		339 518 359

In BWP	2016		2015	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
<b>22. SUBSIDIARIES (continued)</b>				
<b>Name</b>				
<b>Balance brought forward</b>		<b>425 539 522</b>		339 518 359
To Domore Holdings (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
Topshape Holdings (Proprietary) Limited	<b>100</b>	<b>1 000</b>	100	1 000
Torinby Investments (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
Roadtight (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
Velocity (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
Walrus (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
Wayside Supermarket (Proprietary) Limited	<b>100</b>	<b>805 936</b>	100	805 936
White Baite (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
Wolf Lake (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
Well Done (Proprietary) Limited	<b>100</b>	<b>100</b>	100	100
		<b>426 347 258</b>		340 326 095
<b>Total in thousands</b>		<b>426 347</b>		340 326

**Non-controlling shareholders interests**

Particulars	Group		
	Nanavac Investments Private Limited	Choppies Supermarkets Limited (Zambia)	Choppies Enterprises Kenya Limited and Choppies Distribution Centre Kenya Limited
Percentage of non-controlling shareholder	51%	10%	25%
Total assets	531 327	82 894	112 724
Total liabilities	270 262	29 257	41 080
Net assets	261 065	53 637	71 644
Carrying amount of non-controlling shareholder	2 309	(110)	(3 592)
Revenue	1 201 593	40 844	46 472
Loss and total comprehensive income for the year	(12 384)	(4 694)	(13 140)
Loss for the year allocated to non-controlling shareholder	(868)	(469)	(3 285)
Other comprehensive income at holding company level allocated to non-controlling shareholder	1 141	360	(307)
Cash flows from operating activities	798	60 299	(22 601)
Cash flows from investing activities	(569)	(57 651)	32 111
Cash flows from financing activities	(208)	5	-
Net (decrease)/increase in cash and cash equivalents	21	2 653	9 510

No dividends were paid to non-controlling interests in the current or previous year.

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP'000

2015

## 22. SUBSIDIARIES (continued)

### Non-controlling shareholders interests (continued)

#### Nanavac Investments (Private) Limited

Percentage of non-controlling shareholder	51%
Total assets	(P'000) 398 603
Total liabilities	265 601
Net assets	133 002
Carrying amount of non-controlling shareholder	2 035
Revenue	864 521
Profit and total comprehensive income for the year	8 267
Profit for the year allocated to non-controlling shareholder	579
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
	(5 114)
Cash flows from operating activities	24 267
Cash flows from investing activities	(58 965)
Cash flows from financing activities	18 466
Net (decrease)/increase in cash and cash equivalents	(16 232)

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 seems 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.

### Acquisition of subsidiaries

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

100% shares and voting rights in the following subsidiaries:

- Choppies Logistics Services Proprietary Limited
- Heritic Holdings (Proprietary) Limited
- Karling Investments (Proprietary) Limited
- Dhalia (Proprietary) Limited
- Gliftwood (Proprietary) Limited
- Maypearl (Proprietary) Limited
- Choppies Supermarkets Namibia (Proprietary) Limited

Majority of shares and voting rights in the following subsidiaries:

- Choppies Supermarkets Tanzania Limited
- Choppies Enterprises Kenya Limited
- Choppies Distribution Centre Kenya Limited
- Choppies Supermarkets Limited (Zambia)

At the reporting date, no operations had commenced in Namibia or Tanzania.



## 22. SUBSIDIARIES (continued)

### Acquisition of subsidiaries (continued)

On 1 March 2016, the group acquired 21 stores, a factory and a warehouse from the Jwayelani supermarket chain in KwaZulu-Natal and Eastern Cape, South Africa, hereafter referred to as "Jwayelani" through its subsidiary, Choppies Supermarket SA Proprietary Limited.

On 15 February 2016, the group acquired seven stores in Kenya which were trading under the name "Ukwala", hereafter referred to as "Ukwala", through its subsidiary, Choppies Enterprises Kenya Limited, in which the group owns 75% shares and voting rights.

The acquisitions expand the group's presence in areas previously underserved by Choppies and are expected to increase revenue and earnings in future. As a socially responsible corporate group, the group retained all staff working in the acquired companies and also employed additional staff to enhance the management team.

The group incurred acquisition-related costs of BWP1 573 818 relating to legal fees and due diligence costs in respect of the acquisitions. These costs were recognised in profit or loss in the current year.

The following table summarises the amounts recognised in respect of assets acquired and liabilities assumed at the dates of acquisition:

In BWP'000	Jwayelani	Ukwala
Property, plant and equipment	135 074	21 381
Employee-related liabilities	(2 723)	-
<b>Total identifiable net assets acquired</b>	<b>132 351</b>	<b>21 381</b>
Goodwill arising from the acquisitions was recognised as follows:		
Consideration transferred (cash)	138 533	35 632
Identifiable net assets acquired	132 351	21 381
<b>Goodwill</b>	<b>6 182</b>	<b>14 251</b>

The valuation technique applied to measure the fair value of property, plant and equipment in respect of the Ukwala acquisition was depreciation replacement cost method. The valuations were performed by an independent valuer and in accordance with The Royal Institution of Chartered Surveyors (RICS).

