



CHOPPIES

VALUE FOR YOUR MONEY!

CHOPPIES ENTERPRISES LIMITED

(Previously Choppies Enterprises (Proprietary) Limited

(Incorporated in Botswana on 19 January 2004)

(Converted to a public company limited by shares on 28 October 2011)

(Registration number 2004/1681)

("Choppies" or the "Company")

PROSPECTUS

relating to:

- **a Private Placing of 260 869 565 Shares to invited investors at a price of BWP 1.15 per Share;**
- **a Public Offer of 43 478 261 Shares at a price of BWP 1.15 per Share;**
- **all by way of an offer for sale from the Selling Shareholders of 173 913 044 Shares and the subscription for 130 434 782 new Shares issued by the Company; and**
- **the subsequent listing of 1 174 207 583 being all the shares of the Company on the Domestic Main Board of the BSE.**

Opening date of the Public Offer	09:00 Wednesday 23 November 2011
Last date for application for the Public Offer	17:00 Wednesday 11 January 2012
Expected closing date of the Public Offer	17:00 Wednesday 11 January 2012
Expected Listing Date	08:00 Thursday 26 January 2012

All references to time in this Prospectus are to local time in Botswana. Any material change will be released on the BSE DMR.

The Offer and Listing is subject to achieving a free float and spread of shareholders acceptable to the BSE.

This Prospectus is issued in compliance with the Listing Requirements of the BSE for the purpose of providing information to the general public of Botswana with regard to the Company. The Private Placing is made to invited institutional investors only.

The Directors of Choppies, whose names are provided in Part C of this Prospectus, collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that this Prospectus contains all the information required by the Companies Act and the Listings Requirements of the BSE.

All the issued Shares of Choppies are no par value ordinary Shares of one class ranking *pari passu* in all respects. Subject to the free float and shareholder spread requirements of the Listings Requirements being achieved, the entire stated capital of 1 174 207 583 ordinary Shares will be listed on the Domestic Main Board of the BSE.

The stated capital before the Listing consists of 1 043 872 802 issued ordinary shares of no par value. The stated capital immediately after Listing will consist of 1 174 207 583 issued ordinary shares of no par value. Five percent of the unissued share capital after allotment of shares have been earmarked for the employee share scheme. The terms of the scheme which are yet to be finalised will be subject to the BSE Listing Requirements and subject to approval by shareholders by ordinary resolution in a general meeting of the Company.

Allocation of Shares in the Public Offer will be based on the information disclosed in this Prospectus. The information disclosed complies with statutory regulations. The Registrar of Companies in Botswana does not express a view on the risk for investors or the price of the Shares.

This Prospectus, accompanied by the documents referred to under "Documents available for inspection" as set out in paragraph 85, was registered with the Registrar of Companies in Botswana on 21 November 2011.

Copies of this Prospectus (in English only) can be obtained during normal business hours from 09:00 23 November 2011 till 16:00 Wednesday 11 January 2012, both days inclusive, from the Company's registered offices, select branches of Barclays Bank in Botswana and select Choppies stores as indicated in Annexure 16 to this Prospectus and the offices of the Sponsoring Broker and Transfer Secretary.

Prospective investors in the equity of Choppies Enterprises Limited, as with any other listed company, should ensure that they fully understand the nature of the Company's operations, its valuation and the extent of their exposure to risks, and that they consider the suitability of the Company's shares as an investment in light of their own circumstances and financial position. The BSE's approval of the listing of Choppies Enterprises Limited shares should not be taken in any way as an indication of the merits of the Company. The BSE has not verified the accuracy and truth of the contents of the documentation submitted to it and, the Botswana Stock Exchange accepts no liability of whatever nature of any loss, liability, damage or expense resulting directly or indirectly from the investment in the said equity.

Co lead advisors



Legal advisors

Collins Newman & Co. . .
Attorneys Notaries Conveyancers

Corporate law advisors



Sponsoring broker



Transfer secretary



Group auditors and reporting accountants



Underwriters



Independent valuer



Receiving bank



Independent expert: Related party contracts



Date of registration: 21 November 2011

Date of issue: 23 November 2011

CORPORATE INFORMATION

Registered office

Choppies Enterprises Limited
 (Registration number 2004/1861)
 Corporate Services
 Plot 115, Block 5, Kgale Mews
 Gaborone, Botswana
 Incorporated on 19 January 2004 in Botswana
 (P O Box 406, Gaborone, Botswana)

Legal advisors

Collins Newman & Co
 Dinatla Court
 Plot 4863
 Gaborone, Botswana
 (P O Box 882, Gaborone, Botswana)

Underwriter

Kukara Capital (Proprietary) Limited
 (Registration number Co. 2011/7349)
 Mokolwane House
 Plot 67978, Fairgrounds Office Park
 Gaborone, Botswana
 (P O Box 2111, Gaborone, Botswana)

Group auditors and reporting accountants

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

Transfer secretaries

Grant Thornton Business Services (Proprietary) Limited
 (Registration number 1923)
 Plot 503710
 Acumen Park Fairgrounds
 Gaborone
 Botswana
 (P O Box 1157, Gaborone, Botswana)

Independent valuers

CB Richard Ellis
 (Registration number CO93/728)
 Block C Plot 50361
 Gaborone Showgrounds Office Park, Botswana
 (P O Box 1136, Gaborone, Botswana)

Receiving bank

Barclays Bank of Botswana Limited
 (Registration number C01732)
 Barclays House 6th Floor
 Khama Crescent
 Gaborone
 Botswana
 (P O Box 478, Gaborone, Botswana)

Corporate law advisor

Neill Armstrong
 Suite 401, Bifm House
 Main Mall,
 Gaborone, Botswana
 (P O Box 45701, Riverwalk, Gaborone, Botswana)

Sponsoring broker

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

Company secretary

Corporate Services (Proprietary) Limited
 (Registration number Co. 85/822)
 Plot 115, Block 5, Kgale Mews
 Gaborone
 Botswana
 (P O Box 406, Gaborone, Botswana)

Co lead advisors

KPMG Services (Proprietary) Limited
 (Registration number 1999/012876/07)
 85 Empire Road
 Parktown
 South Africa
 2193
 (Private Bag 9, Parkview, South Africa, 2122)

Bifm Capital (Proprietary) Limited
 (Registration number Co 2004/5951)
 1st Floor, Plot 61920
 Letsema Office Park
 Gaborone, Botswana
 (P O Box 202458, Bontleng, Gaborone, Botswana)

Independent expert: Related party contracts

Khan Corporate Law
 Ground Floor, KPMG Building
 Plot 67977, off Tlokweng Road
 Fairgrounds Office Park
 Gaborone, Botswana
 (P O Box 1561, Gaborone, Botswana)

TABLE OF CONTENTS

CORPORATE INFORMATION	1
IMPORTANT LEGAL INFORMATION	3
DEFINITIONS AND INTERPRETATIONS	5
SALIENT FEATURES	7
PART A: THE BUSINESS	11
PART B: VALUATION CONSIDERATIONS AND GOODWILL	21
PART C: DIRECTORS	27
PART D: FINANCIAL INFORMATION	31
PART E: INCORPORATION HISTORY OF CHOPPIES ENTERPRISES AND STATED CAPITAL	35
PART F: PARTICULARS OF THE OFFER	38
PART G: ADDITIONAL INFORMATION	41
PART H: CORPORATE GOVERNANCE	44
ANNEXURE 1: INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION	48
ANNEXURE 2: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011	50
ANNEXURE 3: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010	102
ANNEXURE 4: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009	138
ANNEXURE 5: INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON <i>PRO FORMA</i> FINANCIAL INFORMATION	180
ANNEXURE 6: INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON PROFIT FORECAST	182
ANNEXURE 7: INDEPENDENT VALUER'S REPORT ON LEASES	184
ANNEXURE 8: PROPERTY	186
ANNEXURE 9: BORROWINGS OF THE GROUP AS AT 30 JUNE 2011	190
ANNEXURE 10: RELATED COMPANIES CONTRACTS	193
ANNEXURE 11: RESTRUCTURING	198
ANNEXURE 12: THE SUBSIDIARIES	200
ANNEXURE 13: SUBSIDIARIES AND THE STORES	213
ANNEXURE 14: EXTRACTS FROM THE CONSTITUTION OF CHOPPIES	215
ANNEXURE 15: DETAILS OF PLACEES	216
ANNEXURE 16: PLACES FOR COLLECTION OF COPIES OF THE PROSPECTUS	219
ANNEXURE 17: LIST OF OTHER COMPANIES IN WHICH THE DIRECTORS HOLD DIRECTORSHIPS AND THE NATURE OF THE BUSINESS OF THOSE COMPANIES	220
ANNEXURE 18: REPORT OF THE INDEPENDENT EXPERT: RELATED PARTY CONTRACTS	225
ANNEXURE 19: ILO INDUSTRIES (PTY) LIMITED HISTORICAL FINANCIAL INFORMATION	227
Application from the individuals	Enclosed
Application for the entities other than individuals	Enclosed

IMPORTANT LEGAL INFORMATION

Notwithstanding that the terminology used in this Prospectus is that of an offer, the applications completed by the applicants shall constitute an offer to Choppies Enterprises for the Offer Shares, and shall not constitute an acceptance of the Offer contained in this Prospectus by Choppies Enterprises and the Selling Shareholders.

Unless the context clearly indicates otherwise, all information provided in this Prospectus is provided at the Last Practicable Date. The distribution of this Prospectus and the Offer in jurisdictions other than Botswana may be restricted by law and a failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdictions. Persons who gain possession of this Prospectus must inform themselves about and observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Offer Shares in any jurisdiction in which such offer or acquisition would be unlawful.

This is not an offer into the United States of America.

To the extent that this Prospectus is provided to persons in the United Kingdom the following is noted:

UNITED KINGDOM

This Prospectus (including its contents) is for distribution only to, and is directed only at, persons in the United Kingdom: (i) who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (directive 2003/71/EC) (the “Prospectus Directive”); (ii) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (iii) who are high net worth entities falling within Article 49 of the Order and (iv) to such other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This Prospectus must not be acted on or relied upon in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only in the United Kingdom to relevant persons and will be engaged in only with such persons.

This Prospectus has been prepared on the basis that all offers of ordinary shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in the United Kingdom, from the requirement to produce a Prospectus for offers of shares. Accordingly, any person making or intending to make any offer within the United Kingdom of ordinary shares which are the subject of the Offer contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company or any placing agent to produce a prospectus for such offer. Neither the Company nor the placing agent have authorised, nor do they authorise, the making of any offer of ordinary shares through any financial intermediary, other than offers made by the placing agent which constitute the final issue of ordinary shares contemplated in this Prospectus.

This Prospectus does not constitute a prospectus for the purposes of the Financial Services and Markets Act 2000 (as amended) and has not been approved as a prospectus in the United Kingdom by the Financial Services Authority. No application has been made, or is being made, for any of the offer shares to be admitted to the official list of the United Kingdom Listing Authority or to trade on any market of the London Stock Exchange plc or any other recognised investment exchange in the United Kingdom.

Without derogation from the generality of the above statement that this Prospectus constitutes an offer for shares to selected investors the United Kingdom only, this Prospectus does not constitute an offer for subscription in or from the USA, Canada, Australia, Japan or any other jurisdiction where the dissemination of this Prospectus or the making of the offer for subscription may be illegal or fails to conform to the laws of such jurisdictions (“Affected Jurisdictions”). To the extent that this Prospectus may be sent to Affected Jurisdictions, it is provided for information only. Persons in Affected Jurisdictions may not participate in the Offer. No person accepting the Offer for subscription should use the mail of any such Affected Jurisdictions nor any other means, instrumentality or facility in such Affected Jurisdictions for any purpose, directly relating to the Offer. It shall be the responsibility of any persons resident in a jurisdiction outside Botswana to inform themselves about, and observe, any applicable legal requirements in the relevant jurisdiction.

FORWARD-LOOKING STATEMENTS

Certain of the statements included in this Prospectus constitute forward-looking statements that involve risks and uncertainties. Forward-looking statements may generally be identified by the use of terminology such as “may”, “might”, “will”, “will likely result”, “will continue”, “expect”, “are expected to”, “intend”, “plan”, “seek”, “project”, “projection”, “potential”, “could”, “should”, “estimate”, “anticipate”, “believe”, “outlook” or similar phrases. Other than statements of historical facts, all statements, including, among others, statements regarding the future financial position or business strategy, projected levels of growth in its market, projected costs, estimates of capital expenditures and plans and objectives of management for future operation of Choppies are forward-looking statements. The actual future performance of the Company could differ materially from these forward-looking statements.

Undue reliance should not be placed on these forward-looking statements. All written and oral forward looking statements attributable to the Board or persons acting on their behalf are qualified in their entirety by these cautionary statements. Moreover, unless the Directors of Choppies Enterprises are required by law to update these statements, they will not necessarily update any of these statements after the date of this Prospectus, either to confirm them with actual results or with regard to changes in their expectations.

DEFINITIONS AND INTERPRETATIONS

Throughout this Prospectus and the Annexures hereto, unless otherwise stated or the context indicates otherwise, the words in the first column shall have the corresponding meaning stated opposite them in the second column. Words in the singular shall include the plural and *vice versa*. Any reference to one gender shall include the other gender. References to a natural person shall include references to a juristic person and *vice versa*:

“Barclays”	Barclays Bank of Botswana Limited;
“Botswana”	the Republic of Botswana;
“BSE”	the Botswana Stock Exchange as established by the Botswana Stock Exchange Act (Cap 56:08);
“BSE DMR”	the BSE Daily Market Report and/or the BSE website (www.bse.co.bw);
“business day”	any day other than a Saturday, Sunday or official public holiday in Botswana;
“CBRE”	CB Richard Ellis (Pty) Ltd, a firm of independent property valuers and appraisers of Gaborone, Botswana;
“certificated shares”	Shares that have not been dematerialised, title to which is represented by physical documents of title;
“the Choppies Group” or “the Group”	Choppies Enterprises Limited, and all of the subsidiaries of Choppies from time to time;
“Choppies” or “the Company”	Choppies Enterprises Limited (Registration number 2004/1861), incorporated on 19 January 2004 in Botswana, and converted to a public company in Botswana on 28 October 2011;
“Closing Date”	the closing date of the Public Offer, anticipated to be 11 January 2012;
“Companies Act”	the Companies Act (Cap 42:01), as amended or replaced from time to time;
“Constitution”	the Constitution of Choppies as amended on 14 October 2001 and as registered by the Registrar of Companies on 1 November 2011;
“CSD”	the Central Securities Depository of Botswana Limited;
“CSDP”	a registered participant of the CSD, it being recorded that the Transfer Secretaries are such a participant;
“dematerialise” or “dematerialisation”	the process by which certificated shares are converted or held in an electronic form as dematerialised shares and recorded in the sub-register of security holders maintained by a CSDP;
“dematerialised shares”	Shares that have undergone a process of dematerialisation;
“the Directors”	means the executive and non-executive directors disclosed of the Company in paragraphs 33.1 and 33.2 of this Prospectus;
“Last Practicable Date”	Wednesday 2 November 2011, being the last date, prior to the finalisation of this Prospectus, on which information could be included in this Prospectus;
“Listing”	the proposed listing of Choppies on the Domestic Main Board of the BSE;
“Listing Date”	the date on which the Listing takes place, which is expected to be 26 January 2012;
“Listings Requirements”	the listings requirements of the BSE, amended or replaced from time to time;

“the Minorities”	the former minority shareholders in the subsidiaries, set out in Annexure 12, who or which sold their shares in the subsidiaries, for a consideration settled by the issue of shares in Choppies, as well as certain pre-existing shareholders of Choppies;
“Offer”	the Private Placing and the Public Offer;
“Offer Price”	the price payable for the Offer Shares being BWP 1.15;
“Offer Shares”	304 347 826 Shares, being the sum of the Private Placing Shares and the Public Offer Shares;
“Public Offer”	the offer to the public of the Public Offer Shares at the Offer price in terms of this Prospectus;
“Public Offer Shares”	the offer of 43 478 261 Shares offered to the public, being 18 633 540 of the Subscription Shares and 24 844 721 of the Sale Shares, at the Offer Price in terms of this Prospectus;
“Placees”	the institutions, details of which are set out in Annexure 15;
“the Private Placing”	the private placement of the Private Placing Shares at the Offer Price to the Placees set out in Annexure 12;
“Private Placing Shares”	260 869 565 Shares to be issued and allotted to Placees, being 149 068 323 of the Sale Shares and 111 801 242 of the Subscription Shares;
“Pula” or “P” or “BWP”	the legal tender of Botswana in which all monetary amounts in this Prospectus are expressed;
“Restructuring”	collectively, the acquisition of the entire issued share capital of Choppies Supermarkets South Africa (Proprietary) Limited, the acquisition of all minority ordinary shareholder interests in various Choppies subsidiaries, the acquisition of the entire stated capital of Sarfrosh Holdings (Proprietary) Limited, and the disposal of the entire stated capital of ILO Industries (Proprietary) Limited by Choppies, effective as of 30 June 2011, recorded in the Restructuring Agreements and explained in Part A and Annexure 11 to this Prospectus;
“Restructuring Agreements”	the share sale and purchase agreements, forming the basis of the Restructuring which agreements are effective as at 30 June 2011 and are available for inspection prior to the Closing Date;
“Sale Shares”	173 913 044 Shares offered for sale by the Selling Shareholders at the Offer Price;
“Selling Shareholders”	Ramachandran Ottapathu and Farouk Essop Ismail, each of whom offer the Sale Shares for purchase;
“Shareholders”	the holders of Shares;
“Shares” or “Choppies Shares”	the issued ordinary, no par value shares of Choppies;
“South Africa” or “RSA”	the Republic of South Africa;
“Subscription Shares”	130 434 782 Shares offered for subscription by the Company at the Offer Price;
“Transfer Secretaries”	Grant Thornton Business Services (Proprietary) Limited (Registration number 1923) incorporated in Botswana;
“UK”	the United Kingdom;
“USA”	the United States of America; and
“ZAR”	the South African Rand.

SALIENT FEATURES

The information contained in the following section is a summary of the more detailed information contained in this Prospectus and may not contain all the information that investors should consider before deciding to invest in the Offer Shares. Investors are advised to read this entire Prospectus.

1. NATURE OF THE BUSINESS

The Group is the market leading mass grocery retailer in Botswana, and retails fast moving consumer goods, household goods, fruit and vegetables, meat products, dry, fresh and baked goods through its stores in Botswana and South Africa.

The Group operates 58 retail outlets in Southern Africa, comprising of 49 stores in Botswana, and nine stores in South Africa.

The Group currently employs in excess of 3 900 people in Botswana and 600 people in South Africa. In Botswana each store, on average, employs 60 to 70 personnel with more than 98% of these being Botswana. Choppies believes in the continuous investment in the training and development of its citizen resources. The expansion of stores into rural areas has also provided employment opportunities in these areas.

Key strengths of the Group are, *inter alia*:

- a footprint in Botswana of over 50 000 m² of retail space;
- the carrying out of four million transactions, per month, in Botswana;
- the largest and widest private distribution network in Botswana;
- a well recognised brand;
- depth and breadth of management;
- effective, well trained staff, led by incentivised management; and
- a tried, tested, and successful business model.

2. PROSPECTS

The strategic objective of Choppies is to retain and grow market share in Botswana and develop the Group's regional presence.

To be able to achieve its objectives, the Group will initially focus in the short term:

in Botswana on:

- opening additional stores;
- capturing more of available spend by increasing product offering (for example the introduction of cosmetics and pharmaceuticals);
- leveraging off the existing store network, placing it at the disposal of third party vendors (for example money transfers with cellular network operators);
- capitalise on the trend in Botswana of a move away from wholesale to the formal retail market;
- increasing the contribution of house-branded goods, which deliver improved margins; and
- increasing the average proportion of Group in-house butcheries, bakeries, and takeaways, which also deliver improved margins

in South Africa on:

- continuing expansion along existing supply and distribution routes between Johannesburg and Gaborone, focusing on an area of five hundred kilometres around Rustenburg (where the construction of a distribution centre and the development of a distribution network is underway) in the North West, Limpopo and Northern Free State provinces, opening more than twenty additional stores over the next two years, with a vision to expand by up to one hundred and fifty stores in the long term;
- exploiting the successful business model of Botswana in South Africa; and
- pushing competitively priced Choppies products into the South African market.

in Southern Africa on:

- the investigation of potential expansion into other fast-growing Southern African markets, including Moçambique, Zambia and Tanzania; and

generally, on:

- the investigation of the purchase of products from countries other than South Africa, which offer better quality products, at better prices, in order to deliver reduced prices to consumers, while at the same time improving margins.

3. GROUP RESTRUCTURING

In anticipation of listing and in order to simplify the Group structure, the Group was restructured, effective as at 30 June 2011.

In the Restructuring, Choppies Supermarkets South Africa (Proprietary) Limited and Sarfrosh Holdings (Proprietary) Limited were sold by the Selling Shareholders for a consideration, after independent valuations, of P266 690 000 and P14 047 988 respectively, settled through the issue of 110 912 658 Shares to Farouk Essop Ismail and 110 912 658 Shares to Ramachandran Ottappathu, after set-off of the consideration due by Ramachandran Ottappathu and Farouk Essop Ismail to settle their acquisition of ILO Industries (Proprietary) Limited. Minority shareholders in subsidiary companies were offered Shares or cash for their interests in the underlying subsidiaries. All minority shareholders accepted these offers, resulting in those subsidiary companies becoming wholly owned subsidiaries.

Further information on the Restructuring is covered in paragraph 31 and Annexure 11. Details of the valuation methodology applied is set out in Part B.

4. SUMMARY FINANCIAL INFORMATION

For the year ended 30 June	2010	2011	2012
BWP'000 000	Actual	Actual	Forecast
Revenue	2 142.2	2 435.5	3 422.8
Gross profit	389.8	446.7	638.9
Profit after tax	85.1	124.1	121.8
Profit on disposal of operations	–	21.0	–
Profit from continuing operations	85.1	103.1	121.8

The *pro forma* financial information has been presented and analysed in section Part D of this Prospectus.

The profit on disposal of operations over the year ending 30 June 2011 relates to the disposal of ILO Industries (Proprietary) Limited and is included in the profit after tax noted over the period.

Preparation of the profit forecast is the responsibility of the Directors of Choppies. The forecast has been prepared in accordance with the Company's accounting policies which comply with International Financial Reporting Standards. The forecasts should be read in conjunction with the independent reporting accountants' report thereon reproduced in Annexure 6 hereto.

5. PURPOSE OF THE OFFER AND LISTING

The Directors believe the Listing is the next significant strategic step towards the advancement of the business.

The objectives of the Offer and Listing are to:

- provide an opportunity to the public of Botswana, which has supported Choppies over the years, to share in the growth and profitability of the Group;
- raise capital to fund the Group's growth expansion into Southern African, in particular South Africa;
- provide capital to allow the Group to take advantage of opportunities for acquisitions as and when these arise;
- raise the Group profile and investor awareness of Choppies, and its brand, locally and internationally;
- unlock shareholder value; and
- raise capital to retire shareholder loans.

6. THE OFFER

The Offer comprises the Private Placing and the Public Offer.

All the Offer Shares will rank *pari passu* in all respects with the Shares in issue as at date hereof.

7. OFFER PRICE

The Offer Price is BWP 1.15 per Share.

8. CONDITIONS PRECEDENT

The Offer is conditional on the Listing of all the Shares on the BSE, failing which, the Offer and any acceptance thereof shall not be of any force or effect and no person shall have any claim whatsoever against Choppies or any other person as a result of the failure of any condition.

The Offer and Listing is subject to achieving a free float and spread of shareholders acceptable to the BSE.

9. MINIMUM SUBSCRIPTION

In the opinion of the Directors, the minimum capital to be raised for the Group through the offer is BWP75 000 000, to:

- fund expansion;
- retire shareholder loans; and
- meet the expenses of the Restructuring, and the Offer.

10. APPLICATION FOR SHARES

Application for the Public Offer may only be made on the application forms attached to the back of this Prospectus. Application forms which are electronic soft copies made available by the Transfer Secretary, with a unique reference number, will be accepted for submission. Individuals who are applicants must use the *blue* application form. Companies or corporates who are applicants must use the *green* application form. Such applications must be made in accordance with the terms and instructions set out in the application forms.

Notwithstanding that the terminology used in this Prospectus is that of an offer, the applications completed by the applicants shall constitute an offer to Choppies for the Public Offer Shares and to the Selling Shareholders for the Sale Shares, and shall not constitute an acceptance of the Offer contained in this Prospectus by Choppies and the Selling Shareholders.

11. PUBLIC OFFER

For the purpose of the Public Offer, copies of this Prospectus may be collected from selected Choppies stores and Barclays branches in Botswana as indicated in Annexure 16 to this Prospectus, and from the offices of the Sponsoring Broker, and the registered office of the Company.

12. ALLOCATIONS AND PAYMENT

In the event of an oversubscription of the Public Offer, Choppies Group staff members will receive preference with regard to allocation up to a maximum amount of 5 000 000 shares being reserved for employees. In the event of an oversubscription for the Public Offer, and if Choppies Group employees subscribe for shares in excess of 5 000 000 shares, those surplus applications will be treated on the same basis as all other excess applications.

Other than the preference highlighted above, the basis of allocation of the Public Offer Shares will be determined on an equitable basis by the Directors of Choppies, in their sole discretion, after consultation with the advisors listed in the Corporate Information section of this Prospectus.

In the event of an over-subscription there is no intention (other than to the employees of Choppies) to extend a preference on allotment to any particular individual, company or group. The formula for the basis of allocation will be calculated in such a way that a person will not, in respect of his application, receive an allocation of a lesser number of securities than any other subscriber that applied for the same number or a lesser number of securities.

Applicants may receive no Public Offer Shares or fewer Public Offer Shares than the number for which they applied.

Notice of the results of the Public Offer will be published no more than six days of the close of the offer, and applicants will be advised of the results of their application and allocation of shares within 7 days of close of the offer. Where applicable, refund cheques will be sent within 7 days of close of the offer.

13. UNDERWRITING

The Public Offer is underwritten by Kukara Capital (Proprietary) Limited, incorporated in Botswana as a private company (registration number Co. 2011/7349) in terms of the Underwriting Agreement.

14. IMPORTANT DATES AND TIMES

The Public Offer opens at 09:00 on 23 November 2011 and is expected to close at 17:00 on 11 January 2012. Applications will be received up until 17.00 on 11 January 2012. Any material changes will be released on the BSE DMR and published in the press in Botswana.

PART A: THE BUSINESS

15. OVERVIEW OF THE BUSINESS

The Group is a market leader in the Botswana food and fast moving consumer goods retail market selling household goods, fruit and vegetables, meat products, dry, fresh and baked goods through its stores in Botswana and South Africa.

The Group created a paradigm shift in the Botswana retail market, taking stores to population centres, and maintaining shop hours convenient to the consumer.

The Group operates 58 retail outlets in Southern Africa, comprising of 49 stores in Botswana, and nine stores in South Africa.

The stores are generally focused on consumers in the middle to lower segments of the retail market, and currently services in excess of 30% of the Botswana mass grocery retail market, making the Group the strongest player in the market. On average the Botswana stores complete 4 000 000 transactions per month (twice the population of Botswana) at an average basket size of BWP50 (2010: BWP47, 2009: BWP44).

The Group prides itself with the offering of its own housebranded products. These products are available in 50 line items, and currently represent approximately 12% of turnover. Within the next five years, the Group aims to provide its own housebranded products for the top 200 items.

The Group provides consumer goods (in excess of 50 000 line items) at an affordable price to the consumer.

The Group currently employs in excess of 3 900 people in Botswana and 600 people in South Africa.

The Group, committed to equitable development, provides financial, technical and market support to ventures along the value chain, including agricultural and manufacturing in the country of operation, creating direct and indirect employment opportunities.

Each store, on average, employs 60 to 70 personnel with more than 98% of these being Batswana.

Choppies believes in the continuous investment in the training and development of its citizen resources. The expansion of stores into rural areas has also provided employment opportunities in these areas.

16. HISTORY OF THE CHOPPIES BUSINESS

The business was founded by the Chopdat family in 1986. The first store was opened in Lobatse trading as Wayside Supermarket (Pty) Limited, with a second opening in 1993. The Group has grown exponentially since 1999, having established a further 56 stores, including those in South Africa, and has grown to become the largest food retail chain in Botswana. The Group has recently expanded its corporate footprint to the South African market and currently operates nine stores in the North West and Limpopo provinces.

17. CURRENT OPERATIONS

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

- supermarkets;
- distribution and supply; and
- service and logistics.

17.1 Supermarkets

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

Superstores offer a full supermarket service offering bakery, butchery, fruit and vegetable products. The stores generally have a size of more than 1 000 square metres. These stores cater for the average retail consumer in the lower to middle income groups. The Superstores are the Group's largest revenue earner.

Hyperstores are at least 3 000 square metres in size, being the largest store format, and offer a wider range of products with a more spacious layout. Hyperstores are located in the more urban areas, thus attracting consumers who demand more variety.

17.2 Distribution and Supply

The distribution centres essentially function as a central sourcing for the Choppies stores. The distribution centres negotiate prices and enter into agreements with suppliers and charge fees for delivery and handling. The top 200 products are delivered in bulk to the distribution centres and distributed from there to the stores. Other products are delivered to stores directly. Given that the distribution centres and stores are wholly owned subsidiaries of Choppies, these charges do not adversely affect the profitability of the Group and any profit made by the subsidiaries are ultimately received by Choppies.

Currently there are two centralised distribution centres, operated by a wholly owned subsidiary, Choppies Distribution Centre (Proprietary) Ltd, one of 10 000m² located in Gaborone and the other of 3 000m² in Lobatse. These centres service all the retail outlets.

A distribution centre of 10 000m² is being constructed for the Group in Rustenburg, South Africa to be operational within the current financial year ending 30 June 2012. This will enable rapid expansion of new stores in South Africa. This distribution centre is a critical component in the expansion plans for the South African business.

In Botswana the distribution centres warehouse non-perishable items which constitute the Top 200 KVI. These goods are distributed from their centralised distribution centres and represent 25% of the Group's purchases in Botswana. Most of the fresh produce is distributed through Choppies fruit, vegetable and meat distribution centres. Other line items, namely perishable goods, are distributed directly to Group stores.

In South Africa, all goods are currently distributed directly to the stores. This will change once the distribution centre in South Africa is operational.

Wholly owned subsidiaries, Motopi Holdings (Proprietary) Limited and Shoppers Paradise (Proprietary) Limited, which are fruit and vegetable sourcing companies, supply directly to the Group stores and are an integral function in the supply chain.

Most of the fresh fruit and vegetable produce is sourced from the fresh produce market in Pretoria, South Africa, sorted at a location in the market and delivered to Botswana to the three fruit and vegetable distribution centres for onward distribution to Choppies stores. These fruit and vegetable distribution centres also sell produce to the public.

Sarfrosh Holdings (Pty) Ltd, another wholly owned subsidiary, a meat distributor, supplies all Choppies stores in Southern Botswana with meat products. Cattle are sourced from Northern Botswana, slaughtered and then distributed to the various stores.

A key attraction is that the produce is delivered directly to the stores, where it is prepared and packed. This process ensures that the highest quality and freshness is delivered to the customer.

Distribution warehouses support the uninterrupted on demand and timely supply of goods to stores. Stores place orders with the centralised warehouse periodically per the store's demand. All direct purchases from the supplier are negotiated by the stores to meet their individual supply requirements.

17.3 Service and Logistics

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

Amphora (Proprietary) Limited, the maintenance subsidiary, provides stores with repair services such as plumbing, refrigeration, electrical and other general repairs. As a result of these services being provided in house, lead times and maintenance costs are reduced. Amphora (Proprietary) Limited provides services at the material cost plus 5% and labour cost plus 7.5% margin.

Given that WellDone and Amphora are wholly owned, the profits from the provision of services are ultimately fully attributable to Choppies.

The Group is currently in the process of implementing a new Enterprise Resource Planning (ERP) IT system, which has been specially designed for the Group and which provides centralised management with real-time information to aid decision making and improve efficiencies.

18. COMPETITIVE ADVANTAGES

Choppies has competitive advantage in key areas:

- **Market share**

- since 1999, the Group has increased its market share to a current level of over 30% of the total Botswana market according to an independent survey conducted by Briggs and Associates¹, and strives to increase its market share going forward.

- **The Choppies footprint**



- the Group has 49 stores (which includes the three fruit and vegetable centres) in Botswana making it the largest supermarket chain in the country with a large footprint in rural locations, servicing a previously underserved market. This strategy has resulted in the Choppies name being well recognised throughout the country in both rural and urban locations;
- in South Africa, the Group has leveraged off the established and successful model of its activities in Botswana, along the supply route from Johannesburg to Gaborone, focusing on its chosen segment in the smaller towns in the rural areas along the route, and in an area of five hundred kilometres around Rustenburg, where the new distribution centre is to be located. Nine stores in the North West Limpopo and Northern Free State Provinces are to be increased to over 30 stores within the next two years. The Group intends to increase this to 150 stores in the long term.