The fair value of property, plant and equipment in respect of the Jwayelani acquisition was determined on a provisional basis, pending completion of an independent valuation. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments in respect of these assets, the accounting for the acquisition will be revised.

The goodwill in respect of both acquisitions is mainly attributable to skills and talent of the workforce and the synergies expected to be achieved from cross-selling Choppies expertise and Jwayelani or Ukwala expertise.

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
<b>23. EARNINGS AND DIVIDENDS PER SHARE</b>		
<b>23.1 Basic and diluted earnings per share</b>		
Basic earnings per share (Thebe)	<b>8.48</b>	15.70
Diluted earnings per share (Thebe)	<b>8.48</b>	17.11

	<b>Group</b>	
	<b>2016 '000</b>	<b>2015 '000</b>
The calculation of basic and diluted earnings per share is based on:		
Profit for the year attributable to owners of the company (BWP)	<b>109 527</b>	202 826
The weighted average number of shares in issue during the year	<b>1 291 629</b>	1 291 629
The weighted average number of ordinary shares in issue during the year	<b>1 291 629</b>	1 185 468
<i>Weighted average number of shares:</i>		
Issued ordinary share at 1 July	<b>1 291 629</b>	1 174 208
Weighted average number of shares newly issued	<b>-</b>	11 261
Weighted average number of ordinary shares at 30 June	<b>1 291 629</b>	1 185 469
There are no diluted instruments in issue.		
<b>23.2 Headline earnings and diluted headline earnings per share (thebe)</b>		
Basic headline earnings per share (Thebe)	<b>7.25</b>	15.53
Diluted headline earnings per share (Thebe)	<b>7.25</b>	16.92
The calculation of headline earnings and diluted headline earnings per share is based on		
The weighted average number of ordinary shares in issue during the year	<b>1 291 629</b>	1 185 468
The number of shares in issue at the end of the year	<b>1 291 629</b>	1 291 629
Profit for the year attributable to owners of the company (BWP)	<b>109 527</b>	202 826
<i>Remeasurements:</i>		
Profit on disposal of plant and equipment (BWP)	<b>(20 386)</b>	(2 945)
Tax effect on remeasurement (BWP)	<b>4 496</b>	660
<b>Headline earnings</b>	<b>93 637</b>	200 541

	<b>Group</b>	
	<b>2016 '000</b>	<b>2015 '000</b>
<b>23.3 Dividend per share</b>	<b>4.88</b>	4.51
Dividend declared and paid	<b>(62 990)</b>	52 958
Ordinary shares eligible for dividend	<b>1 291 629</b>	1 174 208

## 24. 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 five operating segments (2015: three), as described below, which are the group's strategic divisions. Operating segments are disclosed by geographical regions.

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

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

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

Zimbabwe – Retail of fast moving consumer goods in Zimbabwe. The business is supported by and includes two distribution centres.

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

Kenya – Retail of fast moving consumer goods in Zambia. The business is supported by and includes a warehousing company.

<i>In BWP'000</i>	Botswana	South Africa	Zimbabwe	Zambia	Kenya	Total per annual financial statements
<b>2016</b>						
<b>Statement of profit or loss and other comprehensive income</b>						
Revenue:						
Trading income	4 545 097	1 534 999	1 201 593	40 844	46 472	7 369 005
Other income	45 926	4 540	1 762	24	13	52 265
<b>Total segment revenue</b>	<b>4 591 023</b>	<b>1 539 539</b>	<b>1 203 355</b>	<b>40 868</b>	<b>46 485</b>	<b>7 421 270</b>
<b>Reportable segment gross profit</b>	<b>925 692</b>	<b>316 153</b>	<b>188 709</b>	<b>6 133</b>	<b>8 104</b>	<b>1 444 791</b>
<b>Reportable segment EBITDA</b>	<b>353 134</b>	<b>(43 105)</b>	<b>7 679</b>	<b>(5 873)</b>	<b>(15 118)</b>	<b>296 717</b>
<b>Reportable segment depreciation</b>	<b>77 517</b>	<b>49 911</b>	<b>17 433</b>	<b>1 409</b>	<b>1 834</b>	<b>148 104</b>
<b>Reportable segment net interest cost</b>	<b>13 825</b>	<b>614</b>	<b>6 472</b>	<b>–</b>	<b>303</b>	<b>21 214</b>
<b>Reportable segment profit/(loss) before taxation</b>	<b>261 792</b>	<b>(93 630)</b>	<b>(16 225)</b>	<b>(7 282)</b>	<b>(17 255)</b>	<b>127 400</b>
<b>Reportable segment profit/(loss) after taxation</b>	<b>203 202</b>	<b>(68 079)</b>	<b>(12 384)</b>	<b>(4 694)</b>	<b>(13 140)</b>	<b>104 905</b>
<b>Statement of financial position</b>						
Reportable segment assets	1 384 114	745 168	531 327	82 894	112 724	2 856 227
Reportable segment liabilities	750 785	291 250	270 262	29 257	41 080	1 382 634

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP'000				Total per annual financial statements
Botswana	South Africa	Zimbabwe		
<b>24. SEGMENTAL REPORT (continued)</b>				
2015				
<b>Statement of profit or loss and other comprehensive income</b>				
Revenue:				
Trading income	3 806 193	1 275 589	863 452	5 945 234
Other income	5 220	2 322	1 069	8 611
<b>Total segment revenue</b>	<b>3 811 413</b>	<b>1 277 911</b>	<b>864 521</b>	<b>5 953 845</b>
<b>Reportable segment gross profit</b>	<b>851 713</b>	<b>284 248</b>	<b>155 860</b>	<b>1 291 821</b>
<b>Reportable segment EBITDA</b>	<b>330 649</b>	<b>23 052</b>	<b>30 349</b>	<b>384 050</b>
<b>Reportable segment depreciation</b>	<b>59 633</b>	<b>45 343</b>	<b>11 506</b>	<b>116 482</b>
<b>Reportable segment net interest cost</b>	<b>17 255</b>	<b>1 421</b>	<b>5 666</b>	<b>24 342</b>
<b>Reportable segment profit/(loss) before taxation</b>	<b>253 761</b>	<b>(23 712)</b>	<b>13 177</b>	<b>243 226</b>
<b>Reportable segment profit/(loss) after taxation</b>	<b>200 979</b>	<b>(12 008)</b>	<b>8 267</b>	<b>197 238</b>
<b>Statement of financial position</b>				
Reportable segment assets	1 510 338	509 705	398 603	2 418 646
Reportable segment liabilities	556 803	144 754	265 601	967 158

## 25. FINANCIAL SUPPORT

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

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

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

In BWP'000	2016	2015
<b>Subsidiary</b>		
Amphora (Proprietary) Limited	<b>3 839</b>	607
Bell Garden (Proprietary) Limited	<b>1 506</b>	1 006
Crystal Shine (Proprietary) Limited	<b>993</b>	902
Choppies Supermarket SA Proprietary Limited – ZAR	<b>139 470</b>	60 529
Choppies Logistics Services Proprietary Limited – ZAR	<b>211</b>	–
Choppies Warehousing Services Proprietary Limited – ZAR	<b>7 802</b>	–
Choppies Supermarkets Limited (Zambian Kwacha)	<b>999</b>	–
Choppies Enterprises Kenya Limited (Kenyan Shilling)	<b>6 644</b>	–
Enchanted Oaks (Proprietary) Limited	<b>2 255</b>	1 934
Glifwood (Proprietary) Limited	<b>1 190</b>	–
Golden Irish (Proprietary) Limited	<b>3 063</b>	2 218
Heaven Hill (Proprietary) Limited	<b>1 794</b>	1 967
Heritic Holdings (Proprietary) Limited	<b>1 845</b>	–
Highland Haven (Proprietary) Limited	<b>4 191</b>	2 868
Leaf Motifs (Proprietary) Limited	<b>844</b>	634
Mafila Holdings (Proprietary) Limited	<b>1 620</b>	1 814
May Pearl (Proprietary) Limited	<b>478</b>	–
Mega Save (Proprietary) Limited	<b>6 651</b>	6 651
Motopi Holdings SA Proprietary Limited – ZAR	<b>1 665</b>	1 636
Million Touch (Proprietary) Limited	<b>693</b>	452

<i>In BWP'000</i>		2016	2015
25.	<b>FINANCIAL SUPPORT</b> (continued)		
	<b>Subsidiary</b> (continued)		
	Ollur Investments (Proprietary) Limited	24	172
	Path For Glory (Proprietary) Limited	940	617
	Pearland (Proprietary) Limited	1 132	639
	Smart Buy Holdings (Proprietary) Limited	2 370	2 978
	Spin and Shine (Proprietary) Limited	-	274
	Summer Queen (Proprietary) Limited	1 603	864
	Supa Save (Proprietary) Limited	3 701	3 739
	Walrus (Proprietary) Limited	211	-
	Wolf Lake (Proprietary) Limited	388	599

In BWP'000		2016	Group 2015
26.	DETAILS OF RELATED-PARTY BALANCES AND TRANSACTIONS		
26.1	Amounts due from related entities*		
	Name		
	Browalia (Proprietary) Limited	-	345
	Bagpiper (Proprietary) Limited	390	-
	Cottonvale (Proprietary) Limited	20	-
	Cascade Avenue (Proprietary) Limited	-	247
	Feasible Investments (Proprietary) Limited	-	5 821
	I Qube SA (Proprietary) Limited	-	138
	Keriotic Investments SA (Proprietary) Limited	-	9
	Montrose Investments (Proprietary) Limited	2 414	2 400
	Navy Blue (Proprietary) Limited	117	117
	Ovais Investments (Proprietary) Limited	43	68
	Peardale (Proprietary) Limited	739	271
	Pennywise Investments (Proprietary) Limited	-	13
	Princeton (Proprietary) Limited	1 156	1 316
	Solace (Proprietary) Limited	-	1 205
	Strides of Success (Proprietary) Limited	22	1 120
	The FAR Property Company (Proprietary) Limited	-	524
	Variety Liquors (Proprietary) Limited	-	183
	Vet Agric Supplies (Proprietary) Limited	-	3 934
	ZCX Investments (Proprietary) Limited	-	24
	Total	4 901	17 735