- **The distribution network:**

- all stores, particularly in rural locations, are always well stocked because of the Groups' efficient distribution network.

- **The customer base**

- the main focus is the lower income consumer in rural and less formalised markets. Starting from its humble beginnings as a small supermarket in Lobatse, the Group has gained a wealth of experience over the years through servicing this end of the market and currently completes 4 000 000 transactions per month with an average basket size of BWP 50 (2010: BWP 47, 2009: BWP: 44)

¹ Briggs and Associates: "Choppies market share 2nd Quarter 2011"

- **The in-house logistics, supply, and distribution**

- the Group’s self-sufficient model enables it to meet most of its needs internally without having to outsource, which advantage allows management to keep costs as low as possible.

- **Bulk purchasing power**

- The ability to exploit favourable pricing arrangements in respect of both its Botswana and South African business.

19. THE STRENGTH OF THE CHOPPIES BRAND

Since its aggressive growth began in 1999, the Choppies brand has developed into one of the most recognisable brands in Botswana.

Choppies has developed house-branded products for 50 line items, the success of which is evident in that house-branded products represent 12% of Group turnover. These products are always located in highly visible locations throughout the store and are further promoted via the use of signs highlighting their price and any special offers. Frequent promotions throughout stores attract regular customers as they buy into the “value for money” Choppies offers to its customers. The Group has also branded its fleet of 245 trucks and trailers which deliver to stores nationwide, spreading the Choppies name throughout the country. To support the Group’s expansion plans onto the sub-Saharan countries the brand name “Choppies” has been appropriately registered throughout sub-Saharan Africa.

The Group is also the largest private sector employer and, in particular has provided employment opportunities to people in the more rural areas of Botswana. This has made them a well-recognised company in its market.

The Group has also developed and maintained strong relationships with its suppliers. In some circumstances, especially in the agricultural produce sector, the Group has driven enterprise development by procuring from (and in some cases, advancing cash to) smaller farmers in Botswana. This has resulted in delivery of the highest quality product from the supplier whilst developing and promoting local industry and enterprise. 75% of all fresh produce produced in Botswana is sold through Choppies stores.

Not only is the Choppies brand promoted through its footprint and level of service delivery, but also through various media, including radio advertisements, newspaper spreads and vocal announcements in villages. Store openings are heavily advertised and each store opening is a special celebration involving local dancers and public participation.

20. SOCIAL RESPONSIBILITY

The Group takes its social responsibility seriously and is actively involved in the communities within which it operates. The Group employs 131 physically handicapped persons. The Group contributes significant amounts to charities, *inter alia* Botswana Red Cross, SOS Children’s Villages, The Lady Khama Trust, and sponsors sports and recreational entities and events.

21. THE STRENGTH OF CHOPPIES PEOPLE

Choppies has recognised the importance of employee wellbeing and loyalty. Through bursaries, training, development, and motivational programmes, all employees are given opportunity of self advancement. The training, development, and motivational programmes have built corporate knowledge and passion amongst employees. The Group has been rewarded by low staff turnover, and an employee cadre of significant experience and knowledge in the Group’s niche, in a competitive industry.

22. MANAGEMENT

The Group has focused on employing key management personnel who are experienced in the industry, qualified in their area of responsibility, who are passionate about the business. The result is an effective management team that works to build on the established success of the business, and to achieve its strategic goals and objectives.

Senior management with qualifications and experience are:

22.1 Executive Management

Ramachandran Ottapathu (“Ram”)

Position	Chief Executive Officer
Age	47
Education and qualifications	Bachelors Degree in Commerce (University of Calicut, India) Fellow Member of the Institute of Chartered Accountants India: Member of the Botswana Institutue of Chartered Accountants.
Relevant experience and responsibilities	Ramachandran (“Ram”) began his career at Apollo Tyres Limited (‘Apollo’), a leading multi-national tyre manufacturing company in India. His experience at Apollo gave Ram a strong grounding in the implementation of financial management methods and tax planning. After four years at Apollo, Ram joined the Choppies Group in 1992 where, within a short period of time, has assumed a position of leadership as Chief Executive Officer. Ram has been instrumental in the significant growth of Choppies within Botswana, its expansion into South Africa and will be driving the Group’s growth into the other areas of Southern Africa going forward.

Farouk Essop Ismail (“Farouk”)

Position	Executive Deputy Chairman
Age	57
Relevant experience and responsibilities	Farouk was the founder of the Ismail Group of companies, the group now known as Choppies Enterprises. Farouk opened the first store in Wayside, Lobatse in 1986 and has witnessed the exponential growth of the group since. Given his presence in the Choppies Group since its inception, he has a strong understanding of the target market of Choppies and how to address market requirements. Social responsibility has been an important element of the Choppies business to Farouk thus he has taken a keen interest in this area of the business and has been a key player in all community activities in which Choppies has been involved.

Sadique Kebonang (“Sadique”)

Position	Board Secretary and Head, Human Resources
Age	36
	Sadique oversees the Human Resources of the Choppies Group, which includes personnel management, acquisition of skilled personnel and review of personnel performance. Sadique is also responsible for all the legal matters within the Choppies Group.
Education and qualifications	Bachelor of Laws (LLB), University of Botswana; Masters in Business Administration (MBA), De Montfort University; Master of Laws, University of Botswana
Relevant experience	Sadique served as professional assistant and associate in other law firms he established his own Commercial Law Practice in February 2004 and is a member of the Law Society in good standing as a Notary Public, Conveyancer and Attorney. Sadique is also a member of the Board of National Food Technology Research Centre and PEEPA. Sadique is chairperson of the HR Committee of the Group overseeing the Group’s localisation programme.

Benny Stegling (“Benny”)

Position	General Manager, Human Resources As Human Resources Manager, Benny reports to the Company Secretary, Sadique Kebonang, and is responsible for the the basic functioning of human resource development. This includes recruitment and appropriate policy formulation, assessment and evaluation, dispute resolution, training and administration
Age	41
Relevant experience and responsibilities	Benny has 6 years experience in the short term insurance industry, and two years as a parish priest of United Congregational Church and Chairman of the Synod of that Church in Botswana. He joined the Group in 2005.

Deon Bauermeister (“Deon”)

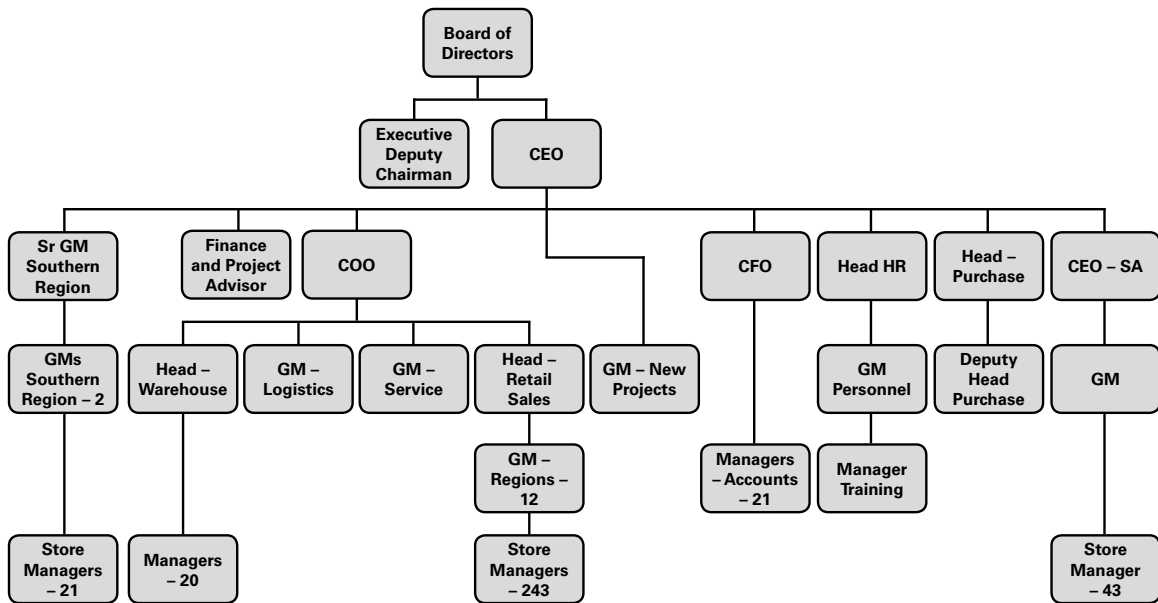
Position	CEO, Choppies South Africa
Age	34
Relevant experience and responsibilities	From 2010, Deon has been CEO of Choppies South Africa. As CEO, Deon is focused on the growth and operation of the South African stores, and his areas of expertise include strategic planning, financing, analysis of commercial operations, reviewing and monitoring, as well as developing the Choppies business in South Africa. Deon has more than 11 years retail experience having worked for Shoprite/Checkers in South Africa, Egypt and Botswana in various management positions, from 1998 – 2010. During this period Deon has attended various internal Shoprite courses, to train management.

Manikandan Madakkavil (“Mani”)

Position	Head of the Finance and Accounting Department
Age	37
Education and qualifications	Bachelors Degree in Commerce (University of Calicut, India) Associate Member of the Institute of Chartered Accountants of India, Associate Member of the Botswana Institute of Chartered Accountants
Relevant experience and responsibilities	After completing his articles, Mani worked as Assistant Manager – Audit and then as Audit Manager with the Chartered Accountancy firm M/s. Varma, Thrissur, India. From April 2005 to October 2006 Mani was Finance Manager for Mardec Latex and Synthite Chemicals in India. Since December 2006 Mani has been the Finance Manager of Choppies, with overall supervision of the Finance and Accounting department.

22.2 Organisational Structure

Over 300 employees are involved in the management of the Group, which is structured as below:



The strength and depth of the management structure allows for succession and shared responsibility, which reduces reliance on any single individual.

23. STORE MANAGEMENT INCENTIVE SCHEME

Experience has shown that in the food and consumer goods industry, committed, dedicated and incentivised management on the shop floor is necessary. In Botswana, the Group opted for a vertical model with each store, as an income and cost centre, housed in a separate company in which the manager or managers hold preference shares, which shares in aggregate entitle the manager or managers to a participation of 5% in the profit of the store which he/they manage, provided that certain targets, set in agreed budgets by Choppies, as to profitability, sales, shrinkage, cost, net profit and health safety and environmental standards are met. This scheme has borne results in retaining and incentivising managers, who conduct the business of the store they manage with pride.

24. EMPLOYEE SHARE INCENTIVE SCHEME

Five percent of the total issued share capital of Choppies after the listing and issue thereof, has been earmarked to be issued in terms of an employee share incentive scheme. The terms of the scheme have yet to be finalised. The terms as settled will comply with the BSE Listing Requirements. Choppies will present the scheme for approval by shareholders by ordinary resolution in a general meeting, and to the BSE for its approval, prior to its implementation.

25. HOUSING

As part of the remuneration of management, the Group provides housing to key employees. The houses are owned by companies in which the Selling Shareholders each hold 50%. The details of the companies providing the residential accommodation appear in part III of Annexure 10. The Group pays rental to such companies for the houses occupied by such employees. The rentals have been independently reviewed by CBRE, and have been confirmed as market related. The report of CBRE, independent valuers, appears as Annexure 7.

26. PROSPECTS AND GROWTH STRATEGY

The strategic objective of Choppies is to retain market share and grow margins in Botswana and develop the Group's regional presence and become a leading retail brand in Southern Africa.

Botswana

For the current year, until 30 June 2012, an 18.2% growth in income is forecast, with eight new stores contributing 10% of such growth, and like on like growth, contributing the balance.

Going forward, thereafter, the anticipation is that the Group in Botswana will continue to experience real growth, above inflation, and improved margins by reason of:

- capturing more of available spend by increasing product offering (for example the introduction of cosmetics and pharmaceuticals);
- leveraging off the existing store network and placing it at the disposal of third party vendors (for example money transfers with cellular network operators);
- capitalising on the trend of a move away from wholesale to the formal retail market;
- an increment in the contribution of house-branded products which deliver improved margins; and
- an increment in the average percentage of sales of group in-house butcheries, bakeries, and takeaways.

South Africa

The start-up of a critical mass of stores has been achieved; and the existing stores in South Africa are profitable. The existing and new stores will benefit from significant growth through significant margin improvement, brought about by:

- the establishment of a distribution centre in Rustenburg (due to come on stream within the current financial year ending 30 June 2012); and
- the fact that the Group has secured the same terms (in respect of cost, commissions and discounts) for supply to the South African stores as prevails for supply to Botswana stores, from the suppliers to the Group.

The Group will exploit its well-considered strategy of developing stores along the route of supply and distribution from key points in South Africa to Gaborone, pushing competitively priced products into the target market along that route, and within a defined area around a distribution centre in Rustenburg, which target market is the same as that in Botswana, and which is not properly focused upon nor serviced by existing retailers (the BMI South Africa Food and Drink Report (Q4/Q3 2011) confirms that 80% to 90% of the upper market is already held by the big South African retailers, and that the informal market and lower income population of South Africa presents an attractive opportunity to prospective new entrants into the SA market).

The Group sees an effective roll-out along the supply and distribution route and in an area of five hundred kilometers around Rustenburg, of more than twenty stores over the next two years, with potential expansion of up to 150 stores over the long term.

Southern Africa

In the longer term, the Group will investigate potential expansions into other fast-growing Southern African markets, including Moçambique, Zambia and Tanzania.

The Group has begun exploiting its bulk purchasing power to source products from countries other than South Africa, which offer improved products at better prices, which will enable better pricing to consumers, and improve margins, across the Group.

27. GROUP STRUCTURE

In anticipation of listing and in order to simplify the Group structure, the Company was restructured effective as at 30 June 2011. In terms of the Restructuring, Choppies Supermarkets South Africa (Proprietary) Limited and Sarfrosh Holdings (Proprietary) Limited were sold by the Selling Shareholders for a consideration of P266 690 000 and P14 047 988, respectively. This was settled through the issue of 110 912 658 Shares to Farouk Essop Ismail and 110 912 658 Shares to Ramachandran Ottappathu after set-off of the consideration for ILO Industries (Proprietary) Limited. A valuation was performed on Choppies Enterprises (Proprietary) Limited and Choppies Supermarkets South Africa (Proprietary) Limited

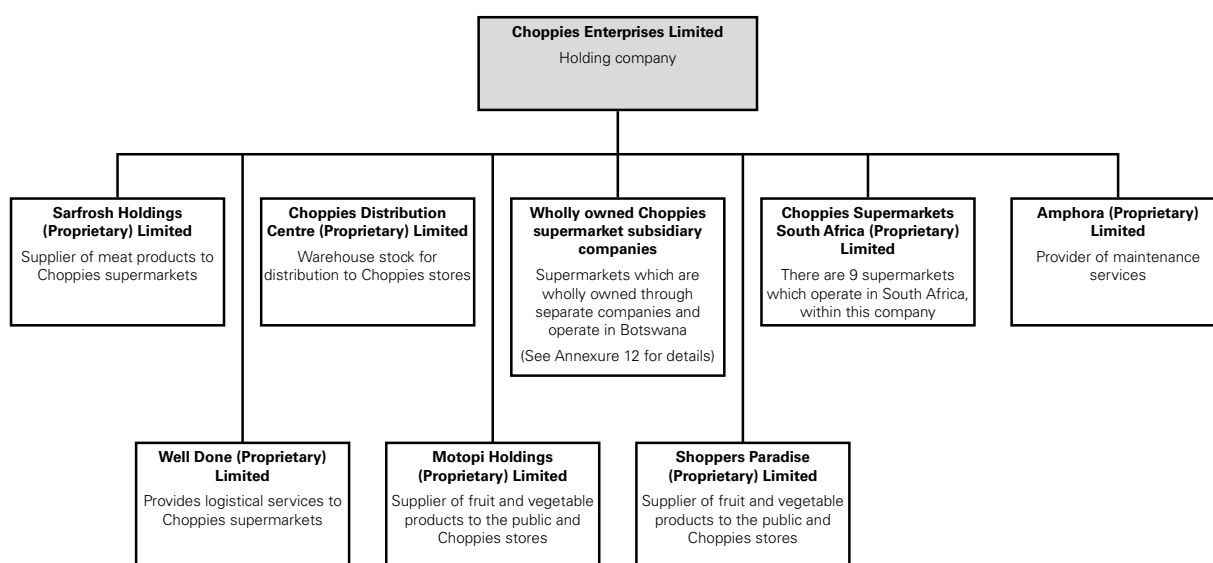
for the purpose of establishing value and the number of shares to be issued for the acquisition. Similarly a number of minority shareholders in subsidiary companies were offered Shares or cash for their interests in the underlying subsidiaries. All minority shareholders accepted these offers resulting in the companies becoming wholly owned subsidiaries.

ILO Industries (Proprietary) Limited, a business considered non-core to the Group and involved in food packaging for the Group and other customers, was sold by Choppies to the Selling Shareholders, and a butchery business, Sarfrosh Industries (Proprietary) Limited, which supplies the Group exclusively and was previously owned by the Selling Shareholders, was sold by them to Choppies. Certain historical financial information on ILO Industries (Pty) Limited is set out in Annexure 19.

Further details of the Restructuring are provided in Annexure 11. Details of the valuation methodology applied are set out in Part B.

The Restructuring Agreements will be available for inspection at the Company's registered office and the offices of the Legal Advisors.

Figure 1. Choppies Group structure on Listing Date



Refer to Annexure 11 for details on shares issued and cash paid in relation to the Restructuring.

Refer to Annexure 12 for a full listing and details of subsidiary companies.

28. DIVIDENDS AND DIVIDEND POLICY

Below is a table which details the profits before and after tax and, dividends declared and paid by Choppies Enterprises in the preceding five years:

Financial year ended 30 June	Profit before tax	Profit after tax	Dividends paid BWP	Dividend cover
2007	10 005 371	6 744 173	601 460	11.2
2008	49 073 146	38 998 495	8 456 000	4.61
2009	105 404 546	76 807 015	29 896 190	2.57
2010	121 086 900	85 105 667	60 611 294	1.40
2011	141 516 101	124 090 829	123 181 623	1.01

Given the medium term expansion prospects for the Group, the Directors have adopted a dividend policy stipulating that earnings after tax should cover total dividends by a multiple of two to three times, depending on capital expenditure and investment requirements in a particular year.

An exception to this policy occurred in respect of the year end 30 June 2011. Previously in terms of Botswana Tax legislation, withholding tax of 15% deductible from dividends could be set off against additional company tax of 10% of chargeable income. That set off and the existence of additional company tax was abolished with effect from 1 July 2011. In order to take advantage of the “last window” of the set off, the Company declared as much dividend as possible to maximise the withholding tax capable of set off against additional company tax. The amount of dividend, after withholding tax, was credited to the loan accounts of the shareholders entitled to be paid that dividend. The loan is to be repaid from the proceeds of the Placing and Offer.

Dividend policy is driven by the operating results, financial position, investment strategy, capital requirements and other factors.

Any dividend or other money payable on or in respect of a Share which is unclaimed may be retained and used by Choppies. If a dividend is retained and unclaimed for three years after the payment date, it shall revert to Choppies and may be dealt with by the Directors as they deem fit, and may not be claimed by the shareholder concerned.

PART B: VALUATION CONSIDERATION AND GOODWILL

29. INTRODUCTION

The valuation of the operations of Choppies was completed during June 2011 and there were therefore no actual audited results for the 30 June 2011 period at that time. The forecasts used for the valuation were management's best estimate at that time. Subsequent to year end and in preparing the prospectus, forecast information set out in Section D of this prospectus was also updated.

The purpose of the valuation was to prepare indicative valuations of the operations for the Restructuring of the Group in preparation for a listing, which included the acquisition of Choppies Supermarkets SA (Pty) Limited, Sarfrosh Holdings (Pty) Limited and certain minority interests in the subsidiaries of Choppies, as well as the disposal of ILO Industries (Pty) Limited.

30. BASIS OF VALUATION

Company valued	Valuation methodology utilised
Choppies Enterprises (Pty) Limited	DCF Valuation
Choppies Supermarkets SA (Pty) Limited	DCF Valuation
Various minority interests in the subsidiaries of Choppies	DCF Valuation
Sarfrosh Holdings (Pty) Limited	Implied EV/EBITDA Multiple
ILO Industries (Pty) Limited	Implied EV/EBITDA Multiple

30.1 Goodwill

The Goodwill as reflected in the balance sheet as at 30 June 2011 represents the difference between the purchase consideration for Choppies Supermarkets SA (Pty) Ltd and Sarfrosh Holdings (Pty) Ltd (based on the valuation) and the net asset value. In arriving at the quantum of the goodwill, Choppies Supermarkets SA has acquired fixed assets valued in excess of P130 million (It is worth noting that the value of the fixed assets of the group will be in excess of P400 million). In addition to the fixed assets, the value of following intangible assets were also a factor arriving at the purchase consideration:

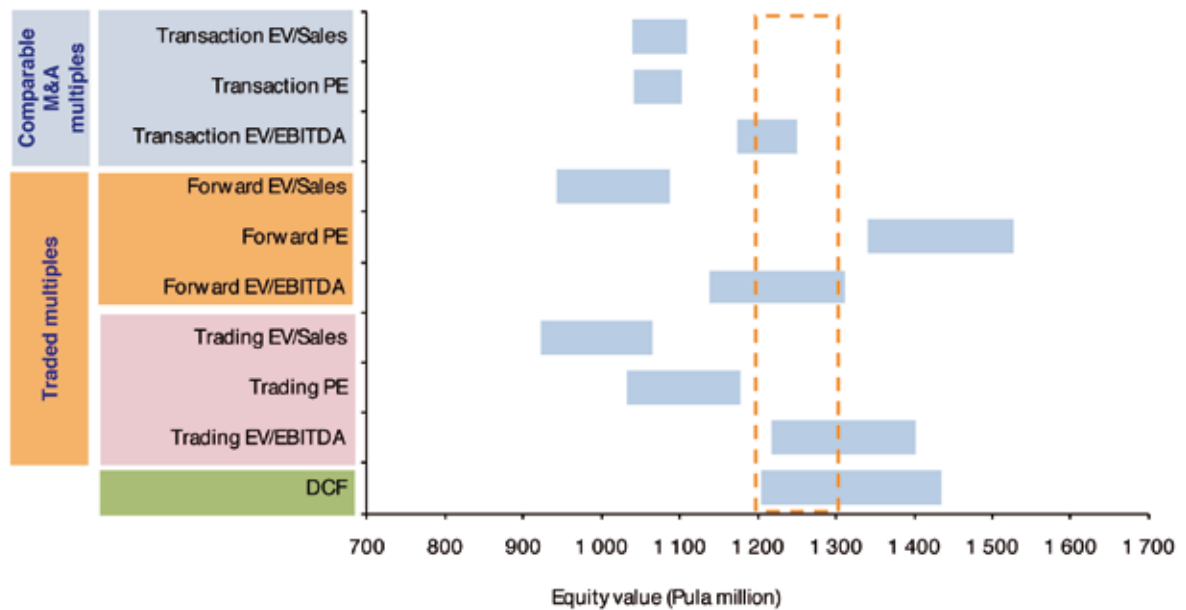
- The future cash flow generating ability of the business;
- The value of a skilled and trained established work force in place;
- The value of the existing strong customer relationships;
- The 'Choppies' brand equity;
- The value attributable to existing favourable supply contracts;
- The value of synergies arising out of the acquisitions;
- Premium store locations in place, and under negotiation; and
- Internally generated systems and supply chain methodologies.

All of these assets do not appear on the balance sheet and are subsumed within goodwill, being the surplus of the purchase price over fixed assets.

The detailed workings are explained in Part D paragraph 40.

30.2 Summary of indicative valuation of the Group

Summary of valuation results of the Choppies Group (Equity value Pula millions)



Set out above is a summary of the valuation. Various methods have been used in pricing the Choppies Group. We have primarily focussed on the Discounted Cash Flow (DCF) valuation, and have considered market multiple valuations as a supporting methodology.

As a result of FY2010 losses incurred by the South African operations, the current trading and transaction (M&A) PE ratios undervalue the business, and we have therefore specifically concentrated on the EV/EBITDA multiples. This multiple further eliminates effects of financial leverage and significant depreciation costs incurred by companies who are expanding and investing significant amounts in fixed assets. This enables us to value the Choppies Group appropriately given its expected growth in the South Africa market.

Further to taking PE and EV/EBITDA multiples, we the trading and transaction EV/Sales multiples were also considered. EV/Sales multiples were only considered as a supportive technique due to the variability in revenue lines of peer companies. Using EV/Sales would also undervalue the Choppies Group as the Group currently has higher EBITDA margins than its peer companies.

The DCF valuation range concluded is between Pula 1.2 billion and Pula 1.43 billion as at 30 June 2011.

Reading together the analysis and interpretation of the EV/EBITDA multiple valuation range, the estimated the value of the Choppies Group is between Pula 1.2 million and Pula 1.3 million.

The valuation of the company used for the Listing was P1.2 billion which is at the lower end of the above range. The raising of additional capital through a cash injection, and a new share issue to the value of P150 million, raises the valuation to P1.35bn on Listing.

30.3 Overview of Discounted Cash Flow methodology

The premise behind the Discounted Cash Flow ("DCF") methodology is that value is future oriented and accordingly the theoretically correct manner to assess value is to consider the future earnings potential.

Under a DCF approach, forecast cash flows are discounted back to the present date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

The rate at which the future cash flows are discounted ("the discount rate") should reflect not only the time value of money, but also the risk associated with the business' future operations. The discount rate most generally employed is the Weighted Average Cost of Capital ("WACC"), reflecting an optimal or target as opposed to actual financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business.

In calculating the terminal value, regard must be had to the business' potential for further growth

beyond the explicit forecast period. The “constant growth model”, which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity, is a common method.

30.4 Overview of Earnings Multiples methodologies

Earnings based approach estimates a sustainable level of future earnings for a business (“maintainable earnings”) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”), Earnings before Interest and Tax (“EBIT”) and Profit after Tax (“PAT”).

In considering the maintainable earnings of the respective businesses, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance of these businesses, particularly when significant changes occur in the operating environment.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

30.5 Valuation methodologies utilised in valuation of the Group

The valuation of the Group for the purpose of determining the Offer Price, and for the purpose of the Restructuring, was based on DCF valuations for Choppies Enterprises (Pty) Limited, Choppies Supermarkets South Africa (Pty) Limited, as well as the subsidiary companies where minority acquisitions were effected. Comparable PAT multiples were considered as a reasonableness test.

Sarfrosh Holdings (Pty) Limited and ILO Industries (Pty) Limited were valued using the maintainable earnings multiples methodology based on the implied enterprise value to earnings before Interest, Tax and Depreciation (EV/EBITDA) multiple of Choppies. The reason for this is that forecasts were not available for these two companies and the operational prospects were broadly in line with that of the Group.

31. ANALYSIS OF FORECASTS AND CONSIDERATION OF ASSUMPTIONS

In preparing the valuation for the purposes of determining the Offer Price, as well as for the Restructuring, the historical performance of the companies that form part of the post-restructured Group were analysed. This was then compared to the expectations of management in terms of the business and its expansion going forward in order to ensure reasonable forecasts were prepared.

The basis for the forecasts, which drove the valuation, are noted below.

31.1 Botswana

Income statement forecast

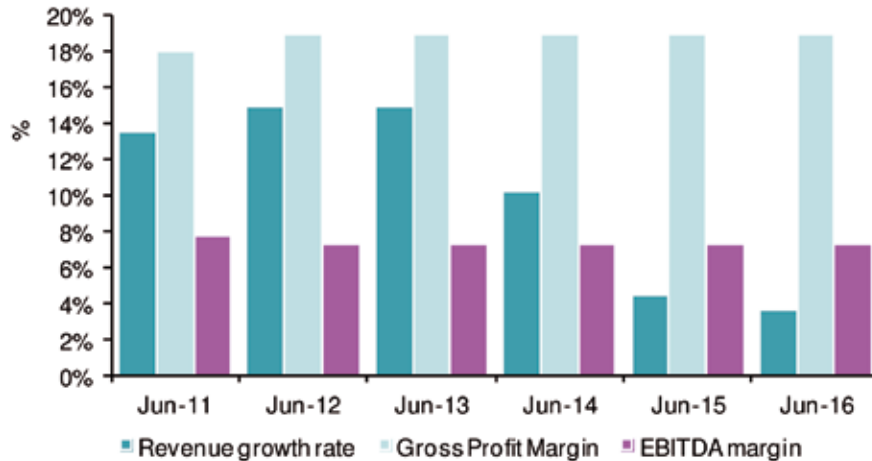
Pula millions Financial periods ending	Jun 09 actual	Jun 10 actual	Jun 11 forecast	Jun 12 estimate	Jun 13 estimate	Jun 14 estimate	Jun 15 estimate	Jun 16 estimate
Revenue	1 918.7	2 142.1	2 431.3	2 796.0	3 215.4	3 545.1	3 705.2	3 841.4
Revenue growth rate	–	11.6%	13.5%	15.0%	15.0%	10.3%	4.5%	3.7%
Cost of sales	(1 579.9)	(1 752.3)	(1 992.1)	(2 264.7)	(2 604.4)	(2 871.5)	(3 001.2)	(3 111.5)
Gross profit	338.8	389.8	439.1	531.2	610.9	673.6	704.0	729.9
Gross profit margin	17.7%	18.2%	18.1%	19.0%	19.0%	19.0%	19.0%	19.0%
Other income	1.7	8.8	5.0	6.0	6.0	6.0	6.0	6.0
Administration expenses	(163.2)	(193.9)	218.6)	(279.6)	(321.5)	(354.5)	(370.5)	(384.1)
Selling and administration expenses	(12.1)	(14.6)	(13.7)	(16.8)	(19.3)	(21.3)	(22.2)	(23.0)
Other operating expenses	(25.4)	(25.9)	(21.9)	(36.3)	(41.8)	(46.1)	(48.2)	(49.9)
EBITDA	139.8	164.2	190.1	204.5	234.3	257.7	269.1	287.7
EBIDTA margin	7.3%	7.7%	7.8%	7.3%	7.3%	7.3%	7.3%	7.3%
Depreciation	(25.0)	(32.9)	(36.4)	(45.7)	(56.8)	(56.9)	(56.9)	(56.9)
Net finance charges	(9.3)	(10.3)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)
Profit before Tax	105.4	121.1	142.7	147.8	166.5	189.8	201.2	210.9
Tax	(28.6)	(36.0)	(40.1)	(37.0)	(41.6)	(47.5)	(50.3)	(52.7)
Net profit	76.8	85.1	102.6	110.9	124.9	142.4	150.9	158.2
Net profit margin	4.0%	4.0%	4.2%	4.0%	3.9%	4.0%	4.1%	4.1%

Over the year ending 30 June 2010, the revenue growth in the Botswana operations of Choppies was 11.6%. In 2010, The Botswana operations of the Group achieved a gross profit margin of 18.2%.

In the Botswana operations of Choppies, improved margins were driven by the promotion of in-house brands, which currently constitute 12% of sales, and the expansion of convenience foods, butchery, bakery and bakery offerings which all offer higher margins.

Over the year ending 30 June 2010, the Botswana operations of the Group exhibited EBITDA margins of 7.7%,

Forecast growth Botswana



Going forward, the Botswana operations of Choppies are expected to improve both in terms of margins and revenue. Choppies have found, historically, that stores in rural areas have proven very popular in Botswana. This strategy has enabled Choppies to compete with wholesalers in Botswana through the supply of needed products to customer at a convenience, as the locations of stores provide easy access. Choppies therefore intend to continue to introduce stores in rural areas of Botswana. The Botswana operation of Choppies intends on improving their market share in the industry, which stood at over 30% when the valuation analysis was done.

Growth in revenue will also be supported by the improvements in the product mix and the enhancement of existing product ranges. In the Botswana operations of the Group, these improvements have been driven by the promotion of in-house brands, which currently constitute 12% of sales, and the expansion of convenience foods, butchery, bakery and bakery offerings. Going forward, Choppies expect these offerings to constitute a higher share of revenue generation and this will therefore drive improvements in margins in the Botswana operations of the Group.

Operating expenditure, which includes the line items "administrative expenses", "selling and distribution expenses" as well as "other operating expenses", is forecasted as a function of revenue.

The continued investment in governance procedures, higher IT costs and the generally increased administrative burden associated with a public company are expected to result in a slight decline in EBITDA margins in the Botswana operations of the Group.