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

# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP'000		Group	
		2016	2015
<b>26. DETAILS OF RELATED-PARTY BALANCES AND TRANSACTIONS (continued)</b>			
<b>26.2 Amounts due to related entities*</b>			
<b>Name</b>			
The FAR Property Company (Proprietary) Limited	<b>2 667</b>	-	
Angarappa (Proprietary) Limited	-	129	
Bagpiper (Proprietary) Limited	-	371	
Balanced Fortune (Proprietary) Limited	-	36	
Electrometric Enterprises (Proprietary) Limited	<b>187</b>	106	
Feasible Investments (Proprietary) Limited	<b>3 341</b>	-	
Honey Guide (Proprietary) Limited	-	2 264	
I Qube SA Proprietary Limited	<b>1 175</b>	-	
ILO Industries (Proprietary) Limited	-	5 308	
ILO Industries SA Proprietary Limited	-	314	
Keriotic Investments (Proprietary) Limited	-	17 282	
Mediland Healthcare Distributors (Proprietary) Limited	-	76	
Mont Catering and Refrigeration (Proprietary) Limited	-	3 173	
Mont Catering and Refrigeration SA Proprietary Limited	-	2 390	
RBV Consultants (Proprietary) Limited	-	4 383	
Real Plastics & Moulds (Proprietary) Limited	-	2 094	
Solace (Proprietary) Limited	<b>717</b>	-	
Tow Bar (Proprietary) Limited	-	55	
Vet Agric Supplies (Proprietary) Limited	<b>1 152</b>	-	
Weal (Proprietary) Limited	<b>312</b>	320	
<b>Total</b>	<b>9 551</b>	38 301	

These balances are trading related and are based on mutually agreed terms and of conditions, unsecured and interest free and are payable under normal trading terms.

\* These entities are considered related entities through common ownership.

In BWP'000		Group	
		2016	2015
<b>26. DETAILS OF RELATED-PARTY BALANCES AND TRANSACTIONS</b> (continued)			
<b>26.3 Amounts due from related entities**</b>			
<b>Name</b>			
Beavers Investments (Proprietary) Limited		<b>397</b>	397
Choppies Distribution Centre (Proprietary) Limited		<b>395 229</b>	481 614
Choppies Supermarket SA Proprietary Limited		<b>47 645</b>	47 645
Daisy Gardens (Proprietary) Limited		<b>17 879</b>	197
Kanye Friendly Grocer (Proprietary) Limited		<b>197</b>	203
Nanavac Investments (Proprietary) Limited		<b>203</b>	17 879
Supasave (Proprietary) Limited		<b>21 422</b>	21 422
Megasave (Proprietary) Limited		<b>61 144</b>	6 142
		<b>489 116</b>	575 499
These balances are unsecured, interest free and repayable on demand.			
<b>26.4 Amounts due to related entities**</b>			
Chathley Enterprises (Proprietary) Limited		<b>5 036</b>	5 036
Choppies Logistics Services Proprietary Limited		<b>1</b>	-
Choppies Supermarket Namibia (Proprietary) Limited		<b>3</b>	-
F & A Enterprises (Proprietary) Limited		<b>3 576</b>	3 576
Kaar Distributors & Marketing Services (Proprietary) Limited		<b>2 170</b>	2 170
Macha Investments (Proprietary) Limited		<b>2 490</b>	2 490
Mafila Holdings (Proprietary) Limited		<b>150</b>	150
Walrus (Proprietary) Limited		<b>256</b>	256
		<b>13 682</b>	13 678

These balances are trading related and are based on mutually agreed terms of conditions, unsecured and interest free and are payable under normal trading terms.

\*\* The entities are wholly owned subsidiaries of Choppies Enterprises Limited.



# Notes to the annual financial statements (continued)

for the year ended 30 June 2016

In BWP'000		Nature of transaction	2016	Group 2015
26.	DETAILS OF RELATED-PARTY BALANCES AND TRANSACTIONS (continued)			
26.5	Related-party transactions			
	Name			
	Angarappa (Proprietary) Limited	Purchase of capital goods	-	11 816
	Bagpiper (Proprietary) Limited	Purchase of goods	393	1 038
	Balanced Fortune (Proprietary) Limited	Purchase of goods	-	2 194
	Browalia (Proprietary) Limited	Purchase of goods	-	144
	Electrometric Enterprises (Proprietary) Limited	Purchase of goods/services	2 761	2 138
	Feasible Investments (Proprietary) Limited	Purchase of goods/services	23 476	35 233
	Honey Guide (Proprietary) Limited	Purchase of goods	-	27 827
	ILO Industries (Proprietary) Limited	Purchase of goods	-	65 274
	ILO Industries SA (Proprietary) Limited	Purchase of goods	-	865
	I Qube SA (Proprietary) Limited	Purchase of goods/services	-	7 696
	Keriotic Investments (Proprietary) Limited	Purchase of goods	-	184 783
	Keriotic Investments SA (Proprietary) Limited	Purchase of goods	-	11 150
	Mediland Healthcare Distributors (Proprietary) Limited	Purchase of goods	-	5 262
	Mont Catering and Refrigeration (Proprietary) Limited	Purchase of capital goods	-	55 086
	Mont Catering and Refrigeration SA (Proprietary) Limited	Purchase of capital goods	-	41 346
	Montrose Investments (Proprietary) Limited	Purchase of goods	125	137
	Ovais Investments (Proprietary) Limited	Purchase of goods	17	53
	Princieton (Proprietary) Limited	Purchase of goods	112	126
	Peardale (Proprietary) Limited	Purchase of goods	15	87
	Real Plastics & Moulds (Proprietary) Limited	Purchase of goods	-	19 048
	Solace (Proprietary) Limited	Purchase of goods	22 344	23 029
	The FAR Property Company (Proprietary) Limited	Rental paid	40 756	42 860
	Vet Agric Supplies (Proprietary) Limited	Purchase of goods	61 626	61 996
	Weal (Proprietary) Limited	Purchase of goods	-	241
	Angarappa (Proprietary) Limited	Sale of stock	-	2 252
	Bagpiper (Proprietary) Limited	Sale of stock	28	18
	Balanced Fortune (Proprietary) Limited	Sale of stock	-	99
	Cascade Avenue (Proprietary) Limited	Expenses reimbursement	-	246

In BWP'000		Nature of transaction	Group	
			2016	2015
26.	DETAILS OF RELATED-PARTY BALANCES AND TRANSACTIONS (continued)			
26.5	Related-party transactions (continued)			
	Callao (Proprietary) Limited	Sale of stock	9	10
	Cottonvale (Proprietary) Limited	Sale of stock	83	76
	Electrometic Enterprises (Proprietary) Limited	Sale of stock	17	6
	Feasible Investments (Proprietary) Limited	Sale of stock	648	1 055
	Honey Guide (Proprietary) Limited	Sale of stock	-	4 098
	ILO Industries (Proprietary) Limited	Sale of stock	-	3 910
	I Qube SA (Proprietary) Limited	Sale of stock	-	2 769
	Keriotic Investments (Proprietary) Limited	Sale of stock	-	9 147
	Keriotic Investments SA (Proprietary) Limited	Sale of stock	-	10
	Mediland Healthcare Distributors (Proprietary) Limited	Sale of stock	-	473
	Mont Catering and Refrigeration (Proprietary) Limited	Sale of stock	-	406
	Montrose Investments (Proprietary) Limited	Sale of stock	35	518
	Ovais Investments (Proprietary) Limited	Sale of stock	9	226
	Peardale (Proprietary) Limited	Sale of stock	446	393
	Princeton (Proprietary) Limited	Sale of stock	51	37
	RBV Consultants (Proprietary) Limited	Sale of stock	-	1 954
	Real Plastics & Moulds (Proprietary) Limited	Sale of stock	-	3 223
	Solace (Proprietary) Limited	Sale of stock	1 321	1 068
	Strides of Success (Proprietary) Limited	Sale of stock	13	17
	The FAR Property Company (Proprietary) Limited	Sale of stock	105	621
	Towbar (Proprietary) Limited	Sale of stock	-	31
	Variety Liquors (Proprietary) Limited	Sale of stock	-	68
	Vet Agric Supplies (Proprietary) Limited	Sale of stock	2 756	2 697
	Weal (Proprietary) Limited	Sale of stock	63	48
	ZCX Investments (Proprietary) Limited	Sale of stock	-	390
27.	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 information

as at 30 June 2016

## Shareholders' analysis as at 30 June 2016

Sl no	Shareholders as at 30 June 2016	Number of shareholders	Number of shares held	Percentage of shares held
1	1 – 1 000	4 721	2 130 108	0.16
2	1 001 – 10 000	3 000	6 119 012	0.47
3	10 001 – 100 000	392	10 432 096	0.81
4	100 001 – 1 000 000	159	60 010 292	4.65
5	1 000 001 and above	86	1 212 936 833	93.91
<b>Total</b>		<b>8 358</b>	<b>1 291 628 341</b>	<b>100.00</b>