31.2 South Africa

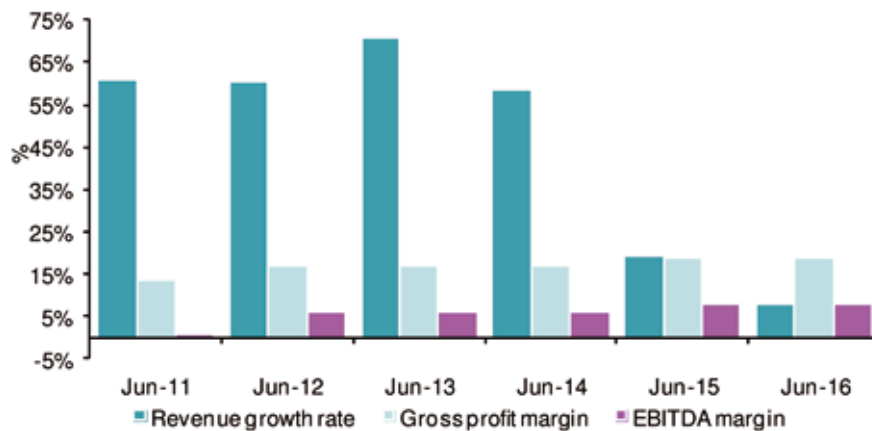
Income statement forecast

Rands millions Financial periods ending	Jun 09 actual	Jun 10 actual	Jun 11 forecast	Jun 12 forecast	Jun 13 forecast	Jun 14 forecast	Jun 15 forecast	Jun 16 forecast
Revenue	872	2473	3975	6375	1 008.8	1 726.2	2 057.6	2 224.4
Revenue growth rate	–	183.5%	60.8%	60.4%	70.8%	58.5%	19.2%	8.1%
Cost of sales	(75.8)	(214.8)	(344.1)	(529.1)	(903.7)	(1 432.8)	(1 666.7)	(1 801.8)
Gross profit	11.4	32.5	53.4	108.4	185.1	293.5	390.9	422.6
Gross profit margin	13.1%	13.1%	13.4%	17.0%	17.0%	17.0%	19.0%	19.0%
Other income	1.7	0.7	1.8	1.8	1.8	1.8	1.8	1.8
Administration expenses	(13.4)	(33.6)	(46.0)	(60.6)	(103.4)	(164.0)	(195.5)	(211.3)
Selling and administration expenses	(0.5)	(3.4)	(3.8)	(5.7)	(8.7)	(13.8)	(14.4)	(15.6)
Other operating expenses	(0.6)	(1.7)	(2.2)	(4.5)	(7.6)	(13.8)	(16.5)	(22.2)
EBITDA	(1.4)	(5.5)	3.2	39.4	67.1	103.6	166.4	175.3
EBITDA margin	(1.6)%	(2.2)%	0.8%	6.2%	6.2%	6.0%	8.1%	7.9%
Depreciation	(3.5)	(8.7)	(11.7)	(23.5)	(35.8)	(50.0)	(52.7)	(52.7)
Net finance charges	(0.7)	(1.9)	(2.3)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)
Profit before Tax	(5.7)	(16.1)	(10.8)	12.3	27.7	50.0	110.1	119.0
Tax	1.9	4.5	2.7	(3.7)	(8.3)	(15.0)	(33.0)	(35.7)
Net profit	(3.8)	(11.6)	(8.1)	8.6	19.4	35.0	77.1	83.3
Net profit margin	(4.3)%	(4.7)%	(2.0)%	1.4%	1.8%	2.0%	3.7%	3.7%

Over the year ending 30 June 2010, the revenue growth of the South African operations of the Group was 183.5%, Gross profit margins were 13.1% and exhibited EBITDA margins of negative 2.2%.

Negative EBITDA margins were largely due to the lack of a centralised distribution centre in South Africa. This meant that logistical costs to the South African operations were high historically, which created significant pressure on the operating margins.

Forecast growth South Africa



In South Africa, from 30 June 2010 onwards, Choppies intends on expanding their footprint significantly by opening more stores.

In South Africa, margins have been expected to improve which will be driven by increases in economies of scale as the number of stores grows and a subsequent improvement in the purchasing power with suppliers which will result in more favourable trade agreements.

The EBITDA margins in South Africa will improve with the opening of the 10 000 m² Distribution Centre in Rustenberg. By establishing a centralised distribution centre, the Group will then begin to achieve the benefits of economies of scale and efficiency in the South African market.

Operating expenditure, which includes the line items “Administrative expenses”, “Selling and Distribution expenses” as well as “Other operating expenses”, was calculated based on the view that the cost structure in Botswana can be replicated in South Africa.

The expectation is that the South African operations will become profitable by the year ending 30 June 2012.

32. VALUATION CONSIDERATIONS

Using the financials noted above, free cash flows were calculated for Botswana and South Africa by adjusting EBITDA for changes in working capital, proceeds on disposal of assets, cash taxes and capital expenditures.

These free cash flows were then discounted at the Weighted Average Cost of Capital (WACC) to arrive at present values for the future cash flows.

The WACC used for the South African operations was 17.13%, and the WACC used for Botswana was 15.22%. Whilst the after tax cost of debt for South Africa was lower than for Botswana, South Africa received a higher risk premium based on the risk profile of the operations. This resulted in a higher WACC applied to the cash flows, thereby discounting the cash flows at a higher rate.

The sum of the discounted cash flows results in a calculation for the enterprise values. The enterprise values were then adjusted for debt, excess cash, investments and minority interests to arrive at an equity value for Choppies Enterprises (Pty) Limited (representing the Botswana operations of the Group) and Choppies Supermarkets SA (Pty) Limited (representing the South African operations of the Group).

These equity values were then adjusted for the following factors:

- A minority discount of 25% was applied to the all the equity values calculated (including the minority acquisitions, Sarfrosh Holdings (Pty) Limited and ILO Industries (Pty) Limited). The reason for this is that a value for the individual listed share was the objective of the exercise, and therefore a minority valuation needed to be determined.
- In order to make the pricing conservative, a listing discount of 10% was applied to all the equity values after the minority discount adjustment.

Having done the above, we calculated a value for Choppies Enterprises (Pty) Limited of P930.1 billion, and a value of P266.8 billion for Choppies Supermarkets SA (Pty) Limited.

PART C: DIRECTORS

33. DIRECTORS AND KEY MANAGEMENT

All of the Directors referred to in this section ((Part C) paragraphs 33.1 and 33.2) have submitted completed Director's declarations in compliance with Section 7.B.17 of the BSE Listings Requirements. Details of other companies of which the Directors are directors, and the nature of the business of those companies, are contained in Annexure 17.

The names, ages, business address, qualifications, occupations, nationalities and brief *Curriculum vitae* of the Directors of Choppies Enterprises are set out below:

33.1 Non-executive Directors of Choppies

Director	Residential address	Independent
Excellency, the former President of Botswana Festus Gontebanye Mogae (72) Chairman Motswana Date of appointment: 20 October 2004	Plot 55061 – 55068 Phakalane Golf Estate	
Timothy Gordon Marsland (45) British Date of appointment: 11 December 2007	53 Matheo Apartments Gaborone	
Dorcas Ana Kgosietsile (52) Motswana Date of appointment: 2 November 2011	Plot 1046 Sefoke Tlokweng	✓
Robin Stenhouse Tilney (70) British Date of appointment: 2 November 2011	Plot 427 Extension 4 Gaborone	✓

The Excellency F G Mogae

The Excellency, former President of Botswana F G Mogae served as Permanent Secretary in the Ministry of Finance and Development Planning, as alternate and executive director of the IMF, for Anglophone Africa in the 1970s. He was governor of the Bank of Botswana from 1980 to 1981. He was appointed Minister of Finance and Development Planning in 1989, and elected Vice President of Botswana in 1992. He was elected President of Republic of Botswana in 1998, and served the Nation in this position until 2008. The Excellency is currently Special Envoy of the United Nations for HIV/AIDS and Good Governance in Africa, and was awarded the 2008 Mo Ibrahim Prize for Achievement in African Leadership.

Dorcas Kgosietsile, a BA in Accounts Statistics and Economics with an MSc in Management, after two years as Assistant Auditor in the Auditor General's Office, joined the Botswana Development Corporation in 1983, and rose through the ranks to become Manager of the Industrial Division monitoring and directing investments in excess of P 300 million in over 40 manufacturing companies. After time spent as a regional trade and business development consultant, and service as a director on the Boards of National Development Bank, Public Procurement and Asset Disposal Board, First National Bank Botswana, and Botswana Insurance Holdings, Dorcas was appointed Consul General for Botswana in South Africa, and in 2006 the first resident High Commissioner for Botswana to India. She is currently group CEO of FSG Limited.

Timothy Marsland began his career as a journalist, working for the prestigious Johannesburg financial daily Business Day. He moved into the world of fixed income in 1994, attending the Debt and Derivatives School, St Anne's College, Oxford, and held Chief Dealer posts at First National Bank

as well as ABN-Amro South Africa. Since 2003, he has worked in various African countries in the field of finance, and in 2005 set up Bifm Capital with partner Rhys Carr in Botswana. The company is now a leading specialised financial services company.

Robin Tilney began his career as an articled clerk with Casselton Elliot & Co in the United Kingdom. He then joined Deloitte & Touche in Cape Town and soon progressed within the organisation, ultimately to serve as a Partner for Deloitte & Touche in numerous countries including Lesotho, South Africa and Botswana. Presently he is the Senior Partner of R.S Tilney & Co. in Botswana. Robin is a fellow member of The Botswana Institute of Chartered Accountants and the Institute of Chartered Accountants in England and Wales.

33.2 Executive Directors of Choppies

Director	Residential address	Abbreviated <i>curriculum vitae</i>
Farouk Essop Ismail 57 Motswana Executive Deputy Chairman Date of appointment: 7 July 2004	Plot 23175 Phakalane	Farouk was the founder of the Ismail Group of companies, the group now known as Choppies Enterprises. Reference is made to the extended CV in paragraph 22.1
Ramachandran Ottapathu 47 Motswana Chief Executive Officer Date of appointment: 7 July 2004	Plot 523 AKO Mokolodi	A Chartered Accountant Ram began his career at Apollo Tyres Limited ('Apollo'). After 4 years at Apollo, Ram joined the Choppies Group in 1992 where, within a short period of time, assumed the position of Chief Executive Officer. Reference is made to the extended CV in paragraph 22.1

33.3 Directors of the Subsidiaries of Choppies

Details of the Directors of the Subsidiaries appear in Annexure 12.

34. PROVISIONS IN THE CONSTITUTION RELATING TO DIRECTORS

Annexure 14 sets out the relevant provisions of the Constitution regarding:

- the qualification, appointment, terms of office, service contracts, if any, and remuneration of Directors;
- the borrowing powers of Choppies exercisable by the Directors (which powers may be varied by an amendment to the Constitution), in respect of the subsidiaries, the borrowing powers are exercisable by the directors of those companies subject to the same terms;
- the extent of Directors' powers to vote on a proposal, arrangement or contract in which they are materially interested and to vote remuneration to themselves or any member of the Board; and
- retirement of Directors by rotation.

No Director has the power to vote remuneration to themselves. The Remuneration Committee referred to in Part H paragraph 86.4 of this Prospectus has been appointed to assist the Board to implement and maintain an appropriate remuneration strategy.

The borrowing powers of the Company have not been exceeded during the past three years and, save for any of the restrictions set out in the Constitution, there are no other restrictions on the borrowing powers of Choppies. The Constitution can only be varied by special resolution of the Choppies shareholders.

Any Director appointed to fill a casual vacancy or as an additional Director shall only hold office until the next annual general meeting of the Company, at which they will retire and become available for re-election.

All Directors are subject to retirement by rotation and re-election by the Shareholders at least every three years.

No service agreements or contracts in relation to royalties, secretarial fees or technical fees are in place for the Directors.

No provision is made for restraint of trade payments or retrenchment packages. There is no requirement for Directors to retire after a prescribed age. Non-executive Directors do not have any service contracts with the Company.

35. AGGREGATE REMUNERATION AND BENEFITS TO DIRECTORS

The total aggregate remuneration and benefits paid by Choppies and any of its subsidiaries to the Directors for the year ended 30 June 2011 are set out below:

35.1 Executive Directors

Director	Salaries and Bonus BWP'000	Fees BWP'000	Benefits and bonuses BWP'000	Total BWP'000
Farouk Essop Ismail	5 057	–	628	5 685
Ramachandran Ottapathu	5 057	–	297	5 354

35.2 Non-executive Directors

Director	Salaries and Bonus BWP'000	Fees BWP'000	Benefits and bonuses BWP'000	Total BWP'000
Excellency, the former president of Botswana Festus Gontebanye Mogae	–	529	–	529
Timothy Gordon Marsland	–	NIL	–	NIL

None of the new Directors appointed on Listing have received any salaries, fees, bonuses, benefits or other remuneration from Choppies Enterprises for the year ended 30 June 2011.

Save for the fees disclosed in this Prospectus, no other fees have been paid to executive or non-executive Directors in respect of bonuses and performance-related payments, expense allowances, commission, gain or profit-sharing arrangements.

No fees have been paid, accrued or are proposed to be paid by Choppies to any third party *in lieu* of Directors' fees.

There will be no variation in the remuneration receivable by any of the Directors as a direct consequence of the Listing.

Choppies will not be managed by any third party under any contract or arrangement.

36. DIRECTORS' INTERESTS

As at the Last Practicable Date, the Directors held the following direct and indirect beneficial interests in the Shares of Choppies:

Director	Direct beneficial interest (Shares)	Indirect beneficial Interest (Shares)	Total (Shares)	Percentage of stated capital
Ramachandran Ottapathu	488 912 658	–	488 912 658	46.84%
Farouk Essop Ismail	488 912 658	–	488 912 658	46.84%
Excellency, the former President of Botswana, Festus Gontebanye Mogae	40 000 000	–	40 000 000	3.83%
Total	1 017 825 316	–	1 017 825 316	97.51%

As at the Last Practicable Date, no associate of any of the Directors has any direct or indirect beneficial interest in Shares.

Other than the Restructuring, or as otherwise disclosed in Annexure 10 to this Prospectus (Related Party Contracts), none of the Directors or their associates has or has had:

- any material interest, direct or indirect, in any transaction entered into by Choppies during the current or immediately preceding financial year or in any earlier period, that remains in any respect outstanding or unperformed;
- any material beneficial interest, direct or indirect, in the promotion of Choppies or in any property acquired during the three years preceding the date of this Prospectus; and
- no sums have been paid to or agreed to be paid to any of the Directors or to any associate of any Directors to induce him to become a director of Choppies or otherwise for services rendered by him to Choppies, other than disclosed herein.

As illustrated above, certain of the Directors have beneficial interests in the Shares of Choppies. These directors had shareholdings in the shares of the subsidiaries now part of the Choppies Group. These Directors thus have an interest in the acquisition of the subsidiaries by Choppies in terms of the Restructuring.

As further explained in paragraph 46, the shareholding of the Selling Shareholders will be reduced by the total quantum of the Sale Shares in equal proportions, which will result in them each holding 401 956 136 Shares.

PART D: FINANCIAL INFORMATION

37. PRO FORMA PROFIT HISTORY AND PROFIT FORECAST

The table below sets out the *pro forma* profit history, adjusted to take into account the **retrospective** effects of the Restructuring for the two years ended 30 June 2011, the supporting Reporting Accountants' report can be found in Annexure 5. The forecast results for the year ending 30 June 2012 have been prepared by the Directors in accordance with the Company's accounting policies. The assumptions used to compile the forecast and the Reporting Accountants' opinion on the reasonableness of these is included in Annexure 6.

For the year ended 30 June BWP'000 000	2010 Restated	2011 Restated	2012 Forecast
Revenue	2 308.1	2 816.8	3 422.8
Cost of sales	(1 895.9)	(2 317.4)	(2 783.9)
Gross profit	412.2	499.4	638.9
Other income	8.1	5.1	7.8
Operating income	420.3	504.5	646.7
Expenditure	(306.2)	(369.6)	(474.2)
Administrative expenses	(221.7)	(272.1)	(339.2)
Selling and distribution expenses	(17.5)	(21.5)	(22.0)
Other operating expenses	(67.0)	(76.0)	(113.0)
Operating profit before interest	114.1	134.9	172.5
Interest paid	(13.6)	(13.6)	(15.3)
Interest received	1.6	3.3	–
Profit before taxation	102.1	124.6	157.2
Taxation	(31.1)	(38.4)	(35.4)
Profit after taxation	71.0	86.2	121.8

Summarised profit history and forecast by country

The tables below present revenue and profit before and after tax by country for the Company:

Botswana

For the year ended 30 June BWP'000 000	2010 Restated	2011 Restated	2012 Forecast
Revenue	2 088.2	2 413.5	2 852.7
Gross profit	362.1	435.8	542.0
EBITDA	139.7	178.0	208.5
Profit before taxation	97.0	132.3	146.6
Profit after taxation	61.9	93.9	114.4
Gross profit margin	17.3%	18.1%	19.0%
EBITDA margin	6.7%	7.4%	7.3%

South Africa

For the year ended 30 June BWP'000 000	2010 Restated	2011 Restated	2012 Forecast
Revenue	219.9	403.3	570.1
Gross profit	50.1	63.6	96.9
EBITDA	14.6	6.1	35.4
(Loss)/Profit before taxation	5.1	(7.7)	10.6
(Loss)/Profit after taxation	9.1	(7.7)	7.4
Gross profit margin	22.7%	15.8%	17.0%
EBITDA margin	6.6%	1.5%	6.2%

38. MANAGEMENT'S COMMENTARY ON FINANCIAL RESULTS AND FORECAST

Below is management's commentary in relation to past performance and the profit forecast.

38.1 Revenue

Based on the restated and forecast financials noted in paragraph 37, revenue is forecast to grow 21.6% in 2012 (2011: 22%). Revenue growth in Botswana which is forecast at 18.1% (2011: 15.6%) is attributable to like-for-like revenue growth of 7.9% (2011: 9.1%) and a growth in trading space as a result of the opening of eight new stores during the 2012 financial year, which will expand the number of stores to 56 in Botswana. These eight new stores, which will all be leased, are planned for Francistown, Tutume, Tonota, Shoshong, Molepoloe and several located in Gaborone. The cost of the store roll out in Botswana is forecast to be BWP75.5 million. These stores will assist Choppies attract a higher percentage market share as they increase their footprint.

Revenue is set to grow 41.3% in South Africa to ZAR582.9 (BWP570) million as a result of the store expansion from nine to 16 stores by the end of the 2012 financial year. Like-for-like growth is forecast at 9.4% (2011: 34.7%). The expansion of seven new stores is a continuation of the Group's strategy to focus on smaller rural centres close to the groups existing supply routes. The new stores, which will all be leased, are expected to be located in Lephallale, Makhado, Marikana, Parys, Delareyville, Hartswater, Musina and Boshhoek, and will require an investment of ZAR62 million to fit.

38.2 Gross profit

Gross profit margins in Botswana are forecast to expand from 18.1% to 19.0% which approximates the margins achieved by publicly quoted peer companies. In Botswana this margin expansion is as a result of the continued strategy of promoting in-house brands, which currently constitute 12% of sales, and the expansion of convenience foods, butchery, bakery and bakery offerings which offer higher margins. These products currently constitute only 3.5% of sales.

Gross profit margins are expected to grow significantly in South Africa as the company begins to reap the benefit of economies of scale, and the opening of a 10 000 m² centralised Distribution Centre in Rustenburg during the current financial year.

38.3 EBITDA margins

The continued enhancement of EBITDA margins in Botswana are not expected to translate into a further enhancement of EBITDA margins. The continued investment in governance procedures, higher IT costs (due to the new real-time ERP system) and the generally increased administrative burden associated with a public company are expected to result in a decline in margins from 7.4% to 7.3%. In aggregate the EBITDA margins for the Group will increase from 6.5% to 7.1%. The South African business will turn a profit for the first time with an expected EBITDA margin of 6.1%.

39. PROFIT HISTORY

The table below sets out the **audited** profit history of the Company for the four years ended 30 June 2011, the details of which can be found in Annexures 2, 3 and 4. The Reporting Accountants report can be found in Annexure 1.

For the year ended 30 June BWP'000 000	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Revenue	1 388.8	1 918.7	2 142.2	2 435.5
Cost of sales	(1 173.7)	(1 579.9)	(1 752.3)	(1 988.8)
Gross profit	215.1	338.8	389.8	446.7
Other income	2.8	1.7	8.8	4.3
Fair value adjustment				
Operating income	217.9	340.5	398.6	451.0
Expenditure	158.1	225.8	267.2	300.8
Administrative expenses	116.3	163.2	193.9	223.2
Selling and distribution expenses	9.6	12.1	14.6	16.1
Other operating expenses	32.2	50.5	58.7	61.5
Operating profit before interest	59.8	114.7	131.4	150.2
Interest paid	(10.7)	(9.6)	(11.4)	(11.7)
Interest received	–	0.3	1.1	3.0
Profit before taxation	49.1	105.4	121.1	141.5
Taxation	(10.1)	(28.6)	(36.0)	(38.4)
Profit for the year ended from continuing operations	39.0	76.8	85.1	103.1
Profit for the year ended from discontinued operations	–	–	–	21.0
Profit and total comprehensive income for the year	39.0	76.8	85.1	124.1

40. **PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION ILLUSTRATING THE IMPACT OF LISTING** [BSE 7.E.7.b]

The *pro forma* combined statement of financial position, as set out overleaf, for the Company as at 1 July 2011 is the responsibility of the Directors of Choppies, is for illustrative purposes only and is prepared for the purpose of illustrating the effect of the Listing on the Group as if the Listing had taken place on 1 July 2011.

The *pro forma* statement of financial position should be read in conjunction with the independent reporting accountants' report thereon, as set out in Annexure 5. Due to the nature of the *pro forma* information it may not fairly present the Applicant's financial position, changes in equity, and results of operations or cash flows.

Pro forma Statement of Financial Position BWP'000 000	30 June 2011	1 July 2011
ASSETS		
Non-current assets	525.6	525.6
Property, plant and equipment	224.4	224.4
Goodwill	301.2	301.2
Current assets	298.1	407.3
Inventories	169.9	169.9
Investments	21.5	21.5
Advances and deposits	19.8	19.8
Trade and other receivables	29.5	29.5
Amounts due from related entities	26.1	26.1
Amounts due from shareholders	1.2	–
Cash and cash equivalents	30.1	140.5
Total assets	823.7	932.9

Pro forma Statement of Financial Position
BWP'000 000**30 June 2011****1 July 2011****EQUITY AND LIABILITIES****Equity**

	364.4	506.8
Stated capital	283.4	425.8
Retained earnings	81.0	81.0
Non-controlling interest	–	–
Fair value reserves	–	–

Non-current liabilities

	99.1	99.1
Long-term borrowings	86.1	86.1
Deferred taxation	0.5	0.5
Long-term operating lease liabilities	12.5	12.5

Current liabilities

	360.2	327.0
Trade and other payables	246.6	246.6
Amounts due to shareholders	33.2	–
Amounts due to related entities	5.9	5.9
Taxation payable	12.6	12.6
Current portion of deferred lease liabilities	2.9	2.9
Current portion of long-term borrowings	36.7	36.7
Bank overdraft	22.3	22.3

Total equity and liabilities**823.7****932.9**

Goodwill consists of the difference between the cost of the acquisition (being the purchase price) and the fair value of the net identifiable assets acquired. Goodwill is therefore the residual value left in a business after the value of other tangible and intangible assets has been calculated.

In the case of Choppies Supermarkets SA (Pty) Limited the valuation of the business incorporates the significant investment in nine stores furniture and fixtures, three owned store properties (valued in excess of P30 million) and an investment to date in excess of P100 million and specifically the prospects of the business which were taken into account when valued. Annexure 19 sets out our valuation methodology.

The goodwill of P301.3 million can further be analysed as follows:

Goodwill reconciliation

Purchase consideration for Choppies Supermarkets SA (Pty) Limited acquired on 30 June 2011	266 686 757
Net (assets)/liabilities	568 190
Goodwill on acquisition of Choppies Supermarkets SA (Pty) Limited	267 254 947
Purchase consideration for Sarfrosh Holdings (Pty) Limited acquired on 30 June 2011	16 331 720
Net (assets)/liabilities	(1 488 921)
Goodwill on acquisition of Sarfrosh Holdings (Pty) Limited	14 842 799
Goodwill relating to various acquisitions prior to 30 June 2010	19 141 463
Goodwill as at 30 June 2011	301 239 209

Further details of acquisitions can be found in the financial statements in Annexures 2, 3 and 4.

The *pro forma* Statement of Financial Position as at 1 July 2011 has been adjusted to illustrate the effect of the listing, namely:

- the addition to stated capital as a result of new shares issued; and
- the net effect on cash after listing expenses, set off against stated capital, and the repayment of outstanding shareholders loans.

41. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The latest audited financial statements are set out in Annexure 2.

42. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Choppies and its subsidiaries which has occurred between 30 June 2011 and the Last Practicable Date.

PART E: INCORPORATION HISTORY OF CHOPPIES ENTERPRISES AND STATED CAPITAL

43. HISTORY OF THE COMPANY SINCE INCORPORATION

The table below sets out all changes in Choppies stated capital since the date of its incorporation in January 2004.

Date	Stated capital BWP	Total shares in issue	Issue price per share	Description of change [including class of shares]
21 January 2004	100	100		Incorporation of Choppies Enterprises (Proprietary) Limited
30 June 2010	100	2 000		1 900 new shares issued
30 June 2011	100	800 000 000		400 000 for 1 share split
30 June 2011	25 515 503	821 947 486	1.16	Issue of 21 947 486 new shares for BWP 25 515 403 for minority acquisitions (see paragraph 30)
30 June 2011	292 202 260	1 051 342 316	1.16	Issue of 229 394 830 new shares for BWP 266 686 757 for the purchase of Choppies Supermarkets South Africa (Proprietary) Limited
30 June 2011	308 533 980	1 065 390 304	1.16	Issue of 14 047 988 new shares for BWP 16 331 720 for the purchase of Sarfrosh Holdings (Proprietary) Limited
30 June 2011	283 402 196	1 043 772 802	1.16	Share net off of 21 617 502 for BWP 25 131 784 for the disposal of ILO Industries (Proprietary) Limited
2 November 2011	425 800 000	1 174 207 583	–	Increase of stated capital to create the Subscription Shares.

Values relating to disposals and acquisitions were determined after independent valuation and on an arm's length basis, through a process of negotiation. Detailed descriptions of the changes in Choppies Enterprises' share capital in the three years preceding the date of issue of this Prospectus are provided below.

Five percent of the issued share capital after allotment and issue thereof have been earmarked for an employee share incentive scheme. The terms of the scheme which are, yet to be finalised will be subject to the BSE Listing Requirements and subject to approval by shareholders by ordinary resolution in a general meeting of the company.

See Annexure 11 for details relating to the issue of new shares and the share net off on 30 June 2011.

43.1 Capitalisation of shareholder loans

There were loans due to shareholders as at 30 June 2011 in an amount of approximately P33 million representing profit declared as dividend in respect of the trading of the group up to 30 June 2011 to take advantage of the set off then available of withholding tax paid against additional company tax. The loans are to be repaid from the proceeds of the Offer, and thus there has been no capitalisation of shareholder loans.

43.2 Shares to be sold by the Selling Shareholders

Details of the Shares to be sold by the Selling Shareholders in the Offer are set out in the table below:

Shareholder	Number of shares to be sold in the Private Placing	Number of shares to be sold in the Public Offer	Total number of shares to be sold
Ramachandran Ottapathu	74 534 162	12 422 360	86 956 522
Farouk Essop Ismail	74 534 161	12 422 361	86 956 522
Total	149 068 323	24 844 721	173 913 044

The sale of Shares by the Selling Shareholders is conditional on the Listing of Choppies Enterprises.

44. STATED CAPITAL AT THE LAST PRACTICABLE DATE

Stated capital as at the Last Practicable Date is BWP 283.4 million.

All the issued Shares of Choppies are of one class.

45. STATED CAPITAL IMMEDIATELY AFTER LISTING

The stated capital expected immediately after Listing is BWP 425.8 million.

This is based on the assumption that the Subscription Shares are issued and allotted.

46. INFORMATION ON SHAREHOLDING

Details of shareholding in Choppies, after the Restructuring as at the Last Practicable Date are:

Shareholder	Number of shares	Percentage of Choppies shares held
Ramachandran Ottapathu	488 912 658	46.84%
Farouk Essop Ismail	488 912 658	46.84%
The Excellency Festus G Mogae	40 000 000	3.84%
The Minorities	25 947 485	2.48%
Total	1 043 772 801	100%

There has been no change in controlling shareholder of Choppies or change in trading objectives of Choppies and its subsidiaries in the previous five years.

Details of anticipated shareholding in Choppies after the listing:

Shareholder	Number of shares	Percentage of Choppies shares held
Ramachandran Ottapathu	401 956 136	34.2%
Farouk Essop Ismail	401 956 136	34.2%
The Excellency Festus G Mogae	40 000 000	3.4%
The Minorities	25 947 485	2.2%
The Placees	260 869 565	22.2%
The general public	43 478 261	3.7%
Total	1 174 207 583	100%

Five percent of the issued capital after allotment thereof has been earmarked for an employee share incentive scheme.

47. LOCK-IN AGREEMENT

The Selling Shareholders have agreed in writing to a “lock-in” effective from the Listing Date. In terms of this arrangement these Shareholders commit not to sell any of their remaining Shares prior to 30 June 2013. A copy of the agreement is available for inspection at the offices of the Legal Advisors.

48. RIGHTS ATTACHING TO SHARES

The shares the subject of the Offer are no par value ordinary shares and are of the same class and rank equally and *pari passu* in all respects with the Shares in issue as at 1 August 2011. Ordinary shares in the Company are entitled to;

- (i) share equally in any dividend distributed;
- (ii) one vote on a show of hands, and one vote for each share held, on a poll.

Rights of Shares of a class can be changed only by resolution approved by 75% of the holders of Shares in that class.

49. OPTIONS AND PREFERENTIAL RIGHTS

There is no contract or arrangement existing or proposed whereby an option or preferential right was or is proposed to be given to any person to subscribe for shares in Choppies or its subsidiaries.

Preference shares in retail store operating subsidiaries have been issued to managers as part of their employment conditions, see paragraph 23.

Employees will be entitled to participate in an employee share incentive scheme when it is established, see paragraph 24.

50. ISSUES OR OFFERS OF SECURITIES OF CHOPPIES AND ITS SUBSIDIARIES DURING THE PRECEDING THREE YEARS

There have been no issues or offers of Choppies Shares in the three years preceding the publication of this Prospectus, other than for the acquisition of shares made in the Restructuring, as detailed in Annexure 11.

There have been no issues of shares by the subsidiaries save for the preference shares details of which appear in Annexure 12 and which were not issued for cash, but to allow for participation in profits as set out in paragraph 23 during the three years preceding publication of this Prospectus.

51. OTHER INFORMATION RELATING TO CHOPPIES SHARES

Prior to the Last Practicable Date:

- there have been no offers for subscription or sale of any ordinary shares or other shares of Choppies to the public;
- save as described in the Restructuring, no Shares in Choppies have been issued by the Company other than for cash; and
- the only class of shares in issue by Choppies was ordinary shares and no Shares of the Company have previously been listed on any stock exchange.

The existing Shareholders have passed an ordinary resolution placing the issuance of ordinary shares in the stated capital in Choppies under the control of the Directors in terms of which such Directors have the general authority to allot and issue such shares for cash or to acquire a business or a company which owns a business. This general authority is subject to the Companies Act and Listing Requirements and shall be valid only until the next annual general meeting of Choppies.

Similarly, the existing Shareholders have passed a special resolution giving the Company the general authority to repurchase hold and sell its own Shares. This general authority is subject to the Companies Act and BSE Listing Requirements.

PART F: PARTICULARS OF THE OFFER

52. PURPOSE OF THE OFFER AND LISTING

The objectives of the Offer and Listing are to:

- provide an opportunity to the public of Botswana, which has supported Choppies over the years, to share in the growth and profitability of the Group;
- raise capital to fund the Company's growth expansion into Southern Africa, in particular South Africa;
- create a strategic reserve to enable the Group to take advantage of opportunities of acquisition as and when these arise; raise the Company profile and investor awareness of Choppies locally and internationally;
- unlock shareholder value; and
- raise capital to retire shareholder loans.

53. THE OFFER

The Offer comprises the Private Placing and the Public Offer. Both the Private Placing and the Public Offer will be made up of Shares being sold by the Selling Shareholders ("the Sale Shares") as well as the Subscription Shares being issued by the Company.

The Offer is conditional on the Listing of all the issued Shares on the BSE, failing which, the Offer and any acceptance thereof shall not be of any force or effect and no person shall have any claim whatsoever against Choppies or any other person as a result of the failure of any condition.

BSE approval of the Listing is conditional on attainment of a spread of shareholders acceptable to the BSE.

All the Offer Shares will rank *pari passu* in all respects with the existing Choppies Shares.

54. OFFER PRICE

The Offer Price is BWP 1.15 per share.

55. USE OF PROCEEDS

The proceeds of the Offer shall be applied to:

- fund the Group's expansion;
- retire shareholders' loans;
- pay the expenses of the listing.

56. TIME AND DATE OF THE OPENING AND CLOSING OF THE PUBLIC OFFER

The Public Offer opens at 09:00 Wednesday 23 November 2011 and is expected to close at 17:00 Wednesday 11 January 2012.