Sl no	Name of top 10 shareholders – 2016	Number of shares held 2016	Percentage of holding 2016	Name of top 10 shareholder 2015	Number of shares held 2015	Percentage of holding 2015
1	Ramachandran Ottapathu	252 080 152	19.52	Ramachandran Ottapathu	251 693 936	19.49
2	Farouk Ismail	188 068 920	14.56	Farouk Ismail	188 068 920	14.56
3	Marina IV LP*	131 291 985	10.16	Standard Chartered Private Equity (MU)	173 900 000	13.46
4	African Alliance Asset Management	130 257 543	10.08	Investec Asset Management	70 961 132	5.49
5	Allan Gray Investment Council	77 985 079	6.04	African Alliance Asset Management	55 194 140	4.27
6	Investec Asset Management	73 023 668	5.65	State Street Bank & Trust Co (US)	52 935 850	4.10
7	STANLIB Asset Management	44 563 739	3.45	Stanlib Asset Management	37 275 042	2.89
8	Foord Asset Management	43 726 673	3.39	Citi NA (US)	36 604 925	2.83
9	Standard Chartered Private Equity	42 608 015	3.30	Sanlam Investment Management (ZA)	33 906 282	2.63
10	Mazi Capital (Pty) Limited	34 865 634	2.70	Mazi Capital (Pty) Limited (ZA)	30 538 550	2.36
<b>Total</b>		<b>1 018 471 408</b>	<b>78.85</b>	<b>Total</b>	<b>931 078 777</b>	<b>72.08</b>

## List of shareholders' holding above 5% – 2016/2015

Sl no	Name of shareholders	Number of shares held 2016	Percentage of holding 2016	Number of shares held 2015	Percentage of holding 2015
1	Ramachandran Ottapathu	252 080 152	19.52	251 693 936	19.48
2	Farouk Ismail	188 068 920	14.56	188 068 920	14.56
3	Marina IV LP*	131 291 985	10.16		
4	African Alliance Asset Management	130 257 543	10.08		
5	Allan Gray Investment Council	77 985 079	6.04		
6	Investec Asset Management	73 023 668	5.65	70 961 112	5.49
7	Standard Chartered Private Equity			173 900 000	13.46
<b>Total</b>		<b>852 707 347</b>	<b>66.01</b>	<b>684 623 968</b>	<b>52.99</b>

\* Marina IV LP is an affiliate of Standard Chartered PLC.

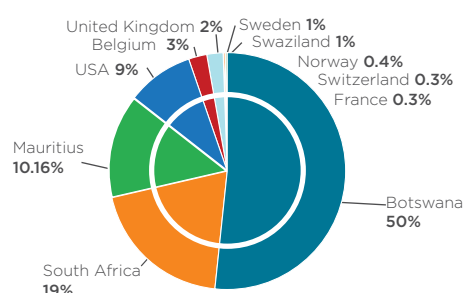
**Shareholders' analysis  
as at 30 June 2016**

Analysis of Sl no	shareholders	Number of share- holders 2016	Number of shares held 2016	Percentage of holding 2016	Number of share- holders 2015	Number of shares held 2015	Percentage of holding 2015
1	Public	8 346	418 423 647	32.40	8 267	586 568 714	45.41
2	Directors	8	460 646 419	35.66	8	460 198 515	35.63
3	Shareholders holding above 5% except directors	4	412 558 275	31.94	2	244 861 112	18.96
<b>Total</b>		<b>8 358</b>	<b>1 291 628 341</b>	<b>100</b>	<b>8 277</b>	<b>1 291 628 341</b>	<b>100</b>

Directors' holdings		Directors' holdings 2016		Directors' holdings 2015	
		Number of shares held	Percentage of holding	Number of shares held	Percentage of holding
1	Ramachandran Ottapathu	252 080 152	19.52	251 693 936	19.50
2	Farouk Ismail	188 068 920	14.56	188 068 920	14.56
3	HE Festus Mogae	19 288 800	1.49	19 177 112	1.48
4	Dorcas Kgosietsile	365 000	0.03	565 000	0.04
5	Robert Neil Matthews	61 816	0.00	61 816	0.00
6	Sydney Alan Muller	606 731	0.05	606 731	0.05
7	Sanooj Pullarotte	175 000	0.01	Not a director 2015	
8	Manikandan Madakkavil – resigned 10/12/2015	-	-	25 000	0.00
<b>Total</b>		<b>460 646 419</b>	<b>35.66</b>	<b>460 198 515</b>	<b>35.63</b>

Shareholders' classifications – 2016					Shareholders' classifications – 2015		
		Number of shareholders	Number of shares held	Percentage of holding	Number of shareholders	Number of shares held	Percentage of holding
1.	Individuals	8 024	49 318 784	3.82	7 994	55 274 572	4.28
2.	Companies	144	53 765 944	4.16	155	52 598 488	4.07
3.	Institutional investors	182	727 897 194	56.36	120	723 556 766	56.02
4.	Directors	8	460 646 419	35.66	8	460 198 515	35.63
Total		8 358	1 291 628 341	100	8 277	1 291 628 341	100

**Geographic classification of shareholders**



**SHAREHOLDERS' DIARY**

Financial year-end	June
Preliminary annual results announcement	20 September 2016
Dividend payment	21 November 2016
Integrated annual report posted	November 2016
2016 annual general meeting	2 December 2016
Next interim results announcement	March 2017

# Notice of annual general meeting

for the year ended 30 June 2016

Notice is hereby given that the 2016 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, 2 December 2016 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 2016 together with the directors' and auditor's reports thereon.
3. To consider and ratify the following dividend distribution declared for the year ended 30 June 2016:  
Dividend number 5: declared 20 September 2016, paid 21 November 2016.  
Gross dividend of 2.8266 Thebe per share to Botswana shareholders.  
Gross final dividend of 3.74525 cents per share to shareholders registered on JSE register. Relevant withholding tax has been deducted in accordance with South African tax legislation.
4. To ratify the appointment of Mr Brett Sean Stewart who was elected to the board in place of Mr Peter Walther Baird on 20 September 2016.
5. To re-elect Mr Sydney Alan Muller 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.
6. To consider and ratify the remuneration paid to the directors for the year ended 30 June 2016 as set out on page 29 of the integrated annual report.
7. To approve the remuneration paid to the group external auditor for the year ended 30 June 2016 and re-appoint KPMG as the group auditor for the ensuing financial year.
8. 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 2016 as set out on page 22 of the integrated annual report.
9. To receive responses from the directors and management to questions put by shareholders in respect of the affairs and the business of the company.
10. To close the meeting.

## PROXIES

A member entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her behalf and such a proxy need not also be a member of the company. The instrument appointing such a proxy must be deposited at the registered office of the company, c/o Corporate Services (Proprietary) Limited, 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 2015 are available for inspection at the registered office of the company and a copy of the same can be made available within five days from the date of receipt of a written request from a shareholder.

By order of the board

Corporate Services (Proprietary) Limited

Company Secretaries

Unit 5, Kgale Mews  
PO Box 406  
Gaborone, Botswana

14 November 2016

# Form of proxy

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, at 15:30 on Friday, 2 December 2016.

I/We  
(name in block letters)

of (Address)

1. Hereby appoint \_\_\_\_\_ or failing him/her, appoint \_\_\_\_\_

2. \_\_\_\_\_ or failing him/her, appoint \_\_\_\_\_

3. the chairman of the meeting

as my /our proxy to act for me/us at the 2016 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 No 2			
Ordinary resolution 2	Agenda No 3			
Ordinary resolution 3	Agenda No 4			
Ordinary resolution 4	Agenda No 5			
Ordinary resolution 5	Agenda No 6			
Ordinary resolution 6	Agenda No 7			
Special resolution 7	Agenda No 8			

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 – 8 on the reverse side hereof**

1. A shareholder must insert the names of two alternative proxies of the shareholders 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 shareholders 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 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.
8. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered with the company.



## **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**

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

## **TRANSFER SECRETARIES**

Grant Thornton Business Services (Pty) Limited  
(Registration number 1923)  
Plot 50370, Acumen Park, Fairgrounds  
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](http://www.standardchartered.com)

### **Capital Bank Botswana 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  
Private Bag 00168, Gaborone, Botswana  
Tel: +267 3618110  
Fax: +267 3618158  
Website: [www.stanbicbank.co.bw](http://www.stanbicbank.co.bw)

### **Barclays Bank of Zimbabwe Limited**

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

### **Standard Chartered Bank Zimbabwe Limited**

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

### **Nedbank Limited**

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

### **Barclays Bank of Botswana Limited**

Plot 74358, Building 4 Prime Plaza, Central Business  
District, Gaborone  
Tel: +267 395 2041/+267 363 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](http://www.bankofbaroda.co.bw)

### **First National Bank Botswana Limited**

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

### **ABSA Bank South Africa Limited**

151 Katherine Street, Vunani Office Park,  
Block A, Ground Floor, Sandton, South Africa  
Tel: +27 11 226 8037  
Website: [absa.co.za](http://absa.co.za)

### **Standard Bank South Africa 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 (52)** (Motswana)  
BCom, CA (ICAI), FBICA

#### CEO

Appointed to the board: 2004

Ram joined Choppies in 1992 and has been heading operations since 2000. He has been instrumental in the significant growth of Choppies in Botswana and its expansion into South Africa. Ram has over 25 years' experience in the retail industry both in finance and operations, and further experience in other industries such as manufacturing, packaging, milling, real estate development and medical distribution. Ram is a fellow of the Institute of Chartered Accountants of India and fellow member of the Botswana Institute of Chartered Accountants.



**Farouk Essop Ismail (63)** (Motswana)

#### 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.



**Sanooj Pullarote (40)** (Indian)

BCom, CA (ICAI), FBICA

#### CFO

Appointed to the board: 2015

Sanooj joined Choppies in 2006 as finance manager and was appointed CFO in December 2015. He is a qualified chartered accountant from the Institute of Chartered Accountants of India with 18 years' experience, including over nine years in the retail sector. Prior to joining Choppies he worked as credit manager for Kotak Mahindra Prime Limited in Kerala, India and as an auditor for various organisations. He is a fellow of the Botswana Institute of Chartered Accountants.

### INDEPENDENT NON-EXECUTIVE DIRECTORS



**His Excellency FG Mogae (77)** (Motswana)  
MA (Development Economics), BA (Hons) (Econ)

#### Chairman

Appointed to the board: 2008

His Excellency Festus G 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 previously 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.