Applications for participation in the Public Offer will be received up until 17:00 Wednesday 11 January 2012.

Any material changes will be released on the BSE DMR and published in the Botswana press.

57. CONDITIONS PRECEDENT

The Offer is conditional on the Listing of all the issued Shares on the BSE, failing which, the Offer and any acceptance thereof shall not be of any force or effect and no person shall have any claim whatsoever against Choppies or any other person as a result of the failure of any condition.

The Offer and Listing is subject to achieving a free float and spread of shareholders acceptable to the BSE.

58. UNDERWRITING

The Public Offer is underwritten by Kukara Capital (Proprietary) Limited, incorporated in Botswana as a private company (registration number Co. 2011/7349). In terms of this underwriting, any Public Offer Shares not taken up in the Public Offer will be purchased by Kukara Capital (Proprietary) Limited at the Offer Price. Kukara Capital (Proprietary) Limited will receive an underwriting fee of BWP500 000.

The directors of Kukara Capital (Proprietary) Limited are:

- Wayne Osterberg, Australian; and
- Ramachandran Gopi Kumar, Indian.

The registered office of the Underwriter is at: Plot 50371, Fairground Office Park, Gaborone.

The principal place of business of the Underwriter is at: Mokolwane House, Fairground Office Park, Gaborone.

The Underwriter will receive an underwriting fee of BWP500 000.

59. PRIVATE PLACING

Institutional Investors have committed in terms of placing agreements to subscribe for or purchase, as the case may be, the Placing Shares. Details of Placees appear in Annexure 15 . Copies of the Placing Agreements are available for inspection at the registered office of Choppies and the office of the legal advisor.

60. REPRESENTATION

Any person applying for Offer Shares in terms of the Public Offer shall be deemed to have represented to Choppies that such person was in possession of a copy of this Prospectus at that time.

Any person applying for or accepting an offer of Offer Shares on behalf of another shall be deemed to have represented to Choppies that:

- such person is duly authorised to do so;
- such person, and the proposed subscriber or purchaser for whom such person is acting as agent, is duly authorised to do so in accordance with all relevant laws;
- such person guarantees the payment of the Offer Price; and
- a copy of this Prospectus was in the possession of the proposed subscriber or purchaser for whom such person is acting as agent.

61. APPLICATION FOR SHARES

Application for the Public Offer may only be made on the application forms attached to the back of this Prospectus. Application forms which are electronic soft copies made available by the Transfer Secretary, and with a unique reference number, will be accepted for submission. Individuals who are applicants must use the blue application form. Companies or corporate who are applicants must use the green application form. Such applications must be made in accordance with the terms and instructions set out in the application forms.

Notwithstanding that the terminology used in this Prospectus is that of an offer, the applications completed by the Applicants shall constitute an offer to Choppies for the Public Offer Shares, and shall not constitute an acceptance of the Offer contained in this Prospectus by Choppies.

62. PUBLIC OFFER

For the purpose of the Public Offer, copies of this Prospectus may be collected from select Choppies stores and branches of Barclays Bank in Botswana as indicated in Annexure 16 to this Prospectus, and from the offices of the Sponsoring Broker or from the Botswana registered office of the Company.

63. ALLOCATION AND PAYMENT

In the event of an oversubscription of the Public Offer, Choppies Group staff members will receive preference with regard to allocation up to a maximum amount of 5 000 000 shares being reserved for employees. In the event of an oversubscription for the Public Offer, and if Choppies Group employees subscribe for shares in excess of 5 000 000 shares, those surplus applications will be treated on the same basis as all other excess applications.

Other than the preference highlighted above, the basis of allocation of the Public Offer Shares will be determined on an equitable basis by the Directors of Choppies, in their sole discretion, after consultation with the advisors.

In the event of an over-subscription there is no intention (other than the employees of Choppies) to extend a preference on allotment to any particular individual, company or group. The formula for the basis of allocation will be calculated in such a way that that a person will not, in respect of his application, receive an allocation of a lesser number of securities than any other subscriber that applied for the same number or a lesser number of securities.

Applicants may receive no Public Offer Shares or fewer Public Offer Shares than the number for which they applied.

Any dealing in Public Offer Shares prior to delivery of the Public Offer Shares is entirely at the risk of the Applicant.

Results of the Public Offer shall be published no more than six days following the close of the Public Offer, and refund cheques, where applicable, will be sent within seven days after closing of the Public Offer.

64. APPLICABLE LAW

The Offer, applications, allocations and acceptances will be governed exclusively by the laws of Botswana.

Each applicant will be deemed, by applying for Offer Shares, to have consented and submitted to the jurisdiction of the courts of Botswana in relation to all matters arising out of or in connection with the Offer.

65. LISTING OF THE SHARES ON THE BSE

Application has been approved by the BSE for the listing of the entire issued ordinary share capital of Choppies on the Domestic Main Board of the BSE subject to:

- the attainment of a spread of shareholders, acceptable to the BSE, constituting at least 300 shareholders; and
- to a minimum of 20% of the shares being held by the public, as defined by the BSE Listing Requirements.

Upon fulfilment of the above BSE conditions, the Listing is expected to be effective from the commencement of business on 26 January 2012.

66. ISSUE COSTS AND TRANSFER COSTS

Choppies shall bear the costs associated with the allotment and issue of all the Subscription Shares to be allotted and issued pursuant to the Public Offer and the Listing.

The Selling Shareholders shall bear and pay all costs associated with the transfer of all Sale Shares to successful applicants pursuant to the Public Offer.

PART G: ADDITIONAL INFORMATION

67. PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED

Annexure 8 sets out the details of the immovable property owned by the Group, and all other premises utilised by the Group for its business, which are leased. The independent valuers, CBRE, reviewed the leases with related parties and verified that the rentals payable are market related. A copy of the CBRE's report appears as Annexure 7. Consistent with the Group's dedicated focus on the retail business, it is the intention of the Group, over the medium to long term, to dispose of all properties owned by the Group.

68. VENDORS AND PROPERTY, BUSINESS AND SUBSIDIARIES ACQUIRED OR TO BE ACQUIRED

Other than through the Restructuring, no material acquisitions of any securities in or the business undertaking of any other companies or business enterprises or any immovable properties or other properties in the nature of a fixed asset or any option to acquire such property has been made by Choppies or any of its subsidiary companies in the last three years.

Other than through the Restructuring, neither Choppies, nor any of its subsidiary companies, intends to use any of the proceeds of the Offer to acquire any securities in or the business undertaking of any other companies or business enterprises or any immovable properties or other properties in the nature of a fixed asset or any option to acquire such property.

Other than through the Restructuring, no material assets have been purchased or acquired from any vendor by the Applicant or its subsidiaries during the three years preceding publication of this Prospectus.

The Selling Shareholders have not guaranteed any book debts or other assets of the Applicant or its subsidiaries.

The Selling Shareholders as financial partners in the subsidiaries did not undertake any restraint of trade.

The Selling Shareholders were liable for capital gains tax on the sale by them of shares. Where the consideration for shares sold was settled by the issue of shares in Choppies, relief from capital gains tax has been granted by BURS.

The value of the shares in Choppies and the value of the shares in the subsidiary acquired by Choppies were independently valued by KPMG Services (Pty) Ltd.

The names of the directors of Choppies who sold shares are disclosed in Annexure 11. The considerations paid are disclosed in Annexure 11.

69. DISPOSAL OF PROPERTY

Other than the Restructuring, no material business undertaking or business enterprises or any immovable properties or other properties in the nature of a fixed asset has been disposed of by Choppies or any of its subsidiaries during the three years preceding publication of this Prospectus.

70. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

Other than the leases disclosed in Annexure 8, there are no material commitments, lease payments and contingent liabilities.

71. STATEMENTS AS TO ADEQUACY OF CAPITAL

The Directors of Choppies are of the opinion that the issued stated share capital and working capital available to Choppies and its subsidiaries prior to receipt of the Offer proceeds remains sufficient for the foreseeable future.

72. MATERIAL LOANS PAYABLE

Details of the borrowings of the Group, representing loans or asset financing payable, appear in Annexure 9.

73. MATERIAL LOANS RECEIVABLE BY CHOPPIES OR ANY OF ITS SUBSIDIARIES

As at the Last Practicable Date, there were no material loans receivable by Choppies or any of its subsidiaries.

74. LOANS MADE BY CHOPPIES OR ANY OF ITS SUBSIDIARIES TO DIRECTORS

As at the Last Practicable Date other than as disclosed in Annexure 9 and in Audited Financial Statements, there are no loans made or security furnished by Choppies or any of its subsidiaries to or for the benefit of any Director or any associate of any Director of Choppies or its subsidiaries.

75. MATERIAL CONTRACTS OUTSIDE THE ORDINARY COURSE OF BUSINESS

Save for the Agreements in respect of the acquisition of shares in the subsidiaries, the purchase of the South African company and Sarfrosh Holdings (Pty) Ltd and the disposal of ILO Industries (Pty) Ltd in the Restructure, there have been no material contracts made outside of the ordinary cause of business. There are no material contracts made outside the ordinary course of business.

76. RELATED PARTY CONTRACTS

Details of the contracts with companies in which the directors have interests, and the details of the interests as at the Last Practicable Date, appear in Annexure 10. These contracts have been reviewed by an independent law firm, Khan Corporate Law, who have confirmed that the contracts are fair and reasonable to the Company and its shareholders. A copy of Khan Corporate Law's report appears as Annexure 18.

77. LITIGATION STATEMENT

At the Last Practicable Date, Choppies is not involved in any material legal or arbitration proceedings nor are the Directors aware of any such proceedings (including any such proceedings that are pending or threatened) which may have a material effect on the financial position of the Group or may have had, in the 12-month period preceding the Last Practicable Date, a material effect on the financial position of the Group.

78. PRELIMINARY AND LISTING EXPENSES

The estimated cost of the Offer and the Listing and the preliminary expenses incurred in the three years preceding the date of this Prospectus, excluding VAT, are set out below:

Expense	BWP
Auditors and reporting accountants	250 000
Legal advisors and Corporate Law Advisor	1 800 000
Sponsoring Broker	200 000
Printing and publication	187 596
Marketing	300 000
BSE Listing and documentation fees (estimate)	240 000
Lead financial advisor	4 300 000
Co financial Advisor	900 000
Underwriting charges	500 000
Transfer Secretaries	150 000
Sundry costs and disbursements	200 000
Contingency @ 10%	822 759
Estimated total	9 550 355

The estimated expenses will be paid by Choppies and written off against the stated capital account to the extent permissible by the Companies Act, after the Listing.

79. INTERESTS OF DIRECTORS AND PROMOTERS

Save as otherwise disclosed in paragraph 76 above, none of the Directors of Choppies has, or has had:

- any material interest, direct or indirect, in any transaction entered into by the Company during the current or immediately preceding financial year or in any earlier period, that remain in any respect outstanding or unperformed;

- any material beneficial interest, direct or indirect, in the promotion of the Company or in any property acquired during the three years preceding the date of this Prospectus;
- no sums have been paid or agreed to be paid to any of the Directors or to any associate of any Directors to induce him to become a director of Choppies or otherwise for services rendered by him to Choppies, other than disclosed herein.

Likewise, none of the promoters has had any such interest.

80. COMMISSIONS OR AMOUNTS PAYABLE TO PROMOTERS

No commissions or any other amounts were paid to promoters.

81. BROKERS COMMISSION

In addition to the expenses set out in paragraph 78, a commission of 1% of placings or applications directly attributable to the Sponsoring Broker, and a commission of 0,85% on an application attributable to another broker will be paid by the Company.

82. REGISTRATION OF PROSPECTUS

This Prospectus was registered in terms of section 308 of the Companies Act by the Registrar of Companies in Botswana together with underwriting agreement affidavit by directors of the underwriter and the written consents of the advisors set out in paragraph 83 below.

83. CONSENTS

The lead advisors, sponsoring broker, auditors and reporting accountants, independent valuer and the advisors being legal advisors, corporate law advisor, commercial bankers and the transfer secretaries have given and have not, prior to registration of this Prospectus by the Registrar of Companies in Botswana, withdrawn their written consents to the inclusion of their names and, where applicable, reports in the form and context in which they appear.

84. DEMATERIALISATION OF EXISTING CHOPPIES SHARES

Shareholders who hold shares in certificated form are advised that Shares may only be traded in dematerialised form on the BSE. It is advised that the Shareholders who hold Shares in certificated form should dematerialise their holdings through a broker.

85. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Legal Advisor of Choppies in Botswana at any time during business hours on weekdays (official public holidays in Botswana excluded) prior to the Closing Date:

- Constitution;
- annual financial statements for Choppies for the years ended 30 June 2011, 2010 and 2009;
- the independent reporting accountants' reports on the historical financial information of Choppies, the text of which is included in Annexure 1 to this Prospectus;
- the independent reporting accountants' reports on the *pro forma* financial information, the text of which is included in Annexure 5 to this Prospectus;
- the independent reporting accountants' reports on the *pro forma* profit forecast, the text of which is included in Annexure 6 to this Prospectus;
- the written consents referred to in paragraph 83 above;
- the Restructuring Agreements;
- the Related Companies Contracts referred to in Annexure 10;
- this Prospectus;
- the Placing Agreements;
- the Underwriting Agreement; and
- the Lock In Agreement.

PART H: CORPORATE GOVERNANCE

86. CORPORATE GOVERNANCE

The Board is committed to the practice of good corporate governance and intends to apply, insofar as is reasonable in the circumstances, the guidelines of the BSE Code of Corporate Governance, and BSE Listing Requirements and the Companies Act.

Special attention will be given to:

- providing all stakeholders and the financial investment community with clear, concise and timely information about the Company's operations and results;
- ensuring appropriate business and financial risk management;
- ensuring that no employee may deal, directly or indirectly, in Shares on the basis of unpublished price-sensitive information regarding the business; and
- acknowledging the Company's social responsibility and providing assistance and development support to the communities in which it operates, and to deserving institutions at large.

Non-compliance with the BSE Code of Corporate Governance and the King Code

It should be noted that Choppies has previously been a private company and has therefore not been obliged to comply with the BSE Code of Corporate Governance. The BSE Code of Corporate Governance will be applied throughout Choppies and by the publication of its 30 June 2012 annual financial statements the Directors are confident that they will be able to state that the Company is largely compliant with the BSE Code of Corporate Governance.

86.1 Board of Directors

The Board is responsible for setting the direction of the Company through the establishment of strategies, key policies and the approval of financial objectives and targets. It will monitor the implementation of strategies and policies through a structured approach to reporting by executive management recognising the responsibility for the management of relationships with its various stakeholders.

The Board will meet at least quarterly and retain full and executive control over the Company and all subsidiaries. The Board will monitor management ensuring that material matters are subject to Board approval, and reserve to itself a range of key decisions to ensure that it retains proper direction and control of the Company.

Non-executive Directors

Following the appointment of the new independent non-executive Directors the Board has four non-executive Directors. Non-executive Directors bring with them diversity of experience, insight and independent judgment on issues of strategy, performance, resources and standards of conduct.

Executive Directors

The executive Directors are involved with the day-to-day business activities of Choppies and are responsible for ensuring that the decisions, strategies and views of the Board are implemented. The Chief Executive Officer does not hold the position of Chairman.

86.2 Policies relating to nominations, appointments and division of Directors' responsibilities

Nominations and appointment of Directors

The Board will regularly review its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess its effectiveness. This review will be by means of a self-evaluation of the Board as a whole, its committees and the contribution of each individual Director.

The Chairman of the Board will be responsible for ensuring a prudent and ongoing process of Director selection and development. The Chairman may co-opt other Board members to assist in this process, either informally or formally through the mechanism of a Nominations Committee or a Corporate Governance Committee with broader responsibilities.

The Chairman, or if appropriate, the committee charged with responsibility for Director selection and development will:

- make recommendations to the Board on the size and composition of the Board generally, and the balance between executive and non-executive Directors appointed to the Board;
- make recommendations to the Board on the appointment of new executive and non-executive Directors, (skill and experience, demographics and diversity being taken into account in this process);
- procure as far as possible that new Directors undergo an appropriate induction process which in addition to ensuring such Directors understand their fiduciary duties, will familiarise them with the Company's operations, senior management and its business environment, and make explicit the Board's and the Chairman's expectations of them;

The board is responsible to put in place a plan for succession.

New appointments to the Board will be submitted to the entire Board for approval prior to appointment.

Division of responsibilities

There will be clear division of responsibilities between the executive and the Board. The executive Directors have the responsibility for the day-to-day running of the business and the execution of the Group's strategy, subject at all times to the policies and positions adopted by the Board.

The roles of the Chairperson and Chief Executive do not vest in the same person.

The Chairperson and Chief Executive provide leadership and guidance to the Company's Board and they also encourage proper deliberation of all matters requiring the Board's attention and obtain optimum input from the other Directors.

86.3 Company Secretary and professional advice

All Directors will have unlimited access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed. All Directors are entitled to seek professional advice, at the Company's expense, concerning the affairs of Choppies.

86.4 Board committees

The Board will have an Audit and Compliance Committee, and Remuneration Committee. These committees will be fully mandated by the Board as to their membership, scope of authority, responsibilities and duties. These committees will be chaired by non-executive Directors and comprised of a majority of non-executive Directors.

Audit and Compliance Committee

The Company's audit and compliance committee will be chaired by a non-executive Director of the required qualification and comprises non-executive directors who are financially literate and without any relationship that could interfere with the audit and compliance committee members' independence from management.

The external auditors will have unrestricted access to the audit and compliance committee. The committee will meet at least twice a year and the external auditors and appropriate members of executive management, including those involved in risk management control and finance, attend these meetings.

The audit committee will provide assistance to the Board with regards to:

- ensuring compliance with applicable legislation and requirements of regulatory authorities;
- matters relating to financial accounting, accounting policies reporting and disclosure;
- appointment and retention of external auditors;
- external audit policy;

- review/approval of external audit plans, findings, problems, reports and fees;
- compliance with the Code of Corporate Practices and Conduct; and
- to internal audits.

The audit and compliance committee is to set the principles for recommending the use of external auditors for non-audit services. Choppies occasionally uses external auditors for some non-audit services, namely taxation advice and associated services.

A particular role of the audit committee will be the review of the relationship between the Group and companies in which executive directors have an interest. The external auditors shall be specifically mandated to examine the books of such companies to verify cost, and ensure that the terms of any agreement between the Group and such companies are being adhered to.

Remuneration Committee

The Company's remuneration committee is to be chaired by the Chairman of the Company, and is advised by independent outside experts. The committee will meet half-yearly and its mandate includes:

- ensuring alignment of the remuneration strategy and policy with Choppies' business strategy, desired culture, shareholders' interests and commercial well-being;
- determining remuneration packages needed to attract, retain and motivate high performing executives without paying more than is necessary for this purpose;
- ensuring that remuneration levels relative to other comparable companies are pitched at the desired level taking relative performance into account;
- ensuring adequacy of retirement and health care funding for senior executives;
- communicating remuneration policies, and strategic goals and objectives to all stakeholders; and
- identifying candidates and making recommendations for the appointment of Directors.

On behalf of the Board, the remuneration committee shall:

- review remuneration levels of senior executives;
- review performance-based incentive schemes, and the related performance criteria and measurements, including share option allocations; and
- review fees payable to non-executive Directors (as a separate process from executive remuneration reviews) for confirmation of the Board.

The remuneration and nomination committees will review their terms of reference annually, and consult with the Company Secretary and draw extensively on external surveys, independent advice and information.

Directors' remuneration is a key component of the performance management process and an enabler for Choppies to attract, motivate and retain top-calibre people.

86.5 Risk management

Effective risk management is integral to the Company's objectives of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems.

Key policies and procedures are in place to manage operating risk exposure involving segregation of duties, transaction supervision, monitoring, financial and managerial reporting.

86.6 Internal control systems

To meet its responsibility with respect to providing reliable financial information, Choppies the Group maintains financial and operational systems of internal control.

These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal, and that transactions are properly authorised and recorded.

The system includes documented organisational structures and division of responsibilities, established policies and procedures, including codes of ethics to foster a strong ethical climate and the careful selection, training and development of people.

External auditors will report material internal control weaknesses that they identify during the course of their external audit to management and the audit committee. Corrective actions will be taken to address control deficiencies as they are identified. The Board, operating through its audit and compliance committee, oversees the financial reporting process and internal control system.

The Group at present, have no internal auditors that report directly to the Audit Committee to provide assurance on the adequacy and effectiveness of controls to mitigate risks to its strategic, operational, financial and compliance objectives.

86.7 The environment, health and safety

The Group strives to conform to and exceed environmental, health and safety laws in its operations and also seeks to add value to the quality of life of its employees through preventative health programmes.

86.8 Business ethics

Choppies is committed to conduct its business honestly, fairly and legally.

87. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear in paragraphs 33.1 and 33.2 of Part C of this Prospectus, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts that have been omitted which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this Prospectus contains all information required by law and the Listing Requirements.

The Directors confirm that the Prospectus includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) as investors and their professional advisors would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Applicant, and of the rights attaching to the securities to which this Prospectus relates.

Signed by the Chairman and a Director duly authorised, for and on behalf of the Directors of the Company, on 11 November 2011 at Gaborone.

CHOPPIES ENTERPRISES LIMITED

The Excellency former President of Botswana F G Mogae
Chairman

Ramachandran Ottapathu
Director

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION



Audit

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

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

The Board of Directors
Choppies Enterprises (Proprietary) Limited
Plot 100, Eastgate
Private Bag 00278
Gaborone

2 November 2011

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF CHOPPIES ENTERPRISES (PROPRIETARY) LIMITED (the "Company")

INTRODUCTION

The company proposes to list on the Botswana Stock Exchange ("BSE").

At your request, we present our Reporting Accountants' Report on the historical financial information of Choppies Enterprises (Proprietary) Limited for the four years ended 30 June 2011 ("Historical Financial Information"), for the purposes of complying with the listings requirements of the Botswana Stock Exchange (the "BSE") and for inclusion in the Prospectus to be dated 23 November 2011 ("Prospectus"). We are the independent auditor of Choppies Enterprises (Proprietary) Limited.

RESPONSIBILITY OF THE DIRECTORS

The directors are responsible for the compilation, contents and preparation of the Prospectus in accordance with the BSE listings requirements and the Companies Act, 2003 of Botswana. The directors are also responsible for the fair presentation in accordance with International Financial Reporting Standards of the Historical Financial Information contained therein to which this Independent Reporting Accountants' Report relates.

RESPONSIBILITY OF THE INDEPENDENT REPORTING ACCOUNTANTS

Our responsibility is to express an audit opinion on the Historical Financial Information for the four years ended 30 June 2011 included in Annexure 2 through 4 to the Prospectus based on our audits.

HISTORICAL FINANCIAL INFORMATION FOR THE FOUR YEARS ENDED 30 JUNE 2011

Introduction

We have audited the Historical Financial Information for the four years ended 30 June 2011 attached as Annexure 2 through 4 to the Prospectus prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 of Botswana.

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**
*British ** South African
VAT Number: P03623901112



Responsibility of the Independent Reporting Accountants' for the Historical Financial Information for the four years ended 30 June 2011

We conducted our audits of the Historical Financial Information for the four years ended 30 June 2011 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the Historical Financial Information for the four years ended 30 June 2011 is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the abovementioned Historical Financial Information for the four years ended 30 June 2011. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information for the four years ended 30 June 2011, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the Historical Financial Information for the four years ended 30 June 2011 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 company'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 Historical Financial Information for the four years ended 30 June 2011.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The evidence includes information previously obtained by us in the conduct of our audits of the annual financial statements of Choppies Enterprises (Proprietary) Limited, underlying the Historical Financial Information for the four years ended 30 June 2011.

Opinion on Historical Financial Information for the four years ended 30 June 2011

In our opinion, the Historical Financial Information for the four years ended 30 June 2011, included in the Prospectus presents fairly, in all material respects, the financial position of Choppies Enterprises Limited and its financial performance and its cash flows for the four years ended 30 June 2011 in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 of Botswana and the BSE Listings Requirements.

KPMG

Certified Public Accountants
Practicing Member: Francois Roos (20010078: 45)

Gaborone
2 November 2011

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Choppies Enterprises (Proprietary) Limited

Annual group financial statements for the year ended 30 June 2011

(Company Reg. No: 2004/1681)

Choppies Enterprises (Proprietary) Limited**Annual group financial statements
for the year ended 30 June 2011****CONTENTS**

	<i>Page</i>
Directors' report	52
Directors' responsibility statement	53
Independent auditor's report	54
Statements of comprehensive income	55
Statements of financial position	56
Statements of changes in equity	57
Statements of cash flows	58
Significant accounting policies	60
Notes to the financial statements	70

Choppies Enterprises (Proprietary) Limited**DIRECTORS' REPORT
for the year ended 30 June 2011**

The directors have pleasure in presenting their report and the annual group financial statements of Choppies Enterprises (Proprietary) Limited for the year ended 30 June 2011.

Nature of business

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

Financial position and results

The financial position and results for the year under review are reflected in these annual financial statements set out on pages 50 to 97.

Events after reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year, not dealt with in the report or annual financial statements which would significantly affect the operations of the group or company or the results of these operations.

Dividends

The company declared and paid gross dividends of P123 181 623 during the current financial year (2010: P57 977 728).

Stated capital

The existing 2 000 shares were split into 800 000 000 shares on 30 June 2011. Subsequent to the share split, 243 772 802 ordinary shares of no par value were issued on 30 June 2011 (2010: Nil). Total number of shares in issue at 30 June 2011 is 1 043 772 802 (2010: 2 000).

Directorate

Farouk Essop Ismail
Ramachandran Ottappathu
Timothy Gordon Marsland
Festus Gontebanye Mogae

Secretary

Corporate Services (Pty) Ltd
PO Box 406
Kgale Mews, Gaborone
Botswana

Auditors

KPMG
Plot 67977, Fairgrounds
PO Box 1519
Gaborone
Botswana

Bankers

First National Bank of Botswana Limited
Choppies Enterprises (Proprietary) Limited

Choppies Enterprises (Proprietary) Limited**DIRECTORS' RESPONSIBILITY STATEMENT**

for the year ended 30 June 2011

The directors are responsible for the preparation and fair presentation of the annual financial statements of Choppies Enterprises (Proprietary) Limited, which comprise the statements of financial position at 30 June 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

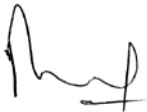
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk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

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Approval of the financial statements:

The annual financial statements were approved by the directors on 10 October 2011 and are signed on their behalf by:

**Ramachandran Ottappath***Director***Farouk Essop Ismail***Director*

**Audit**

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INDEPENDENT AUDITOR'S REPORT**To the members of Choppies Enterprises (Proprietary) Limited**

We have audited the group annual financial statements and the annual financial statements of Choppies Enterprises (Proprietary) Limited, which comprise the statement of financial position at 30 June 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 50 to 97.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 group'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 group'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 statement.

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 present fairly, in all material respects, the consolidated and separate financial position of Choppies Enterprises (Proprietary) Limited at 30 June 2011, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

KPMG
Certified Public Accountants
Practicing Member: Francois Roos (20010078:45)

Gaborone
10 October 2011

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**
*British ** South African
VAT Number: P03623901112

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 June 2011***In Pula*

	<i>Notes</i>	Group	Company	
		2011	2010	2011 2010
Revenue		2 435 488 157	2 142 130 226	– –
Dividend income		–	–	144 919 554 68 208 935
Cost of sales		(1 988 765 055)	(1 752 316 125)	–
Gross profit		446 723 102	389 814 101	144 919 554 68 208 935
Other income		4 327 750	8 765 053	– –
Fair value adjustment on quoted instrument		–	600	– –
Operating income		451 050 852	398 579 754	144 919 554 68 208 935
Expenditure		(300 812 300)	(267 214 742)	(1 949) –
Administrative expenses		(223 225 945)	(193 901 079)	(1 949) –
Selling and distribution expenses		(16 079 433)	(14 567 766)	– –
Other operating expenses		(61 506 922)	(58 745 897)	– –
Operating profit before interest		150 238 552	131 365 012	144 917 605 68 208 935
Interest paid		(11 728 858)	(11 378 807)	– (150)
Interest received		3 006 407	1 100 695	– –
Profit before taxation	1	141 516 101	121 086 900	144 917 605 68 208 785
Taxation	2	(38 378 524)	(35 981 233)	(21 737 931) (10 231 340)
Profit for the year from continuing operations		103 137 577	85 105 667	123 179 674 57 977 445
Profit on discontinued operations	21	20 953 252	–	25 131 684 –
Profit and total comprehensive income for the year		124 090 829	85 105 667	148 311 358 57 977 445
Profit and total comprehensive income attributable to:				
Owners of the company		121 769 066	82 575 948	148 311 358 57 977 445
Non-controlling interests		2 321 763	2 529 719	– –
		124 090 829	85 105 667	148 311 358 57 977 445
Earnings per share – Thebe	20			
Basic and diluted		15.22	10.32	
Continuing operations		12.60	10.32	
Discontinued operation		2.62	–	

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF FINANCIAL POSITION
at 30 June 2011***In Pula*

	<i>Notes</i>	Group	Company		
		2011	2010		
		2011	2010		
ASSETS					
Non-current assets		525 664 410	142 232 952	325 838 629	16 295 377
Property, plant and equipment	3	224 425 201	123 091 489	–	–
Investment in subsidiaries	19	–	–	325 838 629	16 295 377
Goodwill	6	301 239 209	19 141 463	–	–
Current assets		298 184 089	304 714 420	3 594 830	3 594 579
Inventories	7	169 914 778	111 387 354	–	–
Investments	4	21 505 191	100 475 022	–	–
Advances and deposits	8	19 765 967	10 211 510	–	–
Trade and other receivables	9	29 535 705	29 906 503	–	–
Amounts due from related entities	10	26 106 847	21 225 746	796 101	796 101
Amounts due from shareholders	11	1 289 184	3 588 466	2 796 365	2 796 365
Cash and cash equivalents	12	30 066 417	27 919 819	2 364	2 113
Total assets		823 848 499	446 947 372	329 433 459	19 889 956
EQUITY AND LIABILITIES					
Equity		364 382 378	110 661 310	310 703 397	2 171 565
Stated capital	13	283 402 197	100	283 402 197	100
Retained earnings		80 980 181	104 074 861	27 301 200	2 171 465
Non-controlling interest	–	6 586 349	–	–	–
Non-current liabilities		99 159 854	87 044 990	–	–
Long term borrowings	14	86 074 555	72 601 552	–	–
Deferred taxation	5	543 015	5 819 308	–	–
Long term operating lease liabilities	15	12 542 284	8 624 130	–	–
Current liabilities		360 306 267	249 241 072	18 730 062	17 718 391
Trade and other payables	16	246 712 121	203 329 732	1 009 472	–
Amounts due to shareholders	11	33 269 705	2 684 656	–	–
Amounts due to related entities	10	5 917 950	281 918	17 720 590	17 718 391
Taxation payable		12 567 545	8 945 918	–	–
Current portion of deferred lease liabilities	15	2 877 743	1 998 424	–	–
Current portion of long term borrowings	14	36 706 299	19 877 378	–	–
Bank overdraft	12	22 254 904	12 123 046	–	–
Total equity and liabilities		823 848 499	446 947 372	329 433 459	19 889 956

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2011***In Pula*

	Stated capital	Retained earnings	Non- controlling interest	Total
Group				
Balance at 01 July 2009	100	79 476 641	6 690 196	86 166 937
Total comprehensive income and profit for the year	–	82 575 948	2 529 719	85 105 667
Transactions with owners				
Dividends declared	–	(57 977 728)	(2 633 566)	(60 611 294)
Balance at 30 June 2010	100	104 074 861	6 586 349	110 661 310
Total comprehensive income and profit for the year	–	121 769 066	2 321 763	124 090 829
Transactions with owners	283 402 097	(144 863 746)	(8 908 112)	129 630 239
Issue of ordinary shares	283 402 097	–	–	283 402 097
Dividend declared	–	(123 181 623)	–	(123 181 623)
Non-controlling interest acquired by owners of the company	–	(21 682 123)	(8 908 112)	(30 590 235)
Balance at 30 June 2011	283 402 197	80 980 181	–	364 382 378
Company				
Balance at 01 July 2009	100	2 171 748	–	2 171 848
Total comprehensive income and profit for the year	–	57 977 445	–	57 977 445
Transactions with owners				
Dividends declared	–	(57 977 728)	–	(57 977 728)
Balance at 30 June 2010	100	2 171 465	–	2 171 565
Total comprehensive income and profit for the year	–	148 311 358	–	148 311 358
Transactions with owners				
Issue of ordinary shares	283 402 097	–	–	283 402 097
Dividend declared	–	(123 181 623)	–	(123 181 623)
Balance at 30 June 2011	283 402 197	27 301 200	–	310 703 397

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF CASH FLOWS
for the year ended 30 June 2011***In Pula*

	Group		Company	
	2011	2010	2011	2010
Operating activities				
Profit before taxation	141 516 101	121 086 900	144 917 605	68 208 785
Adjusted for:				
Depreciation	56 396 543	32 864 168	–	–
Interest paid	11 728 858	11 378 807		
Interest received	(3 006 407)	(1 100 695)		
Profit on disposal of plant and equipment	(2 127 605)	(2 499 341)	–	–
Increase in operating lease accrual	4 797 473	1 145 447	–	–
Fair value adjustment to quoted investment	–	(600)	–	–
Operating profit before changes in working capital	209 304 963	162 874 686	144 917 605	68 208 785
Movement in trade and other receivables	(7 317 495)	(16 816 204)	–	–
Movement in balances with related entities	4 645 645	(8 196 992)	2 199	–
Movement in advances and deposits	(9 554 457)	2 738 640	–	–
Movement in trade and other payables	43 382 389	38 256 929	–	–
Movement in inventories	(58 527 424)	(23 027 484)	–	–
Operating profit from normal activities	181 933 621	155 829 575	144 919 804	68 208 785
Taxation paid	(34 019 491)	(29 930 188)	(21 737 930)	(10 231 340)
Interest received	3 006 407	1 100 695		
Dividends paid	(123 181 623)	(60 611 294)	(123 181 623)	(57 977 728)
Net cash flows generated from/(used in) operating activities	27 738 914	66 388 788	251	(283)
Investing activities				
Acquisition of property, plant and equipment	(160 112 650)	(44 199 362)	–	–
Proceeds on disposal of plant and equipment	4 510 000	7 840 164	–	–
Acquisition of interest in subsidiaries	–	(374 310)	–	(1 300 100)
Investment in related entities not under common control	83 816 212	(23 204 717)	–	–
Net cash flow used in investing activities	(71 786 438)	(59 938 225)	–	(1 300 100)
Financing activities				
Financing obtained from third parties	67 246 954	22 209 946	–	–
Capital repayment of long term liabilities	(36 945 030)	(22 786 988)	–	–
Interest paid	(11 728 858)	(11 378 807)	–	–
Financing from shareholders	17 489 198	13 398 404	–	1 302 496
Net cash flow generated from financing activities	36 062 264	1 442 555	–	1 302 496
(Decrease)/increase in cash and cash equivalents	(7 985 260)	7 893 118	251	2 113
Cash and cash equivalents at beginning of year	15 796 773	7 903 655	2 113	–
Cash and cash equivalents at end of year	7 811 513	15 796 773	2 364	2 113

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF CASH FLOWS (continued)****for the year ended 30 June 2011***In Pula*

	Group		Company	
	2011	2010	2011	2010
Cash and cash equivalents comprise of the following:				
Cash on hand	3 186 298	2 363 473	–	–
Cash at bank	26 880 119	25 556 346	2 364	2 113
Bank overdraft	(22 254 904)	(12 123 046)	–	–
	7 811 513	15 796 773	2 364	2 113

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011**

Choppies Enterprises (Proprietary) Limited is a company domiciled in the Republic of Botswana. 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 group and company financial statements ("the financial statements") are prepared in accordance with the International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

BASIS OF PREPARATION

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

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

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment relates to the evaluation of goodwill for possible impairment (per notes 6 and 23), the evaluation of related party balances receivable for possible impairment (per note 10), the evaluation of investments in subsidiaries for possible impairment (per note 19), the evaluation of depreciation rates and residual values applied to property, plant and equipment items (per note 3), the evaluation of investments for possible impairment (per note 4), the evaluation of trade and other receivables balances for possible impairment (per notes 8; 9 and 17), the evaluation of amounts due from shareholders for possible impairment (per notes 11), the calculation and accrual of income and deferred taxation (per notes 2 and 5) and the evaluation of inventory balances for possible impairment (per note 7).

BASIS OF CONSOLIDATION

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

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.

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****PROPERTY, PLANT AND EQUIPMENT**

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

Depreciation

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

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

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

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

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

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

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

IMPAIRMENT**Financial assets**

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

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

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

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****IMPAIRMENT (continued)****Non-financial assets**

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

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

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

LEASES

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

Finance leases

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

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

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

Operating leases

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

RECOGNITION AND DE-RECOGNITION OF ASSETS AND LIABILITIES

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****GOODWILL**

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

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

INVESTMENTS IN SUBSIDIARIES

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

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

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

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

INVENTORIES

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

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

DEFERRED TAXATION

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

TAXATION

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

Withholding tax of 15% is payable on the gross value of dividends. This withholding tax is set off against additional company tax in the financial year in which it is paid, and is credited to the reserves, where applicable. Withholding tax of 7.50% is payable on the gross value of dividends with effect from 1 July 2011.

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****EMPLOYEE BENEFITS****Short term employee benefits**

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

Severance benefits

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

Pension contributions

Payments to an approved defined contribution retirement plans are charged as an expense as they fall due.

REVENUE

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

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

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

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

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

INTEREST RECEIVED

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

INTEREST PAID

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES *(continued)*
for the year ended 30 June 2011****EARNINGS PER SHARE**

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

DISCONTINUED OPERATIONS

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

SEGMENTAL REPORTING

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

FOREIGN CURRENCY TRANSACTIONS**Transactions in foreign currencies**

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

Foreign operations

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

FINANCIAL INSTRUMENTS**Financial assets**

The principal financial assets comprise of the following:

Cash and cash equivalents

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****FINANCIAL INSTRUMENTS (continued)****Financial assets (continued)****Quoted investments**

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

Trade and other receivables

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

Amounts due from related entities

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

Amounts due from shareholders

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

Advances and deposits

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

Financial liabilities

The principal financial liabilities comprise of the following:

Trade and other payables

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

Interest bearing loans and borrowings

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

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

Amounts due to related entities

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****FINANCIAL INSTRUMENTS (continued)****Financial liabilities (continued)****Amounts due to shareholders**

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

Gains and losses on subsequent measurement

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

Offset

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

FINANCIAL GUARANTEES

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2011 and have not been applied in preparing these annual financial statements:

- amendment to IAS 1 Presentation of Financial Statements: The amendment requires an entity to present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories have to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated. The amendment, which becomes effective for the 2013 financial statements, is not expected to have any impact on these financial statements of the entity;
- amendments to IAS 19 Employee Benefits: Defined benefit plans: This amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted. Past service costs as well as gains and losses on curtailments/settlements are recognised in the statement of comprehensive income. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. The amendment, which becomes effective for the 2013 financial statements, is not expected to have any impact on the financial statements of the entity;
- IAS 27 (2011) Separate Financial Statements: IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard, which becomes effective for the 2013 financial statements, is not expected to have a significant impact on the financial statements of the entity;

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)**

- IAS 28 Investments in Associates and Joint Ventures (2011): IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. The amendments addresses that IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The standard, which becomes effective for the 2013 financial statements, is not expected to have any impact on the financial statements of the entity;
- IFRS 9 (2009) Financial Instruments: The standard addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The standard, which becomes effective for the 2013 financial statements, is not expected to have a significant impact on the financial statements of the entity;
- IFRS 9 (2010) Financial Instruments: The standard addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:
 - fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed;
 - Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

The standard, which becomes effective for the 2013 financial statements, is not expected to have a significant impact on the financial statements of the entity.

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

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change. The standard, which becomes effective for the 2013 financial statements, is not expected to have significant impact on the financial statements of the entity.

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2011****NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)**

- Joint operations whereby the jointly controlling parties, known as joint operators, have rights and – Joint ventures whereby the joint controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

In terms of the standard, all joint ventures will have to be equity accounted. The standard, which becomes effective for the 2013 financial statements, is not expected to have any impact on the financial statements of the entity.

- IFRS 12 Disclosure of Interests in Other Entities: The standard combines the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities in a single standard. The required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard will be incorporated into the financial statements of the entity in the 2013 financial year.
- IFRS 13 Fair Value Measurement: The standard will be applied prospectively and comparatives will not be restated. The standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in the standard are as follows:
 - fair value is an exit price;
 - measurement considers characteristics of the asset or liability and not entity-specific characteristics;
 - measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
 - price is not adjusted for transaction costs;
 - measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and
 - the three-level fair value hierarchy is extended to all fair value measurements.

The adoption of the new standard will increase the level of disclosure provided for fair value measurement. This standard will be incorporated into the financial statements of the entity in the 2013 financial year.

- IAS 24: Related Party Disclosures: The new standard requires a reporting entity to disclose transactions with its related parties and relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. This standard will be incorporated into the financial statements of the entity in the 2012 financial year.
- IFRS 7 Amendment: Transfer of Financial Assets: The new standard requires a reporting entity to additionally disclose the transfer of financial assets that are not derecognised entirely or derecognised entirely but for which the entity retains continuing involvement. The revision, which becomes mandatory for the entity's 2012 financial statements, is not expected to have a significant impact on the financial statements of the entity.
- IFRIC 14: IAS 19 requires certain criteria to be met before an entity may recognise an asset in respect of a defined benefit plan. IFRIC 14 provides additional guidance on how these criteria should be interpreted, in particular where the plan requires minimum contributions to be made (regardless of the surplus). The 2012 financial statements of the entity are not expected to be impacted as the entity does not currently operate a defined benefit plan.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2011***In Pula*

	Group		Company	
	2011	2010	2011	2010
1. PROFIT BEFORE TAXATION				
The profit before taxation is stated after taking into account the following:				
Movement in deferred lease liability	4 797 473	1 145 447	–	–
Depreciation	56 396 543	32 864 168	–	–
Audit fees	2 000 000	1 833 000	–	–
Rent paid – premises	37 014 143	35 040 842	–	–
Interest paid – bank facilities	10 957 042	10 637 283	–	–
Interest paid – bank overdraft	771 816	741 524	–	–
Interest received – fixed deposits	(3 006 407)	(1 100 695)	–	–
Donations	2 773 091	553 513	–	–
Insurance proceeds received	(734 647)	(4 393 682)	–	–
Profit on disposal of plant and equipment	(2 127 605)	(2 499 341)	–	–
Training levy	6 898 571	5 993 892	–	–
Directors' remuneration	10 900 710	10 644 428	–	–

2. TAXATION

Basic company taxation	23 133 945	18 192 375	–	–
Additional company taxation	15 422 632	12 128 251	–	–
Normal company taxation	38 556 577	30 320 626	–	–
Prior year (over)/under provision of company taxation	(915 459)	63 070	–	–
Deferred taxation charge	737 406	5 597 537	–	–
Withholding tax on dividends received	–	–	21 737 931	10 231 340
Taxation per statements of comprehensive income	38 378 524	35 981 233	21 737 931	10 231 340

Tax losses available for set off against future taxable income are as follows:

Unutilised tax losses	41 737 835	23 652 709	–	–
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Tax losses include:

- P1 509 202 (2010: P1 271 897) for the subsidiaries in Botswana which fall away after five years from origination if unutilised; and
- P40 228 633 (2010: P22 380 812) for the subsidiary in South Africa.

Botswana tax losses are analysed as follows:

Tax year	2011	2010	2011	2010
2007	–	301 221	–	–
2008	607 638	607 638	–	–
2009	124 096	124 096	–	–
2010	238 942	238 942	–	–
2011	538 526	–	–	–
	1 509 202	1 271 897	–	–

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula*

	2011	2011	2010	2010
2. TAXATION (continued)				
Reconciliation of effective tax rate:				
Group				
Profit before taxation		141 516 101		121 086 900
Normal income tax at statutory rate	35 379 025	25.00%	25.00%	30 271 725
Non-deductable expenses	2 417 916	1.72%	1.35%	1 636 851
Increment/(utilisation) of tax losses	59 326	0.01%	(0.91%)	(1 108 810)
Impact of difference in the future taxation rate (22%) and current taxation rate (25%) – 3%	(719 494)	(0.50%)	–	–
Change in unrecognised temporary differences	2 152 210	1.53%	4.22%	5 118 397
(Over)/under provision of taxation	(915 459)	(0.64%)	0.05%	63 070
Normal company taxation	38 378 524	27.12%	29.71%	35 981 233
Company				
Profit before taxation		144 917 605		68 208 785
Normal income tax at statutory rate	25.00%	36 229 401	25.00%	17 052 197
Withholding tax on dividend	(10.00%)	(14 491 760)	(10.00%)	(6 820 879)
Non-deductable expenses	0.00%	290	0.00%	22
Taxation per statements of comprehensive income	15.00%	21 737 931	15.00%	10 231 340

3. PROPERTY, PLANT AND EQUIPMENT**Group**

	At beginning of year	Additions	Disposals	At end of year
Cost				
Land and buildings	7 548 244	28 100 687	–	35 648 931
Plant and machinery	80 901 892	57 775 533	(2 164)	138 675 261
Computer equipment	10 439 331	2 072 172	–	12 511 503
Office equipment	3 947 574	–	–	3 947 574
Furniture and fittings	34 335 659	25 047 115	–	59 382 774
Aircraft	23 940 332	–	–	23 940 332
Motor vehicles	62 544 641	47 117 143	(3 870 787)	105 790 997
	223 657 673	160 112 650	(3 872 951)	379 897 372

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***3. PROPERTY, PLANT AND EQUIPMENT (continued)**

Accumulated depreciation	At beginning of year	Charge for the year	Disposals	At end of year
Land and buildings	607 226	1 313 930	–	1 921 156
Plant and machinery	45 455 053	21 422 831	(1 760)	66 876 124
Computer equipment	7 019 366	3 248 998	–	10 268 364
Office equipment	1 162 229	130 359	–	1 292 588
Furniture and fittings	15 321 092	7 443 762	–	22 764 854
Aircraft	5 386 576	5 504 636	–	10 891 212
Motor vehicles	25 614 642	17 332 027	(1 488 796)	41 457 873
	100 566 184	56 396 543	(1 490 556)	155 472 171
Net book value	123 091 489			224 425 201

Motor vehicles with a net book value of P55 263 135 (2010: P19 728 751), plant and machinery with a net book value of P35 625 329 (2010: P1 314 304), computer equipment with a net book value of PNil (2010: P5 740), furniture and fittings with a net book value of PNil (2010: P271 052) and land and buildings with a net book value of P32 344 133 (2010: P34 684 964) are encumbered under finance leases with various financial institutions as per note 14. These finance lease obligations and related assets are held in majority by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited.

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

- Lease Area 1934-KO, on Lot 38805 in the Gaborone Administrative District, freehold measuring 523 square metres, held under notarial deed of lease No MA 312/2004 commencing 7 October 2004;
- Plot 213, Maun;
- Section 9, Door number 009, Elsienora;
- Lot 1110 Lobatse, measuring 312 square metres held under certificate of registered state title No. 334/78 and deed of fixed period state grant no: 671/80 for a period of fifty years commencing 26 January 2010;
- Lot 17488, Gaborone, measuring 300 square metres held under state grant No. 462/96 for fifty years commencing 21 June 1996;
- Lot 17489, Gaborone, measuring 300 square metres held under state grant No. 335/85 for fifty years commencing 3 June 1985;
- ERF 461 Koster Township, South Africa, registration division, J.P. Province of North West, freehold measuring 1 139 square metres first transferred by deed of transfer no. T.005874/1915 and held by deed of transfer no. T.099444/2007 commencing on 13 February 2009;
- ERF 462 Koster Township, South Africa, registration division, J.P. Province of North West, freehold measuring 1 118 square metres first transferred by deed of transfer no. T.005874/1915 and held by deed of transfer no. T.099443/2007 commencing on 13 February 2009;
- ERF 880 Koster Township, South Africa, registration division, J.P. Province of North West, freehold measuring 2 659 square metres first registered by Certificate of Consolidated Title T115447/2002 with diagram S.G No. 334/2002 relating thereto and held by deed of transfer T99461/2004 commencing on 13 February 2009;
- ERF 676 Rodeon Township, South Africa, registration division, J.P. Province of North West, freehold measuring 1 664 square metres first registered by Certificate of Consolidated Title T28310/1999 with diagram S.G No. 12323/06 relating thereto and held by deed of transfer T154001/2004 commencing on 23 July 2008;

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***3. PROPERTY, PLANT AND EQUIPMENT (continued)**

- ERF 229 Northam Extension 2 Township, South Africa, registration division, K.Q. Province of Limpopo, freehold measuring 1 311 square metres first transferred by deed of transfer T52112/1983 with general plan L.G. A4257/1979 relating thereto and held by deed of transfer T142022/2001 commencing on 10 February 2009;
- ERF 230 Northam Extension 2 Township, South Africa, registration division, K.Q. Province of Limpopo, freehold measuring 1 095 square metres first transferred by deed of transfer T16327/1984 with general plan L.G. A4257/1979 relating thereto and held by deed of transfer T99122/1996 commencing on 10 February 2009; and
- Portion 12 (A portion of portion 4) of the farm Leeuwkopje number 415, registration division K.Q. Province of Limpopo, freehold measuring 4 283 square metres first transferred by deed of grant 18/1935 with diagram annexed thereto and held by deed of transfer T30426/2002 commencing on 10 February 2009.

All properties are encumbered per note 14.

	2011	Group 2010
4. INVESTMENTS		
Investment in related companies*	21 502 541	100 472 372
Investment in shares – listed**	2 650	2 650
	21 505 191	100 475 022

* These amounts relate to advances made to related companies under common control. These balances are interest free, unsecured and without any fixed repayment terms. These amounts are encumbered as per note 14. The directors and shareholders of the group have assured the recoverability of these balances through further dividends received from the group, if required.

** The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2011 was P2.65 per share (2010: P2.65 per share).

	2011	Group 2010
5. DEFERRED TAXATION		
Deferred taxation is reconciled as follows:		
Opening deferred taxation	(5 819 308)	(221 771)
Movement for the year – Statements of comprehensive income	737 406	(5 597 537)
Movement for the year – Statements of financial position	4 538 887	–
Closing deferred taxation	(543 015)	(5 819 308)
Comprising of temporary differences in the following elements:		
Tax losses carried forward	11 596 041	317 974
Accelerated capital allowances on items of property, plant and equipment	(15 531 462)	(8 792 921)
Deferred lease liability	3 392 406	2 655 639
	(543 015)	(5 819 308)

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula*

	2011	Group 2010
6. GOODWILL		
On acquisition of business units	301 239 209	19 141 463

The goodwill arose on acquisition of business operations' net assets. Additional goodwill of P282 097 746 (2010: P374 310) was recognised in the year as a result of the acquisition of a controlling interest in new subsidiaries. The goodwill was recognised with reference to the consideration paid and the fair values of these entities' net assets. The valuation of goodwill at year end was determined by comparing the present value of estimated incremental future cash flows against the carrying amount. This was based on the observed 12 % growth in the group income (2010: 12%), to which the acquired operations contribute. As a result no impairment was recognised. Refer to note 23.

	2011	Group 2010
7. INVENTORIES		
Finished goods	169 642 111	110 941 509
Goods in transit	272 667	445 845
	169 914 778	111 387 354

Due to the fast moving nature of the inventories items, no impairment allowance was recognised (2010: P Nil). The average inventory turnover days for the Group is 31 (2010: 23). Inventory of P37 962 187 (2010: P31 796 939) is encumbered under the Bifm Promissory Note as disclosed in note 14.

	2011	Group 2010
8. ADVANCES AND DEPOSITS		
Deposits	2 130 856	1 169 571
Prepayments	12 632 642	–
Rent advances	1 410 334	1 422 842
Salary advances	1 931 333	2 663 748
Other advances	1 660 802	4 955 349
	19 765 967	10 211 510

	2011	Group 2010
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	15 426 787	15 111 307
Other receivables	10 683 437	11 082 155
VAT refundable	3 425 481	3 713 041
	29 535 705	29 906 503

Trade and other receivables of P12 937 169 (2010: P9 339 034) are encumbered as disclosed in note 14.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***10. RELATED PARTY BALANCES**

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

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

10.1 Amounts due from related entities

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

	Group		Company	
	2011	2010	2011	2010
Amounts due from related entities	26 106 847	21 225 746	796 101	796 101

These balances are unsecured, interest free and have no fixed repayment terms.

10.2 Amounts due to related entities

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

	Group		Company	
	2011	2010	2011	2010
Amounts due to related entities	5 917 950	281 918	17 720 590	17 718 391

These balances are mainly trading related, are at arms' length and are unsecured and interest free with no fixed repayment terms. Refer to note 25 for the details of related party balances.

	Group		Company	
	2011	2010	2011	2010

11. AMOUNTS DUE FROM/TO SHAREHOLDERS**11.1 Amounts due from shareholders**

Aboobaker Chopdat	1 289 184	947 534	–	–
Hon. Festus Mogae	–	116 976	–	–
Ramachandran Ottappathu	–	–	1 398 183	1 398 183
Farouk Essop Ismail	–	2 523 956	1 398 182	1 398 182
	1 289 184	3 588 466	2 796 365	2 796 365

11.2 Amounts due to shareholders

Associated Investment Development Corporation	362 986	362 986	–	–
Ramachandran Ottappathu	18 555 063	1 778 684	–	–
Farouk Ismail	11 084 421	–	–	–
Hon. Festus Mogae	2 823 410	–	–	–
Moitsheki Thabo Lekalake	180 000	180 000	–	–
Younis Adam	263 825	362 986	–	–
	33 269 705	2 684 656	–	–

Amounts due from and to shareholders are unsecured, interest free and have no fixed repayment terms. Amounts due to and from shareholders would be settled on a net basis; hence these have been set off where applicable.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***11. AMOUNTS DUE FROM/TO SHAREHOLDERS (continued)****11.3 Amounts paid to key personnel**

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

Amounts paid to key personnel during the year as short term employee benefits/remuneration for services rendered were P10 900 710 (2010: P10 644 428).

	Group		Company	
	2011	2010	2011	2010
12. CASH AND CASH EQUIVALENTS				
Cash on hand	3 186 298	2 363 473	–	–
Cash at bank	26 880 119	25 556 346	2 364	2 113
	30 066 417	27 919 819	2 364	2 113
Bank overdraft	(22 254 904)	(12 123 046)	–	–
Total	7 811 513	15 796 773	2 364	2 113

The group's bank facilities are secured by an unlimited guarantee from Choppies Enterprises (Proprietary) Limited and personal guarantees from the directors.

The call deposit of P1 066 012 (2010: PNil) with Standard Bank South Africa is pledged for the term loan granted to Choppies Supermarket SA (Pty) Ltd.

The majority of the banking facilities have been granted to Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) 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.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula*

	Group		Company	
	2011	2010	2011	2010
13. STATED CAPITAL				
1 043 772 802 (2010: 2 000) ordinary share at no par value	283 402 197	100	283 402 197	100

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 equally with regard to the company's residual assets.

	Group		Company	
	Shares	Value	Shares	Value
Reconciliation of the stated capital:				
Opening balance	2 000	100	2 000	100
Revised opening balance after share split (share split on 30 June 2011 – 400 000 shares per share)	800 000 000	100	800 000 000	100
Shares issued on:				
– Acquisition of non-controlling interest	21 947 486	25 515 404	21 947 486	25 515 404
– Acquisition of Choppies Supermarkets SA (Pty) Ltd	229 394 830	266 686 757	229 394 830	266 686 757
– Acquisition of Sarfrosh Holdings (Pty) Ltd	14 047 988	16 331 720	14 047 988	16 331 720
– Disposal of Ilo Industries (Pty) Ltd	(21 617 502)	(25 131 784)	(21 617 502)	(25 131 784)
Balance at 30 June 2011	1 043 772 802	283 402 197	1 043 772 802	283 402 197

	Group	
	2011	2010
14. LONG TERM BORROWINGS		
Banc ABC	–	2 523 260
Bank of Baroda (Botswana) Limited	8 567 939	4 909 938
Bank Windhoek	13 342 755	17 110 127
Botswana Investment Fund Management Capital (Bifm)	35 000 000	35 000 000
Capital Bank of Botswana Limited	138 890	291 909
Botswana Power Corporation	507 451	919 059
Citizen Entrepreneurial Development Agency	–	125 840
First National Bank of Botswana Limited	1 970 642	2 031 038
Forklift Sales Botswana	–	143 475
National Development Bank	1 683 197	1 854 654
Nedbank South Africa Limited	210 436	221 896
Scania Finance Southern Africa	48 492 481	26 830 844
Standard Bank South Africa	12 071 925	–
Wesbank Botswana Limited	795 138	516 890
	122 780 854	92 478 930
Less: Current portion transferred to current liabilities	(36 706 299)	(19 877 378)
	86 074 555	72 601 552

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***14. LONG TERM BORROWINGS (continued)**

The group's borrowings are secured as follows:

Banc ABC

Term loan of P3 500 000 secured by:

- a first mortgage bond over Portion 46, a portion of Portion 35 (a portion of Portion 3) of the Farm Forest Hill No. 9–KO, Commerce Park, Kgale; owned by Super Profits Investments (Pty) Limited;
- an unlimited guarantee of Super Profits Investments (Pty) Limited, a related company through common shareholders; and
- unlimited guarantees by Mr F Ismail and Mr R Ottapath, directors and ultimate shareholders of Choppies Enterprises (Proprietary) Limited; and
- the loan was repaid in full during the current financial year.

Term loan of P4 500 000 secured by:

- all liability guarantees by Mr Farouk Ismail and Mr Ramachandran Ottapath directors and ultimate shareholders of Choppies Enterprises (Proprietary) Limited;
- a first mortgage bond for P4 500 000 over Plot 1275, Old Lobatse Road, Gaborone; owned by Dansons Investments (Pty) Limited; and
- unlimited guarantee by Dansons Investments (Pty) Limited, a related company through common shareholders.

The loan was repaid in full during the current financial year.

Finance lease liabilities:

Finance lease liabilities were secured over motor vehicles with a net book value of P731 303 at 30 June 2010. These liabilities bear interest at the prime lending rate less 1% per annum and were repayable in 36 monthly instalments. The loans were repaid in full during the current financial year.

Bank of Baroda (Botswana) Limited

Finance lease liabilities:

Finance lease liabilities are secured over motor vehicles with a net book value of P2 092 412 (2010: P4 766 929). These liabilities bear interest at the prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

Botswana Investment Fund Management Capital ("Bifm")

Promissory Notes:

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

Promissory Note A:

The Note bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable on 31 December 2015.

Promissory Note B:

The Note bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable on 31 December 2017.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***14. LONG TERM BORROWINGS (continued)****Bifm (continued)***Securities:*

- CDC guarantee of P35 million, principal shareholders' guarantees and principal shareholders' pledge;
- the issuer deed of subordination and the issuer deed of cession;
- CDC deed of hypothecation over trade and other receivables and inventory;
- CDC deed of subordination and insurance cover in respect of furniture and fittings.

Bank Windhoek*Finance lease liabilities:*

- unlimited surety by Choppies Enterprises (Pty) Ltd;
- unlimited surety by Ramachandran Ottapath, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited; and
- unlimited surety by Farouk Essop Ismail, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited.

These liabilities bear interest at the prime lending rate per annum and is repayable in 48 monthly instalments.

Citizen Entrepreneurial Development Agency ("CEDA")*Long term borrowings*

These long term borrowings were secured as follows:

- personal guarantees by Farouk Essop Ismail and Ramachandran Ottapath, both directors and ultimate shareholders in Choppies Enterprises (Proprietary) Limited;
- hypothecation over inventory for P1 745 525, plant and equipment for P746 803, furniture and fittings of P271 052 and computer equipment for P5 740 as at 30 June 2010 of Macha Investment (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited.

The loans were repaid in full during the current financial year.

First National Bank of Botswana Limited*Term loan of P2 200 000 secured by:*

- first covering Mortgage Bond for P2 400 000 over Lease Area No 1934 – KO, a portion of Lot 38805, Gaborone with a net book value of P2 146 722 (2010: P3 767 438). The property is owned by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited;
- letter of suretyship for an unlimited amount by Farouk Essop Ismail, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited; and
- letter of suretyship for an unlimited amount by Ramachandran Ottapath, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited.

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***14. LONG TERM BORROWINGS (continued)****Nedbank South Africa Limited**

Mortgage bond secured by: A mortgage bond over the property for the sum of R262 500 commencing on 1 January 2002 and concludes on 31 December 2021. The property is situated at Section 9, Door Number 0009, Elsenora. The property is owned by Choppies Distribution Centre (Proprietary) Limited with a net book value of P3 792 792 (2010: P3 867 438), a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited. The loan is repayable in 240 monthly instalments of R2 551 (2010: P2 551) each and bears interest at 10.10% (2010: 10.10%) per annum.

Scania Finance Southern Africa

Finance lease liabilities: These lease liabilities are secured over motor vehicles with a net book value of P47 254 400 (2010: P13 309 736). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 48 monthly instalments.

Wesbank Botswana Limited

Finance lease liabilities: These lease liabilities are secured over motor vehicles with a net book value of P279 816 (2010: P228 807). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

Capital Bank Botswana Limited

Finance lease liabilities: These lease liabilities are secured over motor vehicles with a net book value of P330 937 (2010: P476 255). These liabilities bear interest at the prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

Botswana Power Corporation

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

National Development Bank

This balances bears interest at a fixed rate of 15% per annum and is repayable over 144 equal monthly instalments of P40 523 commencing August 2003. The facility is secured by:

- first covering mortgage bond for P2 820 000 over Plots 17488 and 17489 in Gaborone owned by Genuine Passions (Proprietary) Limited with a net book value of P2 218 955 (2010: P2 255 949), a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited;
- deed of hypothecation over plant and equipment with a net book value of P882 550 (2010: P1 208 518); and
- personal guarantees of Farouk Essop Ismail and Ramachandran Ottapath, both directors and ultimate shareholders in Choppies Enterprises (Proprietary) Limited.

Forklift Sales Botswana

Finance lease liabilities: These lease liabilities were secured over motor vehicles with a net book value of P215 721 at 30 June 2010. These liabilities did bear interest at the prime lending rate plus 2% per annum and were repayable in 36 monthly instalments. These liabilities were repaid in full during the current financial year.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***14. LONG TERM BORROWINGS (continued)****Standard Bank South Africa***Term loan of P4 000 000 secured by:*

- a first continuing covering mortgage bond for R4 000 000 over Erf 676, Rodeon, Swartruggens (note 3);
- unrestricted cession of material damage insurance policy providing comprehensive insurance cover over Erf 676, Rodeon, Swartruggens; and
- unlimited suretyship by Farouk Essop Ismail and Ramachandran Ottapath.

Term loan of P7 700 000 secured by:

- a first continuing covering mortgage bond for R7 700 000 over Portion 12 of the farm Leeuwkopje 415, Erf 229 and Erf 230 Northam Ext 2 Township (note 3);
- unrestricted cession of material damage insurance policy providing comprehensive insurance cover over Portion 12 of the farm Leeuwkopje 415 Erf 229 and Erf 230 Northam Ext 2 Township;
- unlimited suretyship by Farouk Essop Ismail and Ramachandran Ottapath; and
- unlimited pledge of funds held on the call deposit.

Term loan of P5 040 000 secured by:

- a first continuing covering mortgage bond for R5 040 000 over Erf 880, Erf 461 and Erf 462, Koster (Note 3);
- unrestricted cession of material damage insurance policy providing comprehensive insurance cover over Erf 880, Erf 461 and Erf 462, Koster;
- unlimited suretyship by Farouk Essop Ismail and Ramachandran Ottapath;
- cession of life Policy with minimum life cover of R4 000 000 – Life assured Ramachandran Ottapath; and
- cession of life Policy with minimum life cover of R4 000 000 – Life assured Farouk Essop Ismail.

The mortgage bonds are for the land and building in South Africa owned by Choppies Supermarkets SA (Proprietary) Limited with a net book value of P24 185 664 (2010: P24 794 139), a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited

Finance lease liabilities:

Finance lease liabilities are secured over motor vehicles, plant and machinery with a net book value of P5 305 570 and P34 742 779, respectively (note 3). These liabilities bear interest at the prime lending rate per annum and are repayable in 60 monthly instalments.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula*

	2011	Group 2010
15. OPERATING LEASE LIABILITIES		
Opening balance	10 622 554	9 477 107
Charge for the year	4 797 473	1 145 447
Closing balance	15 420 027	10 622 554
The deferred operating lease liabilities reverse as follows:		
Within 1 year	2 877 743	1 998 424
2 – 5 years	11 308 504	6 889 415
6 – 10 years	1 233 780	1 734 715
	15 420 027	10 622 554
At year end the following future non-cancellable minimum lease rentals are payable:		
Within 1 year	32 988 918	24 026 511
2 – 5 years	110 591 444	80 311 725
6 – 10 years	19 517 016	22 287 655
	163 097 378	126 625 891

The Group has entered into various non-cancellable operating lease agreements in respect of rented premises. Leases are contracted for period of up to 10 years, some with renewal options. Rentals comprise minimum monthly payments.