**Dorcas Ana Kgosietsile (57)** (Motswana)

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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)



**Robert Neil Matthews (73)** (British)

*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 (67)** (South African)

*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 DIRECTORS



**Brett Sean Stewart (39)** (American/South African)

*BBA, MBA, CPA*

Appointed to the board: 2016

Brett is an Executive Director at Standard Chartered Private Equity. He has over 15 years of experience in private equity, investment banking and public accounting. Prior to joining Standard Chartered Private Equity, he was an investment banker at Moelis & Company and Goldman Sachs in London and New York. He obtained an MBA from Columbia Business School, and earlier in his career, worked for Deloitte in Los Angeles.

### Annexure 2 – Directors’ responsibility and forward-looking statements

#### **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 3 – 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).

## Annexure 3 – King III chapter 2 application (continued)

Principles of the King Code	Wording of the principle	Applied/ explained	Compliance status
<b>2.6</b>	The board should ensure that the company has an effective and independent audit and risk committee.	Applied	As of 30 June 2016 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.
<b>2.7</b>	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).
<b>2.8</b>	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.
<b>2.9</b>	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).
<b>2.10</b>	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).
<b>2.11</b>	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).
<b>2.12</b>	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.

Principles of the King Code	Wording of the principle	Applied/ explained	Compliance status
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 is equipped to function as a fully fledged internal audit department capable of covering operational and financial risks to which the business is exposed. A risk workshop is planned for FY17 to highlight current perceived risks.</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>
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 and JSE. In this regard Choppies complies with the Botswana Companies Act, the Listings Requirements of the BSE and JSE and the Botswana Stock Exchange Act.

## Annexure 3 – King III chapter 2 application (continued)

Principles of the King Code	Wording of the principle	Applied/ explained	Compliance status
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).  His Excellency Festus Gontebanye Mogae, former President of the Republic of Botswana, an independent non-executive director, is presently the chairman of the board and Ramachandran 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). The board has approved a framework for the delegation of authority.
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 are 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 secretary and recognises the important role to be played by the company secretary. The company secretary 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 secretary annually and reports on whether it is satisfied therewith. The board is satisfied that there is an arm's-length Independent relationship with the company secretary.



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	The board assesses its effectiveness and that of each subcommittee and each individual director in fulfilling their respective responsibilities (article 3.14 – board charter).
2.23	The board should delegate certain functions to well-structured committees without abdicating its own responsibilities.	Applied	<p>The board also evaluates the performance of the CEO (article 2.2 – board charter).</p> <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"> <li>→ Audit and risk committee;</li> <li>→ Remuneration committee; and</li> <li>→ Social and ethics committee.</li> </ul>
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 4 – Definitions

<b>“the board”</b>	The board of directors of Choppies Enterprises Limited, as set out on pages 92 – 93
<b>“BSE”</b>	Botswana Stock Exchange Limited
<b>“BWP”</b>	Botswana Pula, the functional currency of Botswana
<b>“CEO”</b>	Chief executive officer of Choppies Enterprises Limited, Ramachandran (“Ram”) Ottapathu
<b>“Choppies” or “the company”</b>	Choppies Enterprises Limited, listed on the BSE and JSE
<b>“the current year”</b>	The year ending 30 June 2016
<b>“ESG”</b>	Environmental, social, governance
<b>“FMCG”</b>	Fast moving consumer goods
<b>“the group”</b>	Choppies Enterprises Limited and its subsidiaries
<b>“JSE”</b>	The JSE Limited, the securities exchange of South Africa
<b>“KVI”</b>	Known value item
<b>“R, Rand, ZAR”</b>	South African Rand, the currency of South Africa
<b>“same-store sales”</b>	Same-store sales compare revenues earned by a retail chains’ outlets that have been open for at least one year.
<b>“SKU”</b>	Stock keeping unit, a unique identifier for each distinct product and service that can be purchased in business
<b>“SupaSave and MegaSave”</b>	SupaSave (Pty) Limited and MegaSave (Pty) Limited, acquired by Choppies in 2014
<b>“the previous year”</b>	The year ended 30 June 2015
<b>“the year” or “the year under review”</b>	The year ended 30 June 2016
<b>“USD”</b>	United States Dollar
<b>FINANCIAL TERMS</b>	
<b>“CAGR”</b>	Compound annual growth rate
<b>“EBITDA”</b>	Earnings before interest, taxation, depreciation and amortisation
<b>“FY”</b>	Financial year, for Choppies ending 30 June
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“HEPS”</b>	Headline earnings per share



# CHOPPIES

**VALUE FOR YOUR MONEY!**

## **Registered office**

### **Choppies Enterprises Limited**

(Incorporated in Botswana on 19 January 2004)

(Registration number 2004/1681)

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

## **Physical and postal address**

### **Choppies Enterprises Limited**

Plot 169, Gaborone International  
Commerce Park, Gaborone

Private Bag 00278, Gaborone, Botswana

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