	2011	Group 2010
16. TRADE AND OTHER PAYABLES		
Trade payables	225 911 751	184 557 773
VAT payable	4 317 423	3 343 725
Withholding tax payable	856 638	779 798
Other payables	15 626 309	14 648 436
	246 712 121	203 329 732

17. FINANCIAL INSTRUMENTS

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

Market risk

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

Interest rate risk

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Interest rate risk (continued)**

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:

	2011	Group	2010
African Banking Corporation of Botswana Limited	–		Prime less 1%
Wesbank Botswana Limited	Prime less 2%		Prime less 2%
Bank of Baroda (Botswana) Limited	Prime less 1%		Prime less 1%
Scania Finance Southern Africa	Prime less 2%		Prime less 2%
Capital Bank of Botswana Limited	Prime plus 2%		Prime plus 2%
First National Bank of Botswana Limited	Prime lending rate		Prime lending rate
Nedbank South Africa Limited	10.10%		10.10%
Bank Windhoek	Prime lending rate		Prime lending rate
Forklift Sales Botswana	Prime plus 2%		Prime plus 2%
Botswana Investment Fund Management Capital (Bifm)	12.00%		12.00%
Standard Bank South Africa	Prime lending rate		Prime lending rate
Bank overdraft	9.00%		12.00%
Citizen Entrepreneurial Development Agency	–		7.50%
Botswana Power Corporation	Prime less 0.25%		Prime less 0.25%
National Development Bank	15%		15%
Call account denominated in Pula	4.00% to 6.00%		4.00% to 6.00%
Call account denominated in foreign denominated currency	3.00%		3.00%
Fixed deposits with banks	7.00% to 11.50%		7.00% to 11.50%

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

	2011	Group	2010
Long term borrowings	(122 780 854)		(92 478 930)
Bank overdraft	(22 254 904)		(12 123 046)
Call account denominated in Pula	1 145 913		8 843 848
Call account denominated in foreign currencies	678 237		437 589
Fixed deposits with banks	4 732 452		949 629

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

Long term borrowings	613 904	462 395
Bank overdraft	111 275	60 615
Call accounts denominated in Pula	(5 730)	(44 219)
Call accounts denominated in foreign currencies	(3 391)	(2 188)
Fixed deposits with banks	(23 662)	(4 748)
Increase in profit before taxation	692 396	471 855

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Credit risk**

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

- amounts due from related entities;
- amounts due from shareholders;
- trade and other receivables;
- cash and cash equivalents;
- advances and deposits; and
- investment in related companies.

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. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions.

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

	Group		Company	
	2011	2010	2011	2010
Trade receivables	15 426 787	15 111 307	–	–
Investments in related companies	21 502 541	100 472 372	–	–
Other receivables	10 683 437	11 082 155	–	–
Advances and deposits	19 765 967	10 211 510	–	–
Amounts due from related entities	26 106 847	21 225 746	796 101	796 101
Amounts due from shareholders	1 289 184	3 588 466	2 796 365	2 796 365
Cash and cash equivalents	26 880 119	25 556 346	2 364	2 113
	121 654 882	187 247 902	3 594 830	3 594 579

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

	Gross 2011	Impairment 2011	Gross 2010	Impairment 2011
Not past due	2 886 401	–	2 700 961	–
Past due 1 – 30 days	1 459 017	–	1 188 301	–
Past due 31 – 120 days	11 081 369	–	11 222 045	–
	15 426 787	–	15 111 307	–

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Liquidity risk**

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

The following are classified as non-derivative financial liabilities:

	Group		Company	
	2011	2010	2011	2010
Long term borrowings	122 780 854	92 478 930	–	–
Amounts due to related entities	5 917 950	281 918	17 720 590	17 718 391
Amounts due to shareholders	33 269 705	2 684 656	–	–
Bank overdraft	22 254 904	12 123 046	–	–
Trade payables	225 911 751	184 557 773	–	–
Other payables	15 626 309	14 648 436	1 009 472	–
	425 761 473	306 774 759	18 730 062	17 718 391

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

	Carrying amount	Contractual cash flows	12 months or less	2 – 5 years	More than 5 years
Group 2011					
Long term borrowings	122 780 854	(122 780 854)	(36 706 299)	(64 736 110)	(21 338 445)
Amounts due to related entities	5 917 950	(5 917 950)	(5 917 950)	–	–
Amounts due to shareholders	33 269 705	(33 269 705)	(33 269 705)	–	–
Bank overdraft	22 254 904	(22 254 904)	(22 254 904)	–	–
Trade payables	225 911 751	(225 911 751)	(225 911 751)	–	–
Other payables	15 626 309	(15 626 309)	(15 626 309)	–	–
	425 761 473	(425 761 473)	(339 686 918)	(64 736 110)	(21 338 445)
Group 2010					
Long term borrowings	92 478 930	(92 478 930)	(19 877 378)	(55 910 115)	(16 691 437)
Amounts due to related entities	281 918	(281 918)	(281 918)	–	–
Amounts due to shareholders	2 684 656	(2 684 656)	(2 684 656)	–	–
Bank overdraft	12 123 046	(12 123 046)	(12 123 046)	–	–
Trade payables	184 557 773	(184 557 773)	(184 557 773)	–	–
Other payable	14 648 436	(14 648 436)	(14 648 436)	–	–
	306 774 759	(306 774 759)	(234 173 207)	(55 910 115)	(16 691 437)

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Liquidity risk (continued)**

	Carrying amount	Contractual cash flows	12 months or less	2 – 5 years	More than 5 years
Company 2011					
Amounts due to related entities	17 720 590	(17 720 590)	(17 720 590)	–	–
Other payables	1 009 472	(1 009 472)	(1 009 472)	–	–
	18 730 062	(18 730 062)	(18 730 062)	–	–
Company 2010					
Amounts due to related entities	17 718 391	(17 718 391)	(17 718 391)	–	–

Foreign currency risk

The Group is exposed to foreign currency risk for transactions that are denominated in currencies other than the Pula. These transactions mainly related to the Group's distribution and retail trading business and its investment in foreign operation. These transactions are predominantly denominated in South African Rand, United States Dollar and British Pound Sterling. The Group does not take cover on foreign currency as it regards the Pula as a stable currency.

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	Pula equivalent
Group 2011		
South African Rand denominated assets – balance with banks	2 702 233	2 655 235
United States Dollar denominated assets – balance with banks	335 391	2 234 448
British Sterling denominated assets – balance with banks	150 378	1 603 906
South African Rand denominated liabilities	(88 916 855)	(87 370 390)
Net exposure		(80 876 801)
Group 2010		
South African Rand denominated assets – balance with banks	1 764 635	1 662 241
United States Dollar denominated assets – balance with banks	277 918	2 006 628
British Pound Sterling denominated assets – balance with banks	150 004	1 619 938
South African Rand denominated liabilities	(109 178 379)	(102 843 236)
Net exposure		(97 554 429)

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Foreign currency risk (continued)**

Year end translation rates:

	2011	2010
South African Rand exchange rate at year end	1.0177	1.0616
United States Dollar exchange rate at year end	0.1501	0.1385
British Pound Sterling exchange rate at year end	0.0938	0.0926

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

Group

2011	Pula
South African Rand denominated assets – balances with banks	(241 385)
United States Dollar denominated assets – balances with banks	(203 132)
British Pound Sterling denominated assets – balances with banks	(145 810)
South African Rand denominated liabilities	7 942 763
Net increase in profit before taxation	7 352 436

Group

2010

South African Rand denominated assets – balance with banks	(151 113)
United States Dollar denominated assets – balance with banks	(182 421)
British Pound Sterling denominated assets – balance with banks	(147 267)
South African Rand denominated liabilities	9 349 385
Net increase in profit before taxation	8 868 584

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

Fair value hierarchy

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

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

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

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

All the Group's financial instruments carried at fair value are categorised as level 3 except for investment in shares of P2 650 (2010: P2650) per note 4.

Choppies Enterprises (Proprietary) Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2011

In Pula

17. FINANCIAL INSTRUMENTS (continued)

Analyses of the Group's assets and liabilities:

Group	Total	Financial assets and liabilities			Current/non-current distinction		
		Financial assets designated at fair value	Loans and receivables	Financial liabilities at amortised costs	Other assets and liabilities	Current assets and liabilities	Non-current assets and liabilities
2011							
Assets							
Property, plant and equipment	224 425 201	–	–	–	224 425 201	–	224 425 201
Goodwill	301 239 209	–	–	–	301 239 209	–	301 239 209
Inventories	169 914 778	–	–	–	169 914 778	169 914 778	–
Investments	21 505 191	2 650	21 502 541	–	–	21 505 191	–
Advances and deposits	19 765 967	–	19 765 967	–	–	19 606 967	–
Trade and other receivables	29 535 705	–	29 535 705	–	–	29 535 705	–
Amounts due from shareholder	1 289 184	–	1 289 184	–	–	1 289 184	–
Amounts due from related entities	26 106 847	–	26 106 847	–	–	26 984 868	–
Cash and cash equivalents	30 066 417	–	30 066 417	–	–	30 066 417	–
Total	823 848 499	2 650	128 266 661	–	695 579 188	298 903 110	525 664 410
Liabilities							
Long term borrowings	122 780 854	–	–	122 780 854	–	36 706 299	86 074 555
Deferred taxation	543 015	–	–	–	543 015	–	543 015
Trade and other payables	246 712 121	–	–	246 712 121	–	246 712 121	–
Amounts due to shareholders	33 269 705	–	–	33 269 705	–	33 269 705	–
Amounts due to related parties	5 917 950	–	–	5 917 950	–	5 917 950	–
Taxation payable	12 567 545	–	–	–	12 567 545	12 567 545	–
Deferred lease liability	15 420 027	–	–	–	15 420 027	2 877 743	12 542 284
Bank overdraft	22 254 904	–	–	22 254 904	–	22 254 904	–
Total	459 466 121	–	–	430 935 534	28 530 587	360 306 267	99 159 854

Choppies Enterprises (Proprietary) Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2011

In Pula

17. FINANCIAL INSTRUMENTS (continued)

Analyses of the Group's assets and liabilities:

Group	Total	Financial assets and liabilities			Current/non-current distinction		
		Financial assets designated at fair value	Loans and receivables	Financial liabilities at amortised costs	Other assets and liabilities	Current assets and liabilities	Non-current assets and liabilities
2010							
Assets							
Property, plant and equipment	123 091 489	-	-	-	123 091 489	-	123 091 489
Goodwill	19 141 463	-	-	-	19 141 463	-	19 141 463
Inventories	111 387 354	-	-	-	111 387 354	111 387 354	-
Investments	100 475 022	2 650	100 472 372	-	-	105 321 403	-
Advances and deposits	10 211 510	-	10 211 510	-	-	10 211 510	-
Trade and other receivables	29 906 503	-	29 906 503	-	-	24 553 252	-
Amounts due from related entities	21 225 746	-	21 225 746	-	-	21 732 616	-
Amounts due from shareholders	3 588 466	-	3 588 466	-	-	3 588 466	-
Cash and cash equivalents	27 919 819	-	27 919 819	-	-	27 919 819	-
Total	446 947 372	2 650	193 324 416	-	253 620 306	304 714 420	142 232 952
Liabilities							
Long term borrowings	92 478 930	-	-	92 478 930	-	19 877 378	72 601 552
Deferred taxation	5 819 308	-	-	-	5 819 308	-	5 819 308
Trade and other payables	203 329 732	-	-	203 329 732	-	203 329 732	-
Amounts due to shareholders	2 684 656	-	-	2 684 656	-	2 684 656	-
Amounts due to related entities	281 918	-	-	281 918	-	281 918	-
Taxation payable	8 945 918	-	-	-	8 945 918	8 945 918	-
Deferred lease liability	10 622 554	-	-	-	10 622 554	1 998 424	8 624 130
Bank overdraft	12 123 046	-	-	12 123 046	-	12 123 046	-
Total	336 286 062	-	-	310 898 282	25 387 780	249 241 072	87 044 990

Choppies Enterprises (Proprietary) Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2011

In Pula

17. FINANCIAL INSTRUMENTS (continued)

Company	Total	Financial assets and liabilities			Current/non-current distinction		
		Financial assets designated at fair value	Loans and receivables	Financial liabilities at amortised costs	Other assets and liabilities	Current assets and liabilities	Non-current assets and liabilities
2011							
Assets							
Investment in subsidiaries	325 838 629	-	-	-	325 838 629	-	325 838 629
Amounts due from related entities	796 101	-	796 101	-	-	796 101	-
Amounts due from shareholders	2 796 365	-	2 796 365	-	-	2 796 365	-
Cash and cash equivalents	2 364	-	2 364	-	-	2 364	-
Total	329 433 459	-	3 594 830	-	325 838 629	3 594 830	325 838 629
Liabilities							
Other payables	1 009 472	-	-	1 009 472	-	1 009 472	-
Amounts due to related entities	17 720 590	-	-	17 720 590	-	17 720 590	-
Total	18 730 062	-	-	18 730 062	-	18 730 062	-
2010							
Assets							
Investment in subsidiaries	16 295 377	-	-	-	16 295 377	-	16 295 377
Amounts due from related entities	796 101	-	796 101	-	-	796 101	-
Amounts due from shareholders	2 796 365	-	2 796 365	-	-	2 796 365	-
Cash and cash equivalents	2 113	-	2 113	-	-	2 113	-
Total	19 889 956	-	3 594 579	-	16 295 377	3 594 579	16 295 377
Liabilities							
Amounts due to related entities	17 718 391	-	-	17 718 391	-	17 718 391	-

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***18. CONTINGENT LIABILITIES**

The group has the following contingent liabilities outstanding at year-end:

Guarantees:

Choppies Enterprises (Proprietary) Limited has provided an unlimited guarantee on behalf of Choppies Distribution Centre (Proprietary) Limited and Lisboa Trading (Proprietary) Limited in respect of overdraft facilities.

Other related parties have issued unlimited guarantees on behalf of Choppies Distribution Centre (Proprietary) Limited for overdraft facilities granted to Choppies Distribution Centre (Proprietary) Limited.

19. INVESTMENT IN SUBSIDIARIES

Choppies Enterprises (Proprietary) Limited held the following interests in the stated capital of subsidiaries consolidated into these financial statements. Voting rights attaching to the stated capital held by the company confer significant influence and control over these entities. The investments are measured at the cost of stated capital less impairment. The historical financial performance as well as the present value of reasonably estimable future cash flows and operating profits of these subsidiaries were considered when assessing each investment balance for impairment. Based on this evaluation, no impairment in these investments was recognised (2010: PNil).

Name	% Ownership	2011	% Ownership	2010
		Carrying value of investment		Carrying value of investment
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
Asklite (Proprietary) Limited	100%	100	100%	100
Atladis (Proprietary) Limited	100%	100	100%	100
Beavers Investments (Proprietary) Limited	100%	4 779 146	67%	200
Bestlite Investments (Proprietary) Limited	100%	100	100%	100
Bowerbird (Proprietary) Limited	100%	2 364 913	82%	82
Catbird (Proprietary) Limited	100%	100	100%	100
Chathley Enterprises (Proprietary) Limited	100%	5 035 746	100%	5 035 746
Choppies Distribution Centre (Proprietary) Limited	100%	100	100%	100
Choppies Supermarkets SA (Proprietary) Limited	100%	266 686 757	–	–
Daisy Gardens (Proprietary) Limited	100%	290 273	67%	67
Deluxe (Proprietary) Limited	100%	5 778 525	56%	2 750 110
Dostana Investments (Proprietary) Limited	100%	1 000	100%	1 000
F & A Enterprises (Proprietary) Limited	100%	734 973	55%	10 000
Freshtake Holdings (Proprietary) Limited	100%	4 033 916	72%	72
Genuine Passions (Proprietary) Limited	100%	688 755	67%	67
Gobrand Holdings (Proprietary) Limited	100%	100	100%	100
Godavari (Proprietary) Limited	100%	100	100%	100
Gritnit (Proprietary) Limited	100%	100	100%	100
Hoovernit (Proprietary) Limited	100%	100	100%	100
Balance carried forward		290 398 104		7 801 444

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***19. INVESTMENTS IN SUBSIDIARIES (continued)**

Name	% Ownership	2011	% Ownership	2010
		Carrying value of investment		Carrying value of investment
Balance brought forward	290 398 104	7 801 444		
Himalayas (Proprietary) Limited	100%	100	100%	100
ILO Industries (Proprietary) Limited	–	–	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	67%	200
Lisboa Trading (Proprietary) Limited	100%	3 017 120	90%	1 022 743
Macha Investments (Proprietary) Ltd	100%	2 489 757	100%	2 489 757
Motopi Holdings (Proprietary) Limited	100%	3 365 538	93%	1 500 000
Naivasha (Proprietary) Limited	100%	100	100%	100
Ndongolela Investments (Proprietary) Limited	100%	100	100%	100
Ollur Investments (Proprietary) Limited	100%	2 005 193	67%	6 700
Pucko Investments (Proprietary) Limited (Mochudi)	100%	2 849 148	67%	67
Right Time Holdings (Proprietary) Limited	100%	100	100%	100
S & F Enterprises (Proprietary) Limited	100%	100	100%	100
Sarfrosh Holdings (Proprietary) Limited	100%	16 331 720	–	–
Ourluck Investment (Proprietary) Limited (Ourluck)	100%	425 020	67%	67
Shopper's Paradise (Proprietary) Limited	100%	1 300 000	100%	1 300 000
Smoothsail Holdings (Proprietary) Limited	100%	100	100%	100
Sunrise Holdings (Proprietary) Limited	100%	239 247	67%	67
Tampatrail Investments (Proprietary) Limited	100%	100	100%	100
To Do More Holdings (Proprietary) Limited	100%	100	100%	100
Topshape Holdings (Proprietary) Limited	100%	1 000	100%	1 000
Torinby Investments (Proprietary) Limited	100%	100	100%	100
Uplift (Proprietary) Limited	100%	100	100%	100
Velocity (Proprietary) Limited	100%	100	100%	100
Walrus (Proprietary) Limited	100%	100	100%	100
Wayside Supermarket (Proprietary) Limited	100%	805 936	55%	1 650
Well Done (Proprietary) Limited	100%	100	100%	100
		325 838 629		16 295 377

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***20. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE – THEBE**

	Group	
	2011	2010
Basic and diluted (note 20.1)	15.22	10.32
Continuing operations	12.60	10.32
Discounted operations	2.62	–
Headline basic and diluted (note 20.1)	14.96	10.00
Continuing operations	12.34	10.00
Discounted operations	2.62	–

20.1 Basic, diluted and headline earnings per share

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

Basic earnings (profit for the year)	121 769 166	82 575 948
	Number of shares	Number of shares

The weighted average number of ordinary shares in issue during the year	800 000 000	800 000 000
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Weighted average number of ordinary shares in issue:

	Number of shares	Number of shares
At 01 July	2 000	2 000
At 30 June 2011 – 2 000 shares were split into 400 000 shares per share	800 000 000	800 000 000
Effect of shares issued on 30 June 2011 (total shares issued – 243 770 803)	–	–
Weighted average at 30 June	800 000 000	800 000 000

	Group		Company	
	2011	2010	2011	2010
20.2 Dividend per share – Thebe	15.91	7.58	15.40	7.25
Dividend declared and paid	127 246 982	60 611 294	123 181 623	57 977 445
Ordinary shares eligible for dividend	800 000 000	800 000 000	800 000 000	800 000 000

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***21. DISCONTINUED OPERATION**

The Group disposed off a subsidiary, ILO Industries (Proprietary) Limited, at 30 June 2011. The subsidiary was a rice packaging entity.

The salient financial information of the discontinued operation at the reporting date is as follows:

	2011	Group 2010
Abridged statement of comprehensive income		
Revenue	36 065 994	36 083 142
Cost of sales	(29 969 522)	(29 132 456)
Gross profit	6 096 472	6 950 686
Operating expenses	(3 398 213)	(3 640 659)
Interest paid	(2 803)	–
Taxation	(502 526)	(871 474)
Profit for the year after taxation	2 192 930	2 438 553
Abridged statement of financial position		
Non-current assets	148 336	333 446
Plant and equipment	146 293	333 446
Deferred taxation	2 043	–
Current assets	6 422 735	5 964 759
Inventory	3 520 581	2 118 165
Advances and deposits	78 770	25 490
Trade and other receivables	2 488 694	2 800 279
Cash and cash equivalents	334 690	1 020 825
Total assets	6 571 071	6 298 205
Non-current liabilities		
Deferred taxation	–	(6 401)
Current liabilities		
Trade and other payables	(2 392 639)	(2 033 221)
Net assets of the discontinued operation	4 178 432	4 258 583
Consideration received	(25 131 784)	–
Profit on disposal of the discontinued operation	(20 953 352)	–

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***22. SEGMENTAL REPORT****Group**

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

The Group has 4 operating segments, as described below:

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

Service companies – Provision of maintenance and transport services to group companies.

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

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

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

Choppies Enterprises (Proprietary) Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2011

In Pula

22. SEGMENTAL REPORT (continued)

2011

	Supermarkets	Warehouse	Fruit and vegetables	Service companies	Reconciling items	Total per annual financial statements
Statement of comprehensive income						
Revenue:						
Trading income	2 291 998 767	878 803 883	172 031 250	47 561 946	(954 907 689)	2 435 488 157
Other income	1 794 511	4 693 530	71 503	1 063 452	(3 295 246)	4 327 750
	2 293 793 278	883 497 413	172 102 753	48 625 398	(958 202 935)	2 439 815 907
Total segment revenue	227 978 995	79 748 539	6 626 757	(3 441 413)	(169 396 777)	141 516 101
Reportable segment profit/(loss) before taxation						
Statement of financial position						
Reportable segment assets	699 764 777	293 056 944	20 611 556	56 841 266	(246 426 044)	823 848 499
Reportable segment liabilities	361 048 750	242 874 032	17 046 839	57 278 660	(218 782 160)	459 466 121
	2 060 289 071	772 093 658	126 797 565	39 661 916	(847 946 931)	2 150 895 279
Total segment revenue	66 317 842	49 393 737	3 667 401	3 260 139	(1 552 219)	121 086 900
Reportable segment profit before taxation						
Statement of financial position						
Reportable segment assets	252 695 741	277 430 929	15 389 362	34 040 528	(131 718 140)	447 838 420
Reportable segment liabilities	193 933 937	224 461 117	10 970 105	29 454 240	(121 642 289)	337 177 110

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***23. BUSINESS COMBINATIONS**

On 30 June 2011, the Group acquired 100 percent of the issued ordinary shares of Choppies Supermarkets SA (Proprietary) Limited and Sarfrosh Holdings (Proprietary) Limited.

The assets and liabilities arising from the acquisitions are as follows:

	Choppies Supermarkets SA (Proprietary) Limited		Sarfrosh Holdings (Proprietary) Limited	
	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount
Property, plant and equipment	85 683 896	79 014 793	1 063 365	866 007
Deferred taxation	6 004 309	6 004 309	12 285	12 285
Inventory	34 841 087	34 841 087	149 507	149 507
Advances and deposits	1 008 223	1 008 223	1 500	1 500
Trade and other receivables	8 447 571	8 447 571	1 331 856	1 331 856
Cash and cash equivalents	7 642 303	7 642 303	84 508	84 508
Total assets	143 627 389	136 958 286	2 643 021	2 445 663
Long term borrowings	17 172 778	17 172 778	–	–
Deferred lease liability	3 441 805	3 441 805	–	–
Taxation payable	–	–	465 923	465 923
Trade and other payables	123 580 996	123 580 996	688 177	688 177
Total liabilities	144 195 579	144 195 579	1 154 100	1 154 100
Net (liabilities)/assets acquired	(568 190)	(7 237 293)	1 488 921	1 291 563
Purchase consideration				
– Ordinary shares of Choppies Enterprises (Proprietary) Limited	(266 686 757)		(16 331 720)	
Goodwill recognised	267 254 947		14 842 799	
Goodwill reconciliation:				
Goodwill at 01 July 2010	19 141 463			
Additions:				
On acquisition of Choppies Supermarkets SA (Pty) Limited	267 254 947			
On acquisition of Sarfrosh Holdings (Pty) Limited	14 842 799			
Goodwill at 30 June 2011 (note 6)	301 239 209			

The purchase considerations for Choppies Supermarkets SA (Pty) Ltd and Sarfrosh (Pty) Ltd were based on discounted future cash flows.

The Group prepares five year cash flow projections based on the most recent budgets approved by management and extrapolations of cash flow. The growth rates incorporated in the projections do not exceed the average long term growth rates for the market.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***23. BUSINESS COMBINATIONS (continued)**

The following assumptions were applied in determining the purchase consideration and evaluation of goodwill:

		2011
Discount rate	(%)	16.3
Average sales growth rate per year:		
In Botswana	(%)	4 – 15
In South Africa	(%)	8 – 60
Terminal value growth rate	(%)	4

24. FINANCIAL SUPPORT

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

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

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

Subsidiary	2011	2010
F & A Enterprises (Proprietary) Limited	485 418	571 834
Choppies Supermarket SA (Proprietary) Limited	7 237 293	5 058 091
Godavari (Proprietary) Limited	–	25 721
Himalaya (Proprietary) Limited	69 844	–
RoadTight (Proprietary) Limited	–	15 639
New Page (Proprietary) Limited	1 423 889	–
Welldone (Proprietary) Limited	846 171	–
Walrus (Proprietary) Limited	558 428	–

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***25. DETAILS OF RELATED PARTY BALANCES****25.1 Amounts due from related entities**

Name	Group	
	2011	2010
Aucor Investments (Pty) Ltd	2 739 656	2 437 718
Backwater Holdings (Pty) Ltd	32 710	32 247
Ballistic Bus (Pty) Ltd	40 000	40 000
Best Strategy (Pty) Ltd	–	3 000
Browalia (Pty) Ltd	320 512	382 683
Callo (Pty) Ltd	1 008 271	1 026 930
Choppies Bottle Store (Pty) Ltd – Carltonville	943	–
Choppies Exim Uganda (Pty) Ltd	1 265 922	1 265 922
Choppies Financial Services (Pty) Ltd	2 361 877	1 645 574
Choppies Investments (Pty) Ltd	823 037	1 094 558
Choppies Supermarket SA (Pty) Ltd	–	1 012 377
Cool Ice Harare (Pty) Ltd	74 108	74 108
Curlew (Pty) Ltd	60 575	60 575
Fantique Trade (Pty) Ltd	481 317	–
Flowting Ideas (Pty) Ltd	–	2 398 752
Ganga (Pty) Ltd	11 237	13 802
Gironde (Pty) Ltd	127 880	270
Highcare Investments (Pty) Ltd	–	555
Honey Guide (Pty) Ltd	–	300 991
Infraafric (Pty) Ltd	–	56 160
Keriotic Investments (Pty) Ltd	–	628 395
Lumpsum Investments (Pty) Ltd	715 064	–
Mafila Holdings (Pty) Ltd	4 179 720	2 657 084
Magnafit (Pty) Ltd	6 997	9 093
Matchup Investments (Pty) Ltd	–	89
Maximell Enterprises (Pty) Ltd	1 000	1 000
Mediland Healthcare Distributors (Pty) Ltd	–	139 942
Million Touch (Pty) Ltd	154 053	81 402
Mr Cassim Dada	–	459 167
Mr Lekhalake	–	263 134
Montrose Investments (Pty) Ltd	6 170	–
Navy Blue (Pty) Ltd	264 055	264 055
Pimmy (Pty) Ltd	2 801	–
Pratham Holdings (Pty) Ltd	439 682	360 509
Princieton (Pty) Ltd	2 172 450	2 155 954
Outique 179 (Pty) Ltd	1 389 070	–
Real Plastics (Pty) Ltd	127 440	73 833
Total carried forward	18 806 547	18 939 879

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***25. DETAILS OF RELATED PARTY BALANCES (continued)****25.1 Amounts due from related entities (continued)**

Name	Group	
	2011	2010
Total brought forward	18 806 547	18 939 879
Rewick (Pty) Ltd	–	182 236
Rigil Enterprises (Pty) Ltd	6 468 782	–
Road Spot Enterprises (Pty) Ltd	42 365	–
S.M.R Investments (Pty) Ltd	5 470	5 470
Sarfrosh Holdings (Pty) Ltd	–	542 321
Shaysons Investments (Hardware) (Pty) Ltd	457 617	243 667
Stides of Success (Pty) Ltd	3 500	–
Summer Queen (Pty) Ltd	39 658	–
Superprofit Investments (Pty) Ltd	38 030	23 798
Texo (Pty) Ltd	11 980	12 391
Venta (Pty) Ltd	30 172	–
Vet Agric (Pty) Ltd	76 508	918 881
Volker Investments (Pty) Ltd	–	16 000
We demand Investments (Pty) Ltd	–	299 260
Zappos (Pty) Ltd	99 246	6 740
ZCX (Pty) Ltd	26 972	35 103
Total	26 106 847	21 225 746

25.2 Amounts due to related entities

Name	Group	
	2011	2010
Balsam (Pty) Ltd	1 000	6 760
Brasslock (Pty) Ltd	91 567	–
Honey guide Investments (Pty) Ltd	863 420	–
Matchup (Pty) Ltd	35 381	–
Weal (Pty) Ltd	264 191	45 573
Electrometric Enterprises (Pty) Ltd	48 611	79 670
Feasible Investments (Pty) Ltd	1 187 063	–
ILO Industries (Pty) Ltd	2 302 833	–
Keriotic Investments (Pty) Ltd	615 943	–
Medi Land Healthcare Distributors (Pty) Ltd	75 980	–
Mont Catering (Pty) Ltd	309 714	–
Montrose Investments (Pty) Ltd	–	29 535
Morava (Pty) Ltd	813	14 262
Soresele (Pty) Ltd	37 273	38 523
Venta (Pty) Ltd	34 161	17 595
Walrus (Pty) Ltd – (Mochudi II)	50 000	50 000
Total	5 917 950	281 918

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2011***In Pula***25. DETAILS OF RELATED PARTY BALANCES (continued)****25.3 Amounts due from related entities**

Name	Company	
	2011	2010
Beavers Investments (Pty) Ltd	396 667	396 667
Daisy Gardens (Pty) Ltd	196 640	196 640
Kanye Friendly Grocer (Pty) Ltd	202 794	202 794
Total	796 101	796 101

25.4 Amounts due to related entities

Name	Company	
	2011	2010
Chathley Enterprises (Pty) Ltd	5 035 746	5 035 746
Choppies Distribution Centre (Pty) Ltd	4 192 924	4 190 725
F & A Enterprises (Pty) Ltd	3 576 273	3 576 273
Kaar Distributors & Marketing Services (Pty) Ltd	2 170 082	2 170 082
Macha Investments (Pty) Ltd	2 489 757	2 489 757
Walrus Pty Ltd	255 808	255 808
Total	17 720 590	17 718 391

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Choppies Enterprises (Proprietary) Limited

Annual group financial statements for the year ended 30 June 2010

(Company Reg. No: 2004/1681)

Choppies Enterprises (Proprietary) Limited**Annual group financial statements
for the year ended 30 June 2010****CONTENTS**

	<i>Page</i>
Directors' report	104
Directors' responsibility statement	105
Independent auditor's report	106
Statements of comprehensive income	107
Statements of financial position	108
Statements of changes in equity	109
Statements of cash flows	110
Significant accounting policies	112
Notes to the financial statements	120

Choppies Enterprises (Proprietary) Limited**DIRECTORS' REPORT
for the year ended 30 June 2010**

The directors have pleasure in presenting their report and the annual group financial statements of Choppies Enterprises (Proprietary) Limited for the year ended 30 June 2010.

Nature of business

The primary business of the Group is concentrated in the retail supermarket industry. The Choppies Enterprises Group of companies operates principally in Botswana. Choppies Enterprises (Proprietary) Limited operates as an investment holding company.

Financial position and results

The financial results for the year under review of the Group and Company are reflected in these financial statements set out on pages 102 to 132.

Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year, not dealt with in the report or financial statements that would significantly affect the operations of the Group or Company or the results of its operations.

Dividends

The company declared and paid gross dividends of P60 611 294 during the year under review (2009: P29 896 190).

Stated capital

There was no movement in the company's stated capital during the year (2009: P Nil).

Matters not dealt with

There are no matters not already dealt with in these financial statements or in the directors' report which are considered material for an appreciation of the affairs of Group or the Company.

Directorate

Farouk Essop Ismail
Ramachandran Ottappath
Timothy Gordon Marsland
Festus Gontebanye Mogae

Secretary

Corporate Services (Pty) Ltd
PO Box 406
Kgale Mews, Gaborone
Botswana

Auditors

KPMG
PO Box 1519
Gaborone
Botswana

Bankers

First National Bank of Botswana Limited

Choppies Enterprises (Proprietary) Limited**DIRECTORS' RESPONSIBILITY STATEMENT
for the year ended 30 June 2010**

The directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of Choppies Enterprises (Proprietary) Limited, comprising the statements of financial position at 30 June 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

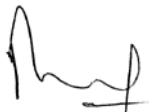
The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have reviewed the economic environment in which the group operates, the liquidity risks in terms of maturities of the group's assets and liabilities and the group's financial projections for the year ending 30 June 2010. Based on this review, the directors are satisfied that the group has adequate resources in place to continue in operation for the foreseeable future. Accordingly, these financial statements have been prepared on the going concern basis.

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

Approval of the financial statements:

The group annual financial statements were approved by the directors on 7 October 2010 and are signed on their behalf by:



Ramachandran Ottappath
Director



Farouk Essop Ismail
Director



Audit

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

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Web <http://www.kpmg.com/>

INDEPENDENT AUDITOR'S REPORT

To the members of Choppies Enterprises (Proprietary) Limited

We have audited the group annual financial statements and the annual financial statements of Choppies Enterprises (Proprietary) Limited, which comprise the statement of financial position at 30 June 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 102 to 132.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 group'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 group'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 statement.

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 present fairly, in all material respects, the consolidated and separate financial position of Choppies Enterprises (Proprietary) Limited at 30 June 2010, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

KPMG
07 October 2010

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**
*British ** South African
VAT Number: P03623901112

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 June 2010***In Pula*

	<i>Notes</i>	Group	Company	
		2010	2009	2010
				2009
Revenue		2 142 130 226	1 918 737 021	–
Dividend income		–	–	68 208 935
Cost of sales		(1 752 316 125)	(1 579 949 652)	–
Gross profit		389 814 101	338 787 369	68 208 935
Other income		8 765 053	1 719 904	–
Fair value adjustment on quoted instrument		600	(400)	–
Operating income		398 579 754	340 506 873	68 208 935
Expenditure		267 214 742	225 761 547	–
Administrative expenses		193 901 079	163 173 511	–
Selling and distribution expenses		14 567 766	12 133 927	–
Other operating expenses		58 745 897	50 454 109	–
Operating profit before interest		131 365 012	114 745 326	68 208 935
Interest paid		(11 378 807)	(9 646 914)	(149)
Interest received		1 100 695	306 134	–
Profit before taxation	1	121 086 900	105 404 546	68 208 786
Taxation	2	(35 981 233)	(28 597 531)	(5 275 798)
Profit for the year		85 105 667	76 807 015	57 977 445
Profit attributable to:				
Owners of the company		82 575 948	73 839 839	57 977 445
Non-controlling interests		2 529 719	2 967 176	–
Total comprehensive income for the year		85 105 667	76 807 015	57 977 445
Total comprehensive income attributable to:				
Owners of the company		82 575 948	73 839 839	57 977 445
Non-controlling interests		2 529 719	2 967 176	–

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF FINANCIAL POSITION
at 30 June 2010***In Pula*

	<i>Notes</i>	Group	Company		
		2010	2009	2010	2009
ASSETS					
Non-current assets					
		142 232 952	135 864 271	16 295 377	14 995 277
Property, plant and equipment	3	123 091 489	117 097 118	–	–
Investment in subsidiary companies	19	–	–	16 295 377	14 995 277
Goodwill	6	19 141 463	18 767 153	–	–
Current assets					
		305 605 468	251 706 483	3 594 579	4 894 962
Inventories	7	111 387 354	88 359 870	–	–
Investments	4	105 321 403	77 269 705	–	–
Advances and deposits	8	10 211 510	12 950 150	–	–
Trade and other receivables	9	22 218 210	13 090 299	–	–
Amounts due from related entities	10	26 007 508	16 759 109	796 101	796 101
Amounts due from shareholders	11	2 539 664	15 208 186	2 796 365	4 098 861
Cash and cash equivalents	12	27 919 819	28 069 164	2 113	–
Total assets		447 838 420	387 570 754	19 889 956	19 890 239
EQUITY AND LIABILITIES					
Equity					
		110 661 310	86 166 937	2 171 565	2 171 848
Stated capital	13	100	100	100	100
Retained earnings		104 074 861	79 476 641	2 171 465	2 171 748
Non-controlling interest		6 586 349	6 690 196	–	–
Non-current liabilities					
		87 044 990	79 856 969	–	–
Long term borrowings	14	72 601 552	71 052 048	–	–
Deferred taxation	5	5 819 308	221 771	–	–
Long term operating lease liabilities	15	8 624 130	8 583 150	–	–
Current liabilities					
		250 132 120	221 546 848		
Trade and other payables	16	17 718 391	17 718 391	–	–
Amounts due to shareholders	11	2 684 656	905 972	–	–
Amounts due to related entities	10	1 172 966	4 012 273	17 718 391	17 718 391
Taxation payable		8 945 918	8 492 410	–	–
Current portion of deferred lease liabilities	15	1 998 424	893 957	–	–
Current portion of long term borrowings	14	19 877 378	22 003 924	–	–
Bank overdraft	12	12 123 046	20 165 509	–	–
Total equity and liabilities		447 838 420	387 570 754	19 889 956	19 890 239

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2010***In Pula*

	Stated capital	Retained earnings	Non- controlling interest	Total
Group				
Balance at 1 July 2008	100	35 532 992	3 718 270	39 251 362
Contribution to stated capital	–	–	4 750	4 750
Dividends declared	–	(29 896 190)	–	(29 896 190)
Total comprehensive income for the year	–	73 839 839	2 967 176	76 807 015
Balance at 30 June 2009	100	79 476 641	6 690 196	86 166 937
Dividends declared	–	(57 977 728)	(2 633 566)	(60 611 294)
Total comprehensive income for the year	–	82 575 948	2 529 719	85 105 667
Balance at 30 June 2010	100	104 074 861	6 586 349	110 661 310
Company				
Balance at 1 July 2008	100	2 171 748	–	2 171 848
Dividends declared	–	(29 896 190)	–	(29 896 190)
Total comprehensive income for the year	–	29 896 190	–	29 896 190
Balance at 30 June 2009	100	2 171 748	–	2 171 848
Dividends declared	–	(57 977 728)	–	(57 977 728)
Total comprehensive income for the year	–	57 977 445	–	57 977 445
Balance at 30 June 2010	100	2 171 465	–	2 171 565

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF CASH FLOWS
for the year ended 30 June 2010***In Pula*

	Group		Company	
	2010	2009	2010	2009
Operating activities				
Profit before taxation	121 086 900	105 404 546	68 208 786	35 171 988
Adjusted for:				
Depreciation	32 864 168	25 035 356	–	–
Profit on disposal of property, plant and equipment	(2 499 341)	(59 795)	–	–
Profit on disposal of quoted investment	–	(174 790)	–	–
Increase in operating lease accrual	1 145 447	1 304 848	–	–
Fair value adjustment to quoted investment	(600)	400	–	–
Operating surplus before changes in working capital	152 596 574	131 510 565	68 208 786	35 171 988
Movement in trade and other receivables	(9 127 911)	22 104 214	–	1 176 584
Movement in amounts with related entities	(12 087 706)	(7 385 608)	–	3 684 391
Movement in advances and deposits	2 738 640	5 129 897	–	–
Movement in loans with subsidiary companies	–	–	–	1 554 407
Movement in trade and other payables	38 256 929	30 093 908	–	(3 379 323)
Movement in inventories	(23 027 484)	(9 438 099)	–	–
Operating profit from operating activities	149 349 042	172 014 877	68 208 786	38 208 047
Taxation paid	(29 930 188)	(21 481 514)	(10 231 341)	(5 275 798)
Dividends paid	(60 611 294)	(29 896 190)	(57 977 728)	(29 896 190)
Net cash flows from/(used in) operating activities	58 807 560	120 637 173	(283)	3 036 059
Investing activities				
Acquisition of plant and equipment	(44 199 362)	(66 937 820)	–	–
Proceeds on disposal of plant and equipment	7 840 164	2 284 186	–	–
Proceeds on disposal of quoted investment	–	1 174 790	–	–
Insurance proceeds on plant and equipment destroyed in fire	–	1 094 731	–	–
Acquisition of newly acquired subsidiaries	(374 310)	(4 442 227)	(1 300 100)	–
Recognition of investment in subsidiaries	–	–	–	4 350
Acquisition of investment	–	(1 000 000)	–	–
Investment in related entities not under common control	(28 051 098)	(23 512 536)	–	–
Net cash flow (used in)/from investing activities	(64 784 606)	(91 338 876)	(1 300 100)	4 350
Financing activities				
Financing obtained from third parties	22 209 946	38 581 075	–	–
Capital repayment of long term liabilities	(22 786 988)	(15 402 833)	–	–
Equity investment by minority	–	4 750	–	–
Net financing from/(to) shareholders	14 447 206	(21 111 210)	1 302 496	(3 040 409)
Net cash flow from/(used in) financing activities	13 870 164	2 071 782	1 302 496	(3 040 409)

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF CASH FLOWS (continued)
for the year ended 30 June 2010***In Pula*

	2010	Group 2009	Company 2010	Company 2009
Increase in cash and cash equivalents	7 893 118	31 370 079	2 113	–
Cash and cash equivalents at beginning of year	7 903 655	(23 466 424)	–	–
Cash and cash equivalents at end of year	15 796 773	7 903 655	2 113	–
Cash and cash equivalents comprise of the following:				
Cash on hand	2 363 473	2 047 537	–	–
Cash at bank	25 556 346	26 021 627	2 113	–
Bank overdraft	(12 123 046)	(20 165 509)	–	–
	15 796 773	7 903 655	2 113	–

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2010**

Choppies Enterprises (Proprietary) Limited is a company domiciled in the Republic of Botswana. 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 group financial statements and company financial statements ('the financial statements') have been prepared in accordance with the International Financial Reporting Standards ('IFRS') and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

BASIS OF PREPARATION

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

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

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

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

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

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until date that control ceases.

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2010****CHANGES IN ACCOUNTING POLICIES**

The company and group have applied the revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the company and group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

OTHER ACCOUNTING DEVELOPMENTS

The company and group has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, which require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant observable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows.

Revised disclosures in respect of fair values of financial instruments are included in note 17.

PROPERTY, PLANT AND EQUIPMENT

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

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of property, plant and equipment. The items of property, plant and equipment are depreciated over the following periods or at the following annual rates:

• Leasehold improvements	Lease term
• Buildings	2.5%
• Plant and machinery	15%
• Computer equipment	25%
• Office equipment	20%
• Furniture and fittings	10%
• Motor vehicles	25%
• Aircraft	25%

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

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2010****Depreciation (continued)**

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

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

IMPAIRMENT**Financial assets**

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

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

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

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

Non-financial assets

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

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

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

LEASES

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2010****LEASES (continued)****Finance leases**

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

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

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

Operating leases

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

RECOGNITION AND DE-RECOGNITION OF ASSETS AND LIABILITIES

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

GOODWILL

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

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

INVESTMENTS IN SUBSIDIARIES

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

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

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

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

INVENTORIES

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

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2010****DEFERRED TAX**

Deferred tax is provided in full, using the financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using a tax rate enacted or substantially enacted at the reporting date.

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

INCOME TAX

Taxation is determined at current rates on the net income for the year after taking into account income and expenditure which is not subject to taxation, assessed or estimated tax losses brought forward from prior years and the tax effect of credits and charges, including depreciation, attributable to periods other than the current year.

Withholding tax of 15% is payable on the gross value of dividends, if any. This withholding tax is set off against additional company tax in the financial year in which it is paid, and is credited to the reserves, where applicable.

RETIREMENT BENEFITS

Employees are entitled to severance benefits as regulated by the Labour Act applicable in Botswana.

Severance benefits are not considered to be a retirement benefit plan as the benefits are payable on completion of each 60 month period of continuous employment or on termination of employment after a continuous employment period of 60 months. Employee entitlements to annual leave, bonuses, medical aid, housing benefits and severance benefits are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by the employee up to the reporting date.

PROVISIONS

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

REVENUE

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

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

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2010****REVENUE (continued)**

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

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

INTEREST RECEIVED

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

INTEREST PAID

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

FOREIGN CURRENCIES

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

FINANCIAL INSTRUMENTS**Financial assets**

The principal financial assets comprise of 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 less bank overdrafts.

Quoted investments

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

Trade and other receivables

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

Amounts due from related parties

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2010****FINANCIAL INSTRUMENTS (continued)****Amounts due from shareholders**

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

Advances and deposits

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

Financial liabilities

The principal financial liabilities comprise of the following:

Trade and other payables

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

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing/loan.

After initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

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

Amounts due to related parties

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

Amounts due to shareholders

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

Gains and losses on subsequent measurement

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

Offset

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2010****NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2010 and have not been applied in preparing the annual financial statements:

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions: The entity which receives goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction is to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. The revision, which becomes effective for the 2011 financial statements, is not expected to have any impact on the financial statements of the company and group.
- IFRIC 19: This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The interpretation, which becomes effective for the 2011 financial statements, is not expected to have any impact on the financial statements of the company and group.
- IAS 24: Related Party Disclosures: The new standard requires a reporting entity to disclose transactions with its related parties and relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. This standard will be incorporated into the financial statements of the company and group in the 2011 financial year.
- IAS 32: Financial Instruments: Presentation: Classification of Rights Issues requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The revision, which becomes mandatory for the company's and group's 2011 financial statements, is not expected to have any impact on the financial statements of the company and group.
- IFRS 1 amendment: This amendment becomes effective for the entity's 30 June 2011 year end. Under this amendment limited exemptions are provided for adoption of the revised IFRS 7 Presentation and Disclosure of Financial Instruments, for first-time adopters of IFRSs. This is not expected to impact on the financial statements of the company and group.
- IFRIC 14: IFRIC 14 will be adopted by the group for the first time for its financial reporting period ending 30 June 2012. IAS 19 requires certain criteria to be met before an entity may recognise an asset in respect of a defined benefit plan. IFRIC 14 provides additional guidance on how these criteria should be interpreted, in particular where the plan requires minimum contributions to be made (regardless of the surplus). In terms of the Pension Funds Act, an entity operating a defined benefit plan is required to submit a scheme to the Registrar of Pension Funds, setting out the contributions which will be made to eliminate its statutory deficit. This is a minimum funding requirement to cover an existing shortfall for past service which will be dealt with in accordance with IFRIC 14.

The financial statements of the group and company are not expected to be impacted.

- IFRS 9: IFRS 9 will be adopted by the group for the first time for its financial reporting period ending 30 June 2014. The standard will be applied retrospectively, subject to transitional provisions.
- IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the group and company is not expected to be significant.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2010***In Pula*

	Group		Company	
	2010	2009	2010	2009
1. PROFIT BEFORE TAXATION				
The profit before taxation is stated after taking into account the following:				
Movement in operating lease liability	1 145 447	1 304 848	–	–
Depreciation	32 864 168	25 035 356	–	–
Interest paid – bank facilities	10 637 283	8 753 709	–	–
Interest paid – bank overdraft	741 524	893 205	–	–
Interest received – fixed deposits	(1 100 695)	(306 134)	–	–
Donations	553 513	589 158	–	–
Insurance proceeds received	(4 393 682)	(1 971 026)		
(Profit)/loss on disposal of property, plant and equipment	(2 499 341)	(59 795)	–	–
Profit on disposal of quoted investments	(174 790)			
Training levy	5 993 892	3 619 663	–	–
Directors' remuneration	10 644 428	7 989 541	–	–

2. TAXATION

Basic company taxation	18 192 375	15 486 859	–	–
Additional company taxation	12 128 251	10 324 573	–	–
Normal company taxation	30 320 626	25 811 432	–	–
Prior year under provision of income taxation	63 070	90 443	–	–
Deferred tax charge	5 597 537	2 695 656	–	–
Withholding tax on dividends received	–	–	10 231 341	5 275 798
Taxation per statement of comprehensive income	35 981 233	28 597 531	10 231 341	5 275 798

Tax losses available for set off against future taxable income are as follows:

Unutilised tax losses	1 271 897	5 707 140	–	–
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Tax losses fall away after five years from origination if unutilised.

Tax losses are analysed as follows:

Tax year	2010	2009	2010	2009
2005	301 221	3 203 392	–	–
2006	607 638	607 638	–	–
2007	124 096	1 657 168	–	–
2008	238 942	238 942	–	–
	1 271 897	5 707 140	–	–

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula*

	2010	2010	2009	2009
2. TAXATION (continued)				
Reconciliation of effective tax rate:				
Group				
Profit before taxation		121 086 900		105 404 546
Normal income tax at statutory rate	25.00%	30 271 725	25.00%	26 351 136
Non-deductable expenses	1.35%	1 636 851	0.84%	890 698
Utilisation of tax losses	(0.91%)	(1 108 810)	(0.76%)	(808 722)
Change in unrecognised temporary differences	4.22%	5 118 397	1.97%	2 073 976
Under provision of taxation	0.05%	63 070	0.08%	90 443
Normal company taxation	29.71%	35 981 233	27.13%	28 597 531
Company				
Profit before taxation		68 208 786		35 171 988
Normal income tax at statutory rate	25.00%	17 052 197	25.00%	8 792 997
Withholding tax on dividend	(10.00%)	(6 820 879)	(10.00%)	(3 517 199)
Difference due to movement in the interest expense	0.00%	23	–	–
Normal company taxation	15.00%	10 231 341	15.00%	5 275 798

3. PROPERTY, PLANT AND EQUIPMENT**Group**

	At beginning of year	Additions	Disposals	At end of year
Cost				
Land and buildings	8 391 519	–	(843 275)	7 548 244
Plant and machinery	72 620 019	10 138 266	(1 856 393)	80 901 892
Computer equipment	9 603 814	835 517	–	10 439 331
Office equipment	3 038 099	909 475	–	3 947 574
Furniture and fittings	29 292 895	5 042 764	–	34 335 659
Aircraft	23 940 332	–	–	23 940 332
Motor vehicles	39 576 896	27 273 340	(4 305 595)	62 544 641
	186 463 574	44 199 362	(7 005 263)	223 657 673

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***3. PROPERTY, PLANT AND EQUIPMENT (continued)**

Accumulated depreciation	At beginning of year	Charge for the year	Disposals	At end of year
Land and buildings	474 763	132 463	–	607 226
Plant and machinery	34 466 473	11 162 783	(174 203)	45 455 053
Computer equipment	6 102 915	916 451	–	7 019 366
Office equipment	862 279	299 950	–	1 162 229
Furniture and fittings	11 971 971	3 349 121	–	15 321 092
Aircraft	118 062	5 268 514	–	5 386 576
Motor vehicles	15 369 993	11 734 886	(1 490 237)	25 614 642
	69 366 456	32 864 168	(1 664 440)	100 566 184
Net book value	117 097 118			123 091 489

Motor vehicles with a net book value of P19 728 751 (2009: P17 350 374), plant and machinery with a net book value of P1 314 304 (2009: P1 665 635), computer equipment with a net book value of P5 740 (2009: P19 369), furniture and fittings with a net book value of P271 052 (2009: P342 898) and land and buildings with a net book value of P3 767 438 (2009: P2 224 457) are encumbered under finance leases with various financial institutions. These are held in majority by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited.

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

- Lease Area 1934-KO, on Lot 38805 in the Gaborone Administrative District, measuring 523 square metres, held under notarial deed of lease no MA 312/2004 commencing 7th October 2004;
- Plot 213, Maun;
- Section 9, Door number 009, Elsienora;
- Lot 1110 Lobatse, measuring 312 square metres held under certificate of registered state title No. 334/78 and deed of fixed period state grant no: 671/80 for a period of fifty years commencing 26 January 2010;
- Lot 17488, Gaborone, measuring 300 square metres held under state grant No. 462/96 for fifty years commencing 21 June 1996; and
- Lot 17489, Gaborone, measuring 300 square metres held under state grant No. 335/85 for fifty years commencing 03 June 1985.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula*

	Group		Company	
	2010	2009	2010	2009
4. INVESTMENTS				
Investment in related companies*	105 318 753	77 267 655	–	–
Investment in shares – listed**	2 650	2 050	–	–
	105 321 403	77 269 705	–	–

* These amounts relate to advances made to related companies under common control. These balances are interest free, unsecured and without any fixed repayment terms. These amounts are encumbered as per note 14. The directors and shareholders of the group has assured the recoverability of these balances through forfeiting future dividends declared by the group, if required.

** The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2010 was P2.65 per share (2009: P2.05 per share).

	Group		Company	
	2010	2009	2010	2009
5. DEFERRED TAXATION				
Deferred taxation is reconciled as follows:				
Opening deferred taxation	(221 771)	2 473 885	–	–
Charge for the year	(5 597 537)	(2 695 656)	–	–
Closing deferred taxation	(5 819 308)	(221 771)	–	–
Comprising of temporary differences in the following elements:				
Tax losses carried forward	317 974	1 426 785	–	–
Accelerated capital allowances on items of property, plant and equipment	(8 792 921)	(4 017 833)	–	–
Deferred lease liability	2 655 639	2 369 277	–	–
	(5 819 308)	(221 771)	–	–

	Group		Company	
	2010	2009	2010	2009
6. GOODWILL				
On acquisition of business units	19 141 463	18 767 153	–	–

The goodwill arose on acquisition of business operations' net assets. Additional goodwill of P374 310 (2009: P4 442 226) was recognised in the year as a result of the acquisition of a controlling interest in new subsidiaries. The goodwill was recognised with reference to the consideration paid and the fair values of the entities' net assets. The valuation of goodwill at year end was determined by comparing the present value of estimated incremental future cash flows against the carrying amount. This was based on the observed 12 % growth in the group income (2009: 41%), to which the acquired operations contribute. As a result no impairment was recognised.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula*

	Group		Company	
	2010	2009	2010	2009
7. INVENTORIES				
Finished goods	110 941 509	88 014 819	–	–
Goods in transit	445 845	345 051	–	–
	111 387 354	88 359 870	–	–

Due to the fast moving nature of the inventories, no impairment allowance was recognised (2009: P Nil). Inventory of P31 796 939 (2009: P27 834 459) is encumbered under the Bifm Promissory Note as disclosed in note 14.

	Group		Company	
	2010	2009	2010	2009
8. ADVANCES AND DEPOSITS				
Deposits	1 169 571	1 230 189	–	–
Prepayments	–	6 000	–	–
Rent advances	1 422 842	375 877	–	–
Salary advances	2 663 748	2 919 778	–	–
Other advances	4 955 349	8 418 306	–	–
	10 211 510	12 950 150	–	–

9. TRADE AND OTHER RECEIVABLES

Trade receivables	7 423 014	8 010 593	–	–
Other receivables	11 082 155	2 605 451	–	–
VAT refundable	3 713 041	2 474 255	–	–
	22 218 210	13 090 299	–	–

Trade and other receivables of P2 396 118 (2009: P2 853 831) are encumbered as disclosed in note 14.

10. RELATED PARTY TRANSACTIONS

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

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

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

	Group		Company	
	2010	2009	2010	2009
Amounts due from related entities	26 007 508	16 759 109	796 101	796 101

These balances are unsecured, interest free and have no fixed repayment terms.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***10. RELATED PARTY TRANSACTIONS (continued)**

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

	Group		Company	
	2010	2009	2010	2009
Amounts due to related entities	1 172 966	4 012 273	17 718 391	17 718 391

These balances are mainly trading related, are at arms' length and are unsecured and interest free with no fixed repayment terms.

11. AMOUNTS DUE FROM SHAREHOLDERS

	Group		Company	
	2010	2009	2010	2009
Ramachandran Ottappath	–	7 604 093	1 398 183	2 049 431
Aboobaker Chopdat	15 708	–	–	–
Farouk Essop Ismail	2 523 956	7 604 093	1 398 182	2 049 430
	2 539 664	15 208 186	2 796 365	4 098 861

Amounts due to shareholders

Associated Investment Development Corporation	362 986	362 986	–	–
Ramachandran Ottappath	1 778 684	–	–	–
Moitsheki Thabo Lekalake	180 000	180 000	–	–
Younis Adam	362 986	362 986	–	–
	2 684 656	905 972	–	–

Amounts due from and to shareholders are unsecured, interest free and have no fixed repayment terms.

Amounts paid to key personnel

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

Amounts paid to key personnel during the year as remuneration for services rendered were P10 644 428 (2009: P7 989 541).

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	2010	2009
Cash on hand	2 363 473	2 047 537	–	–
Cash at bank	25 556 346	26 021 627	2 113	–
Bank overdraft	27 919 819 (12 123 046)	28 069 164 (20 165 509)	2 113 –	–
Total	15 796 773	7 903 655	2 113	–

The group's bank facilities are secured by an unlimited guarantee from Choppies Enterprises (Proprietary) Limited and personal guarantees from the directors.

The majority of the banking facilities have been granted to Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) 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.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula*

	Group		Company	
	2010	2009	2010	2009
13. STATED CAPITAL				
2 000 ordinary share at no par value	100	100	100	100

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 equally with regard to the company's residual assets.

	Group		Company	
	2010	2009	2010	2009
14. LONG TERM BORROWINGS				
Banc ABC (formerly African Banking Corporation of Botswana Limited)	2 523 260	5 325 118	–	–
Bank of Baroda (Botswana) Limited	4 909 938	6 950 814	–	–
Bank Windhoek	17 110 127	21 537 671		
Botswana Investment Fund Management Capital	35 000 000	35 000 000	–	–
Capital Bank of Botswana Limited	291 909	429 444		
Botswana Power Corporation	919 059	80 834	–	–
Citizen Entrepreneurial Development Agency	125 840	96 190	–	–
First National Bank of Botswana Limited	2 031 038	2 128 922	–	–
Forklift Sales Botswana	143 475	351 935	–	–
National Development Bank	1 854 654	2 002 301	–	–
Nedbank South Africa Limited	221 896	216 740	–	–
Scania Finance Southern Africa	26 830 844	16 798 808	–	–
Wesbank Botswana Limited	516 890	2 137 195	–	–
	92 478 930	93 055 972	–	–
<i>Less: Current portion transferred to current liabilities</i>	(19 877 378)	(22 003 924)	–	–
	72 601 552	71 052 048	–	–

The group's borrowings are secured as follows:

Banc ABC (formerly African Banking Corporation of Botswana Limited)

Term loan of P3 500 000 secured by:

- A first mortgage bond over Portion 46, a portion of Portion 35 (a portion of Portion 3) of the Farm Forest Hill No. 9 – KO, Commerce Park, Kgale; owned by Super Profits Investments (Pty) Limited;
- An unlimited guarantee of Super Profits Investments (Pty) Limited, a related company through common shareholders;
- Unlimited guarantees by Mr F Ismail and Mr R Ottapath, directors and ultimate shareholders of Choppies Enterprises (Proprietary) Limited.

The loan is repayable in 60 monthly instalments of P84 237 each and bears interest at the prime lending rate less 1% per annum commencing on 31 May 2006.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010****14. LONG TERM BORROWINGS (continued)****Banc ABC (formerly African Banking Corporation of Botswana Limited) (continued)***Term loan of P4 500 000 secured by:*

- All liability guarantees by Mr Farouk Ismail and Mr Ramachandran Ottapath directors and ultimate shareholders of Choppies Enterprises (Proprietary) Limited;
- A first mortgage bond for P4 500 000 over Plot 1275, Old Lobatse Road, Gaborone; owned by Dansons Investments (Pty) Limited; and
- Unlimited guarantee by Dansons Investments (Pty) Limited, a related company through common shareholders.

The loan is repayable in 60 monthly instalments of P108 240 each and bears interest at the prime lending rate less 1% per annum commencing 30 August 2006.

Banc ABC (formerly African Banking Corporation of Botswana Limited)*Finance lease liabilities:*

Finance lease liabilities are secured over motor vehicles with a net book value of P731 303 (2009: P2 564 396). These liabilities bear interest at the prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

Bank of Baroda (Botswana) Limited*Financial lease liabilities:*

Finance lease liabilities are secured over motor vehicles with a net book value of P4 766 929 (2009: P6 935 656). These liabilities bear interest at the prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

Botswana Investment Fund Management Capital ("Bifm")*Promissory Notes:*

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

Promissory Note A:

The Note bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable at 31 December 2015.

Promissory Note B:

The Note bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable at 31 December 2017.

Securities:

- CDC guarantee of P35 million, principal shareholders' guarantees and principal shareholders' pledge;
- the issuer deed of subordination and the issuer deed of cession;
- CDC deed of hypothecation over trade and other receivables and inventory;
- CDC deed of subordination and insurance cover in respect of furniture and fittings.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010****14. LONG TERM BORROWINGS (continued)****Bank Windhoek***Financial lease liabilities:*

- unlimited surety by Choppies Enterprises (Pty) Ltd;
- unlimited surety by Ramachandran Ottapath, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited; and
- unlimited surety by Farouk Essop Ismail, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited.

This liability bears interest at the prime lending rate per annum and is repayable in 48 monthly instalments.

Citizen Entrepreneurial Development Agency ("CEDA")*Long term borrowings*

- Personal guarantees by Farouk Essop Ismail and Ramachandran Ottapath, both directors and ultimate shareholders in Choppies Enterprises (Proprietary) Limited; and
- Hypothecation over inventory for P1 745 525 (2009: P1 443 236), plant and equipment for P746 803 (2009: P772 167), furniture and fittings of P271 052 (2009: P342 898) and computer equipment for P5 740 (2009: P19 369) of Macha Investment (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited.

The loan is repayable in 56 equal monthly instalments of P30 667 each and bears interest at a fixed rate of 7.50% per annum.

First National Bank of Botswana Limited*Term loan of P2 200 000 secured by:*

- First covering Mortgage Bond for P2 400 000 over Lease Area No 1934 – KO, a portion of Lot 38805, Gaborone with a net book value of P3 767 438 (2009: P2 224 457). The property is owned by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited;
- Letter of suretyship for an unlimited amount by Farouk Essop Ismail, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited; and
- Letter of suretyship for an unlimited amount by Ramachandran Ottapath, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited.

The loan is repayable in 60 monthly instalments and bears interest at the prime lending rate.

Nedbank South Africa Limited

Mortgage bond secured by: A mortgage bond over the property for the sum of R262 500 commencing on 1 January 2002 and concludes on 31 December 2021. The property is situated at Section 9, Door Number 0009, Elsienora. The property is owned by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited. The loan is repayable in 240 monthly instalments of R2 551 (2009: P2 551) each and bears interest at 10.10% (2009: 10.10%) per annum.

Scania Finance Southern Africa

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P13 309 736 (2009: P6 738 879). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 48 monthly instalments.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010****14. LONG TERM BORROWINGS (continued)****Wesbank Botswana Limited:**

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P228 807 (2009: P165 600). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

Forklift Sales Botswana

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P215 721 (2009: P479 663). These liabilities bear interest at the prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

Capital Bank Botswana Limited

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P476 255 (2009: P466 180). These liabilities bear interest at the prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

Botswana Power Corporation

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

National Development Bank

This balance bears interest at a fixed rate of 15% per annum and is repayable over 144 equal monthly instalments of P40 523 commencing August 2003. The facility is secured by:

- First covering mortgage bond for P2 820 000 over Plots 17488 and 17489 in Gaborone owned by Genuine Passions (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited;
- Deed of hypothecation over plant and equipment with a net book value of P567 501 (2009: P893 468); and
- Personal guarantees of Farouk Essop Ismail and Ramachandran Ottapath, both directors and ultimate shareholders in Choppies Enterprises (Proprietary) Limited.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula*

	Group		Company	
	2010	2009	2010	2009
15. OPERATING LEASE LIABILITIES				
Opening balance	9 477 107	8 172 259	–	–
Charge for the year	1 145 447	1 304 848	–	–
Closing balance	10 622 554	9 477 107	–	–
Operating lease rental deferred reverses as follows:				
Within 1 year	1 998 424	893 957	–	–
2 – 5 years	6 889 415	5 062 997	–	–
6 – 10 years	1 734 715	3 520 153	–	–
	10 622 554	9 477 107	–	–
At year end the following future non-cancellable minimum lease rentals are payable:				
Within 1 year	24 026 511	19 434 009	–	–
2 – 5 years	80 311 725	61 435 995	–	–
6 – 10 years	22 287 655	16 333 307	–	–
	126 625 891	97 203 311	–	–
	2010	2009	2010	2009
16. TRADE AND OTHER PAYABLES				
Trade payables	184 557 773	151 129 008	–	–
VAT payable	3 343 725	3 298 055	–	–
Withholding tax payable	779 798	617 839	–	–
Other payables	14 648 436	10 027 901	–	–
	203 329 732	165 072 803	–	–

17. FINANCIAL INSTRUMENTS

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

Market risk

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

Interest rate risk

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Interest rate risk (continued)**

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

	2010	Group 2009
African Banking Corporation of Botswana Limited	Prime less 1%	Prime less 1%
Wesbank Botswana Ltd	Prime less 2%	Prime less 2%
Bank of Baroda (Botswana) Limited	Prime less 1%	Prime less 1%
Scania Finance Southern Africa	Prime less 2%	Prime less 2%
Capital Bank of Botswana Limited	Prime plus 2%	Prime plus 2%
First National Bank of Botswana Limited	Prime lending rate	Prime lending rate
Nedbank South Africa Limited	10.10%	10.10%
Bank Windhoek	Prime lending rate	Prime lending rate
Forklift Sales Botswana	Prime plus 2%	Prime plus 2%
Botswana Investment Fund Management Capital (Bifm)	12.00%	12.00%
Bank overdraft	9.00%	12.00%
Citizen Entrepreneurial Development Agency	7.50%	7.50%
Botswana Power Corporation	Prime less .25%	Prime less .25%
National Development Bank of Botswana Limited	15%	15%
Call account denominated in Pula	4.00% to 6.00%	7.00% to 8.00%
Call account denominated in foreign denominated currency	3.00%	1.60%
Fixed deposits with banks	7.00% to 11.50%	7.00% to 8.30%

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

	Group		Company	
	2010	2009	2010	2009
Long term borrowings	(92 478 930)	(93 055 972)	–	–
Bank overdraft	(12 123 046)	(20 165 509)	–	–
Call account denominated in Pula	8 843 848	5 202 582	–	–
Call account denominated in foreign denominated currency	437 589	437 589	–	–
Fixed deposits with banks	949 629	856 875	–	–

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

	Group		Company	
	2010	2009	2010	2009
Variations of 50 basis points:				
Long term borrowings	462 395	465 280	–	–
Bank overdraft	60 615	100 828	–	–
Call accounts denominated in Pula	(44 219)	(26 013)	–	–
Call accounts denominated in foreign currencies	(2 188)	(2 188)	–	–
Fixed deposits with banks	(4 748)	(4 284)	–	–
	471 855	533 623	–	–

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Credit risk**

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

- amounts due from related companies,
- amounts due from shareholders,
- amounts due from trade and other receivables,
- investments in cash and cash equivalents, and
- amounts paid in advance and deposits

The group limits the levels of credit risk that 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. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions.

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

	Group		Company	
	2010	2009	2010	2009
Trade receivables	7 423 014	8 010 593	–	–
Investments in related companies	105 318 753	77 267 655	–	–
Other receivables	14 795 196	5 079 706	–	–
Advances and deposits	10 211 510	12 950 150	–	–
Amounts due from related parties	26 007 508	16 759 109	796 101	796 101
Amounts due from shareholders	2 539 664	15 208 186	2 796 365	4 098 861
Cash and cash equivalents	25 556 346	26 021 627	2 113	–
	191 851 991	161 297 026	3 594 579	4 894 962

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

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	2 700 961	–	3 843 061	–
Past due 1 – 30 days	1 188 301	–	584 443	–
Past due 31 – 120 days	3 533 752	–	3 583 089	–
	7 423 014	–	8 010 593	–

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Liquidity risk**

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

The following are classified as non-derivative financial liabilities:

	Group		Company	
	2010	2009	2010	2009
Long term borrowings	92 478 930	93 055 972	–	–
Amounts due to group companies	1 172 966	4 012 273	17 718 391	17 718 391
Amounts due to shareholders	2 684 656	905 972	–	–
Bank overdraft	12 123 046	20 165 509	–	–
Trade payables	184 557 773	151 129 008	–	–
Other payables	18 771 959	13 943 795	–	–
	311 789 330	283 212 529	17 718 391	17 718 391

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

	Carrying amount	Contractual cash flows	12 months or less	After 1 year
Group 2010				
Long term borrowings	92 478 930	92 478 930	19 877 378	72 601 552
Amounts due to group companies	1 172 966	1 172 966	1 172 966	–
Amounts due to shareholders	2 684 656	2 684 656	2 684 656	–
Bank overdraft	12 123 046	12 123 046	12 123 046	–
Trade payables	184 557 773	184 557 773	184 557 773	–
Other payables	18 771 959	18 771 959	18 771 959	–
	311 789 330	311 789 330	239 187 778	72 601 552
Group 2009				
Long term borrowings	93 055 972	93 055 972	22 003 924	71 052 048
Amounts due to group companies	4 012 273	4 012 273	4 012 273	–
Amounts due to shareholders	905 972	905 972	905 972	–
Bank overdraft	20 165 509	20 165 509	20 165 509	–
Trade payables	151 129 008	151 129 008	151 129 008	–
Other payables	13 943 795	13 943 795	13 943 795	–
	283 212 529	283 212 529	212 160 481	71 052 048

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Liquidity risk (continued)**

	Carrying amount	Contractual cash flows	12 months or less	After 1 year
Company 2010				
Amounts due to group companies	17 718 391	17 718 391	17 718 391	–
Company 2009				
Amounts due to group companies	17 718 391	17 718 391	17 718 391	–

Foreign currency risk

The company incurred no transactions or balances in currencies other than its functional currency, the Pula, during the year or at end of the year (2009: P nil).

The group is exposed to foreign currency risk for transactions that are denominated in currencies other than the Pula. These transactions are chiefly related to the group's distribution and retail trading business and are predominantly in the South African Rand, United States Dollar and British Pound Sterling. The group does not take cover on foreign currency as it regards the Pula as a stable currency.

The group's exposure to foreign currency risk was as follows based on notional amounts:

	Foreign currency amount	Pula equivalent
Group 2010		
South African Rand denominated assets – balance with banks	1 764 635	1 662 241
United States Dollar denominated assets – balance with banks	277 918	2 006 628
British Sterling denominated assets – balance with banks	150 004	1 619 938
South African Rand denominated liabilities	(109 178 379)	(102 843 236)
Net exposure		(97 554 429)
Group 2009		
South African Rand denominated assets – balance with banks	1 170 277	1 039 969
United States Dollar denominated assets – balance with banks	1 919 325	13 255 007
British Pound Sterling denominated assets – balance with banks	1 721 762	19 869 306
South African Rand denominated liabilities	(78 164 139)	(69 460 712)
United States Dollar denominated liabilities	(37 551)	(259 331)
Net exposure		(35 555 761)

Year end translation rates:

	2010	2009
South African Rand exchange rate at year end	1.0616	1.1253
United States Dollar exchange rate at year end	0.1385	0.1448
British Pound Sterling exchange rate at year end	10.7993	11.5401

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Foreign currency risk (continued)****Group**

2010	Pula
South African Rand denominated assets – balances with banks	(151 113)
United States Dollar denominated assets – balances with banks	(182 421)
British Pound Sterling denominated assets – balances with banks	(147 267)
South African Rand denominated liabilities	9 344 581
Net increase in profit before taxation	8 863 780
Group	
2009	
South African Rand denominated assets – balance with banks	(94 543)
United States Dollar denominated assets – balance with banks	(1 326 325)
British Pound Sterling denominated assets – balance with banks	(1 986 931)
South African Rand denominated liabilities	6 314 610
United States Dollar denominated liabilities	25 950
Net increase in profit before taxation	2 932 761

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

18. CONTINGENT LIABILITIES

The group has the following contingent liabilities outstanding at year-end:

Guarantees:

Choppies Enterprises (Proprietary) Limited has provided an unlimited guarantee on behalf of Choppies Distribution (Proprietary) Limited and Lisboa Trading (Proprietary) Limited in respect of an overdraft facility.

Other related parties have issued unlimited guarantees on behalf of Choppies Distribution Centre (Proprietary) Limited for overdraft facilities granted to Choppies Distribution Centre (Proprietary) Limited.

19. INVESTMENT IN SUBSIDIARIES

Choppies Enterprises (Proprietary) Limited held the following interests in the stated capital of the subsidiaries consolidated into these financial statements. Voting rights attaching to the stated capital held by the company confer significant influence and control over these entities. The investments are measured at the cost of stated capital less impairment. The historical financial performance as well as the present value of reasonably estimable future cash flows and operating profits of the subsidiaries in the group were considered when assessing each investment balance for impairment. Based on this evaluation, at 30 June 2010 impairment in the investments was assessed as P Nil (2009: P Nil).

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***19. INVESTMENT IN SUBSIDIARIES (continued)**

Name	% Ownership	2010	% Ownership	2009
		Carrying value of investment		Carrying value of investment
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
Asklite (Proprietary) Limited	100%	100	100%	100
Atladis (Proprietary) Limited	100%	100	100%	100
Beavers Investments (Proprietary) Limited	67%	200	67%	200
Bestlite Investments (Proprietary) Limited	100%	100	100%	100
Bowerbird (Proprietary) Limited	82%	82	82%	82
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
Daisy Gardens (Proprietary) Limited	67%	67	100%	67
Deluxe (Proprietary) Limited	55%	2 750 110	55%	2 750 110
Dostana Investments (Proprietary) Limited	100%	1 000	100%	1 000
F & A Enterprises (Proprietary) Limited	100%	10 000	100%	10 000
Freshtake Holdings (Proprietary) Limited	72%	72	70%	72
Genuine Passions (Proprietary) Limited	67%	67	67%	67
Gobrand Holdings (Proprietary) Limited	100%	100	100%	100
Godavari (Proprietary) Limited	100%	100	100%	100
Gritnit (Proprietary) Limited	100%	100	100%	100
Hoovernit (Proprietary) Limited	100%	100	100%	100
Himalayas (Proprietary) Limited	100%	100	100%	100
ILO Industries (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	67%	200	67%	200
Lisboa Trading (Proprietary) Limited	90%	1 022 743	90%	1 022 743
Macha Investments (Proprietary) Ltd	100%	2 489 757	100%	2 489 757
Motopi Holdings (Proprietary) Limited	93%	1 500 000	93%	1 500 000
Naivasha (Proprietary) Limited	100%	100	100%	100
Ndongolela Investments (Proprietary) Limited	100%	100	68%	100
Ollur Investments (Proprietary) Limited	100%	6 700	100%	6 700
Pucko Investments (Proprietary) Limited (Mochudi)	100%	67	100%	67
Right Time Holdings (Proprietary) Limited	100%	100	100%	100
S & F Enterprises (Proprietary) Limited	100%	100	100%	100
Shaysons Investment (Proprietary) Limited (Ourluck)	100%	67	100%	67
Shopper's Paradise (Proprietary) Limited	100%	1 300 000	–	–
Smoothsail Holdings (Proprietary) Limited	100%	100	100%	100
Balance carried forward		16 291 960		42 504 199

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2010***In Pula***19. INVESTMENT IN SUBSIDIARIES (continued)**

Name	% Ownership	2010	% Ownership	2009
		Carrying value of investment		Carrying value of investment
Balance brought forward		16 291 960		42 504 199
Sunrise Holdings (Proprietary) Limited	100%	67	100%	67
Tampatrail Investments (Proprietary) Limited	100%	100	100%	100
To Do More Holdings (Proprietary) Limited	100%	100	100%	100
Topshape Holdings (Proprietary) Limited	100%	1 000	100%	1000
Torinby Investments (Proprietary) Limited	100%	100	100%	100
Uplift (Proprietary) Limited	100%	100	100%	100
Velocity (Proprietary) Limited	100%	100	–	–
Walrus (Proprietary) Limited	100%	100	100%	100
Wayside Supermarket (Proprietary) Limited	100%	1 650	100%	1650
Well Done (Proprietary) Limited	100%	100	100%	100
		16 295 377		14 995 277

20. FINANCIAL SUPPORT

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

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

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

Name of group company	2010	2009
F & A Enterprises (Proprietary) Limited	571 834	73 491
Godavari (Pty) Ltd	25 721	771 554
Himalaya (Pty) Ltd	–	552 151
Uplift (Pty) Ltd	15 639	163 274
Ollur Investments (Proprietary) Limited	–	332 862
To Do More Holdings (Proprietary) Limited	–	182 691

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Choppies Enterprises (Proprietary) Limited

Annual group financial statements for the year ended 30 June 2009

(Company Reg. No: 2004/1681)

Choppies Enterprises (Proprietary) Limited**Annual group financial statements
for the year ended 30 June 2009****CONTENTS**

	<i>Page</i>
Directors' report	140
Directors' responsibility statement	141
Independent auditor's report	142
Income statements	143
Balance sheets	144
Statements of changes in equity	145
Cash flow statements	146
Significant accounting policies	148
Notes to the financial statements	156

Choppies Enterprises (Proprietary) Limited**DIRECTORS' REPORT
for the year ended 30 June 2009**

The directors have pleasure in presenting their report and the annual group financial statements of Choppies Enterprises (Proprietary) Limited for the year ended 30 June 2009.

Nature of business

The primary business of the Group is concentrated in the retail supermarket industry. The Choppies Enterprises Group of companies operates principally in Botswana. Choppies Enterprises (Proprietary) Limited operates as an investment holding company.

Financial position and results

The financial position of the Group and Company at 30 June 2009 and their financial performance and cash flows for the year then ended are reflected in these financial statements.

Events occurring after balance sheet date

The directors are not aware of any matter or circumstance arising since the end of the financial year, not dealt with in the report or financial statements that would significantly affect the operations of the Group and Company or the results of its operations.

Dividends

The Company declared and paid gross dividends of P29 896 190 during the year under review (2008: P8 456 000).

Directorate

Farouk Essop Ismail
Ramachandran Ottappath
Timothy Gordon Marsland
Festus Gontebanye Mogae

Secretary

Corporate Services (Pty) Ltd
PO Box 406
Kgale Mews, Gaborone
Botswana

Auditors

KPMG
PO Box 1519
Gaborone
Botswana

Choppies Enterprises (Proprietary) Limited**DIRECTORS' RESPONSIBILITY STATEMENT
for the year ended 30 June 2009**

The directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of Choppies Enterprises (Proprietary) Limited, comprising the balance sheets at 30 June 2009 and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

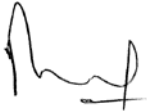
The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have reviewed the economic environment in which the group operates, the liquidity risks in terms of maturities of the group's assets and liabilities and the group's financial projections for the year ending 30 June 2010. Based on this review, the directors are satisfied that the group has adequate resources in place to continue in operation for the foreseeable future. Accordingly, these financial statements have been prepared on the going concern basis.

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

Approval of the financial statements:

The group annual financial statements and the annual financial statements were approved by the directors on 2 November 2009 and are signed on their behalf by:



Ramachandran Ottappath
Director



Farouk Essop Ismail
Director

**Audit**

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Fairground Park
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INDEPENDENT AUDITOR'S REPORT**To the members of Choppies Enterprises (Proprietary) Limited**

We have audited the consolidated and separate annual financial statements of Choppies Enterprises (Proprietary) Limited, which comprise the balance sheets at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 138 to 174.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Choppies Enterprises (Proprietary) Limited and the Group at 30 June 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

KPMG**02 November 2009**

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**
*British ** South African
VAT Number: P03623901112

Choppies Enterprises (Proprietary) Limited**INCOME STATEMENTS
for the year ended 30 June 2009***In Pula*

	<i>Notes</i>	Group	Company		
		<i>Restated</i>	<i>Restated</i>		
		2009	2009		
		2008	2008		
Revenue		1 918 737 021	1 388 819 929	–	–
Dividend income		–	–	29 896 190	8 456 000
Cost of sales		1 579 949 652	1 173 680 433	–	–
Gross profit		338 787 369	215 139 496	29 896 190	8 456 000
Other income		1 719 904	2 768 394	–	–
Fair value loss on quoted instrument		(400)	(140)	–	–
Operating income		340 506 873	217 907 750	29 896 190	8 456 000
Expenditure		225 761 547	158 112 210	–	–
Administrative expenses		163 173 511	116 304 265	–	–
Selling and distribution expenses		12 133 927	9 610 265	–	–
Other operating expenses		50 454 109	32 197 680	–	–
Operating profit before interest		114 745 326	59 795 540	29 896 190	8 456 000
Interest paid		(9 646 914)	(10 722 394)	–	–
Interest received		306 134	–	–	–
Profit before taxation	<i>1</i>	105 404 546	49 073 146	29 896 190	8 456 000
Taxation	<i>2</i>	(28 597 531)	(10 074 651)	–	–
Profit attributable to shareholders		76 807 015	38 998 495	29 896 190	8 456 000

Choppies Enterprises (Proprietary) Limited**BALANCE SHEETS
at 30 June 2009***In Pula*

	<i>Notes</i>	Group	Company		
		<i>Restated</i>	<i>Restated</i>		
		2009	2009		
			2008		
ASSETS					
Non-current assets		135 864 271	95 312 587	14 995 277	16 554 034
Property, plant and equipment	3	117 097 118	78 513 776	–	–
Deferred taxation	5	–	2 473 885	–	–
Loans to subsidiary companies	10	–	–	–	1 554 407
Investment in subsidiary companies	19	–	–	14 995 277	14 999 627
Goodwill	6	18 767 153	14 324 926	–	–
Current assets		251 706 483	218 717 237	4 894 962	3 349 178
Inventories	7	88 359 870	78 921 771	–	–
Investments	4	77 269 705	53 757 569	–	–
Advances and deposits	8	12 950 150	18 080 047	–	–
Trade and other receivables	9	13 090 299	35 194 513	–	1 176 584
Amounts due from related entities	10	16 759 109	7 497 103	796 101	599 461
Amounts due from shareholders	11	15 208 186	–	4 098 861	1 573 133
Cash and cash equivalents	12	28 069 164	25 266 234	–	–
Total assets		387 570 754	314 029 824	19 890 239	19 903 212
EQUITY AND LIABILITIES					
Equity		86 166 937	39 251 362	2 171 848	2 171 848
Stated capital	13	100	100	100	100
Retained earnings		79 476 641	35 532 992	2 171 748	2 171 748
Minority interest		6 690 196	3 718 270	–	–
Non-current liabilities		79 856 969	59 325 749	–	–
Long term borrowings	14	71 052 048	51 924 364	–	–
Deferred taxation	5	221 771	–	–	–
Long term operating lease liabilities	15	8 583 150	7 401 385	–	–
Current liabilities		221 546 848	215 452 713	17 718 391	17 731 364
Trade and other payables	16	165 072 803	134 978 895	–	3 379 323
Amounts due to shareholders	11	905 972	6 808 996	–	514 681
Amounts due to related entities	10	4 012 273	2 135 875	17 718 391	13 837 360
Taxation payable		8 492 410	4 072 049	–	–
Current portion of deferred lease liabilities	15	893 957	770 874	–	–
Current portion of long term borrowings	14	22 003 924	17 953 366	–	–
Bank overdraft	12	20 165 509	48 732 658	–	–
Total equity and liabilities		387 570 754	314 029 824	19 890 239	19 903 212

Choppies Enterprises (Proprietary) Limited**STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2009***In Pula*

	Stated capital	Retained earnings	Minority interest	Total
Group				
Balance at 1 July 2007 (restated)	100	6 060 516	2 648 233	8 708 849
Contribution as stated capital	–	–	18	18
Dividends declared	–	(8 456 000)	–	(8 456 000)
Profit for the year	–	37 928 476	1 070 019	38 998 495
Balance at 30 June 2008 (restated)	100	35 532 992	3 718 270	39 251 362
Contribution as stated capital	–	–	4 750	4 750
Dividends declared	–	(29 896 190)	–	(29 896 190)
Profit for the year	–	73 839 839	2 967 176	76 807 015
Balance at 30 June 2009	100	79 476 641	6 690 196	86 166 937
Company				
Balance at 1 July 2007 (restated)	100	2 171 748	–	2 171 848
Dividends declared	–	(8 456 000)	–	(8 456 000)
Profit for the year	–	8 456 000	–	8 456 000
Balance at 30 June 2008 (restated)	100	2 171 748	–	2 171 848
Dividends declared	–	(29 896 190)	–	(29 896 190)
Profit for the year	–	29 896 190	–	29 896 190
Balance at 30 June 2009	100	2 171 748	–	2 171 848

Choppies Enterprises (Proprietary) Limited**CASH FLOW STATEMENTS
for the year ended 30 June 2009***In Pula*

	2009	Group Restated 2008	2009	Company Restated 2008
Operating activities				
Profit before taxation	105 404 546	49 073 146	29 896 190	8 456 000
Adjusted for:				
Depreciation	25 035 356	18 966 310	–	–
(Profit)/loss on disposal of property, plant and equipment	(59 795)	1 644 625	–	–
Profit on disposal of quoted investment	(174 790)	–	–	–
Increase in operating lease accrual	1 304 848	2 555 645	–	–
Fair value adjustment to quoted investment	400	140	–	–
Operating surplus before changes in working capital	131 510 565	72 239 866	29 896 190	8 456 000
Movement in trade and other receivables	22 104 214	5 452 743	1 176 584	2 368
Movement in amounts with related entities	(7 385 608)	27 148 484	3 684 391	13 237 899
Movement in advances and deposits	5 129 897	(7 745 965)	–	–
Movement in loans with subsidiary companies	–	–	1 554 407	–
Movement in trade and other payables	30 093 908	6 677 769	(3 379 323)	–
Movement in inventories	(9 438 099)	118 191	–	–
Operating profit from operating activities	172 014 877	103 891 088	32 932 249	21 696 267
Taxation paid	(21 481 514)	(6 568 356)	–	–
Dividends paid	(29 896 190)	(8 456 000)	(29 896 190)	(8 456 000)
Net cash flows from operating activities	120 637 173	88 866 732	3 036 059	13 240 267
Investing activities				
Acquisition of plant and equipment	(66 937 820)	(33 612 522)	–	–
Proceeds on disposal of plant and equipment	2 284 186	217 539	–	–
Proceeds on disposal of quoted investment	1 174 790	–	–	–
Insurance proceeds on plant and equipment destroyed in fire	1 094 731	–	–	–
Acquisition of newly acquired subsidiaries	(4 442 227)	–	–	–
Recognition of investment in subsidiaries – restatement	–	–	4 350	(11 667 134)
Recognition of acquired subsidiaries – restatement	–	(11 956 618)	–	–
Acquisition of investment	(1 000 000)	–	–	–
Investment in related entities not under common control	(23 512 536)	(53 755 119)	–	–
Net cash flow (used in)/from investing activities	(91 338 876)	(99 106 720)	4 350	(11 667 134)
Financing activities				
Financing obtained from third parties	38 581 075	16 470 855	–	–
Capital repayment of long term liabilities	(15 402 833)	–	–	–
Equity investment by minority	4 750	18	–	–
Net financing (to)/from shareholders	(21 111 210)	11 691 690	(3 040 409)	(1 573 133)
Net cash flow from/(used in) financing activities	2 071 782	28 162 563	(3 040 409)	(1 573 133)

Choppies Enterprises (Proprietary) Limited**CASH FLOW STATEMENTS (continued)
for the year ended 30 June 2009***In Pula*

	2009	Group Restated 2008	2009	Company Restated 2008
Increase in cash and cash equivalents	31 370 079	17 922 575	–	–
Cash and cash equivalents at beginning of year	(23 466 424)	(41 388 999)	–	–
Cash and cash equivalents at end of year	7 903 655	(23 466 424)	–	–
Cash and cash equivalents comprise of the following:				
Cash on hand	2 047 537	5 415 384	–	–
Cash at bank	26 021 627	19 850 850	–	–
Bank overdraft	(20 165 509)	(48 732 658)	–	–
	7 903 655	(23 466 424)	–	–

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2009**

Choppies Enterprises (Proprietary) Limited is a company domiciled in the Republic of Botswana. 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 group financial statements and company financial statements ('the financial statements') have been prepared in accordance with the International Financial Reporting Standards ('IFRS') and in the manner required by the Companies Act, 2003 (No. 32 of 2004) of Botswana.

BASIS OF PREPARATION

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

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

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relates to the impairment evaluation of goodwill (per note 6), the impairment evaluation of related party balances receivable (per note 10), the impairment evaluation of investments in subsidiaries (per note 19), the evaluation of depreciation rates and residual values applied to property, plant and equipment items (per note 3), impairment evaluation of investments (per note 4), impairment evaluation of trade and other receivables (per notes 8 and 9) and impairment evaluation of inventories (per note 7).

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until date that control ceases.

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2009****PROPERTY, PLANT AND EQUIPMENT**

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

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of property, plant and equipment. The items of property, plant and equipment are depreciated over the following periods or at the following annual rates:

• Leasehold improvements	Lease term
• Buildings	2.5%
• Plant and equipment	15%
• Computer equipment	25%
• Office equipment	20%
• Furniture and fittings	10%
• Motor vehicles	25%
• Aircraft	25%

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

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

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

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

IMPAIRMENT**Financial assets**

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

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

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

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2009****IMPAIRMENT (continued)****Non-financial assets**

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the income statement. 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 risk specific to the asset.

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

LEASES

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

Finance leases

Finance leases are recognised as liabilities in the balance sheet 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 balance sheet as a finance lease obligation.

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

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

Operating leases

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

RECOGNITION AND DE-RECOGNITION OF ASSETS AND LIABILITIES

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2009****GOODWILL**

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

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

INVESTMENTS IN SUBSIDIARIES

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

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

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

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

INVENTORIES

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

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

DEFERRED TAX

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using a tax rate of 25%.

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

INCOME TAX

Taxation is determined at current rates on the net income for the year after taking into account income and expenditure which is not subject to taxation, assessed or estimated tax losses brought forward from prior years and the tax effect of credits and charges, including depreciation, attributable to periods other than the current year.

Withholding tax of 15% is payable on the gross value of dividends, if any. This withholding tax is set off against additional company tax in the financial year in which it is paid, and is credited to the reserves, where applicable.

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2009****RETIREMENT BENEFITS**

Employees are entitled to severance benefits as regulated by the Labour Act applicable in Botswana.

Severance benefits are not considered to be a retirement benefit plan as the benefits are payable on completion of each 60 month period of continuous employment or on termination of employment after a continuous employment period of 60 months. Employee entitlements to annual leave, bonuses, medical aid, housing benefits and severance benefits are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by the employee up to the balance sheet date.

PROVISIONS

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

REVENUE

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

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

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

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

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

INTEREST RECEIVED

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

INTEREST PAID

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2009****FOREIGN CURRENCIES**

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

FINANCIAL INSTRUMENTS**Financial assets**

The principal financial assets comprise of 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 less bank overdrafts.

Quoted investments

The Group has investments in quoted equity securities of financial institutions. These are originally recognised at the fair value of consideration paid to acquire the securities. The equity securities are subsequently measured at their quoted price, which is derived from the stock exchange on which these securities are listed. Changes in the fair value of the investment are recognised in the income statement at each reporting date.

Trade and other receivables

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

Amounts due from related parties

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

Amounts due from shareholders

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

Advances and deposits

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

Financial liabilities

The principal financial liabilities comprise of the following:

Trade and other payables

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

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2009****FINANCIAL INSTRUMENTS (continued)****Financial liabilities (continued)****Interest bearing loans and borrowings**

Interest bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing/loan.

After initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

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

Amounts due to related parties

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

Amounts due to shareholders

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

Gains and losses on subsequent measurement

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

Offset

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2009 and have not been applied in preparing the annual financial statements:

- IFRS 8 Operating Segments sets out requirements for disclosure of information in respect of an entity's operating segments, the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8, which becomes mandatory for the company's and group's 2009 financial statements, is not expected to have any impact on the financial statements of the company or group.
- IFRS 2 Share-based payment: Vesting conditions and cancellations (amendment). The amendments apply to equity-settled share-based payment transactions and clarify the meaning of "vesting and non-vesting conditions," and the accounting treatment where either the entity or the beneficiary of a grant chooses not to meet the vesting conditions. The revised IFRS 2 will become mandatory for the company's and group's 2010 financial statements and is not expected to have any impact on the financial statements of the company or group.
- IFRS 3: Business combinations supersedes the previous IFRS 3 issued in 2004. The standard has introduced various terminology and scope changes. IFRS 3, which becomes mandatory for the company's and group's 2010 financial statements, will impact on the financial statements of the company or group with respect to further acquisitions meeting the definition of business combinations under this standard.

Choppies Enterprises (Proprietary) Limited**SIGNIFICANT ACCOUNTING POLICIES *(continued)*
for the year ended 30 June 2009****NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED *(continued)***

- IAS 1: Presentation of financial statements (revised). The main change in the revised IAS 1 is a requirement to present all non-owner changes in equity in a single statement of comprehensive income (which includes income statement line items). Under the revised standard, a statement of financial position (preferred term for “balance sheet”) has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1 will become mandatory for the company’s and group’s 2010 financial statements and will require the additional and revised statements as noted.
- IAS 23 Borrowing Costs (revised) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the company’s and group’s 2010 financial statements and constitute a change in accounting policy for the company and group. In accordance with transitional provisions the company and group will apply the revised IAS 23 to qualifying assets from which capitalisation of borrowing costs commences on or after the effective date.
- IAS 32 and IAS 1 amendment: Puttable Financial Instruments and Obligations. Puttable financial instruments and obligations arising on liquidation require certain financial instruments that would ordinarily meet the definition of a financial liability to be classified as equity. These instruments must meet certain criteria as set out in IAS 32. The revision to the standard, which becomes mandatory for the company’s and group’s 2010 financial statements, is not expected to have any impact on the financial statements of the company or group.
- IAS 27: Consolidated and separate financial statements (amendment). Consequential amendments have been made to IAS 27 Consolidated and Separate Financial Statements as a result of the revised IFRS 3 Business Combinations issued. The amendments relate mainly to the accounting for changes in the non-controlling (minority) interest in a subsidiary and the loss of control in a subsidiary. The revision which becomes mandatory for the company’s and group’s 2010 financial statements will impact the financial statements of the company or group in instances where changes in minority shareholdings and loss of control in subsidiaries occurs.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2009***In Pula*

	2009	Group Restated 2008	2009	Company Restated 2008
1. PROFIT BEFORE TAXATION				
The profit before taxation is stated after taking into account the following:				
Movement in operating lease liability	1 304 848	2 555 645	–	–
Depreciation	25 035 356	18 966 310	–	–
Interest paid – bank facilities	8 753 709	8 135 572	–	–
Interest paid – bank overdraft	893 205	2 586 822	–	–
Interest received– fixed deposits	(306 134)	–	–	–
Rent received – premises	(196 667)	–	–	–
Donations	589 158	422 637	–	–
(Profit)/loss on disposal of property, plant and equipment	(59 795)	1 644 625	–	–
Profit on disposal of quoted investments	(174 790)	–	–	–
Training levy	3 619 663	–	–	–
Audit fees	166 000	–	–	–
Directors' remuneration	7 989 541	7 389 171	–	–
2. TAXATION				
Basic company taxation	15 486 859	6 881 860	–	–
Additional company taxation	10 324 573	4 587 906	–	–
Normal company taxation	25 811 432	11 469 766	–	–
Additional company taxation utilised against withholding tax on dividends	–	(1 492 235)	–	–
Prior year under provision of current taxation	90 443	91 607	–	–
Deferred tax charge	2 695 656	5 281	–	–
Other tax offset to current taxation	–	232	–	–
Taxation per income statement	28 597 531	10 074 651	–	–
Tax losses available for set off against future taxable income are as follows:				
Unutilised tax losses	5 707 140	8 942 029	–	–
Tax losses fall away after five years from origination if unutilised.				
Tax losses are analysed as follows:				
Tax year	2009	2008	2009	2008
2005	3 203 392	3 710 182	–	–
2006	607 638	607 638	–	–
2007	1 657 168	4 385 267	–	–
2008	238 942	238 942	–	–
	5 707 140	8 942 029	–	–

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***3. PROPERTY, PLANT AND EQUIPMENT****Group**

	At beginning of year	Additions	Disposals	Assets destroyed in fire	At end of year
Cost					
Land and buildings	6 894 245	1 497 274	–	–	8 391 519
Plant and machinery	51 499 690	22 984 791	–	(1 864 462)	72 620 019
Computer equipment	8 979 282	799 672	–	(175 140)	9 603 814
Office equipment	1 905 425	1 132 674	–	–	3 038 099
Furniture and fittings	27 761 490	2 329 297	–	(797 892)	29 292 895
Aircraft	–	23 940 332	–	–	23 940 332
Motor vehicles	44 087 993	14 253 780	(18 764 877)	–	39 576 896
	141 128 125	66 937 820	(18 764 877)	(2 837 494)	186 463 574

Accumulated depreciation

	At beginning of year	Charge for the year	Disposals	Depreciation on destroyed assets	At end of year
Land and buildings	348 003	126 760	–	–	474 763
Plant and machinery	25 647 352	10 035 010	–	(1 215 889)	34 466 473
Computer equipment	4 685 748	1 583 633	–	(166 466)	6 102 915
Office equipment	715 763	146 516	–	–	862 279
Furniture and fittings	9 032 505	3 299 874	–	(360 408)	11 971 971
Aircraft	–	118 062	–	–	118 062
Motor vehicles	22 184 978	9 725 501	(16 540 486)	–	15 369 993
	62 614 349	25 035 356	(16 540 486)	(1 742 763)	69 366 456
Net book value	78 513 776				117 097 118

Motor vehicles with a net book value of P17 350 374 (2008: P18 522 075), plant and machinery with a net book value of P1 665 635 (2008: P1 237 728), computer equipment with a net book value of P19 369 (2008: P36 071), furniture and fittings with a net book value of P342 898 (2008: P414 743) and land and buildings with a net book value of P2 224 457 (2008: P2 263 325) are encumbered under finance leases with various financial institutions. These are held in majority by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited.

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

- Lease Area 1934-KO, on Lot 38805 in the Gaborone Administrative District, measuring 523 square metres, held under notarial deed of lease no MA 312/2004 commencing 7 October 2004;
- Plot 213, Maun;
- Section 9, Door number 009, Elsienora;
- Lot 1110 Lobatse, measuring 312 square metres held under certificate of registered state title No. 334/78 and deed of fixed period state grant no: 671/80 for a period of fifty years commencing 26 January 2009;
- Lot 17488, Gaborone, measuring 300 square metres held under State grant No. 462/96 for fifty years commencing 21 June 1996;
- Lot 17489, Gaborone, measuring 300 square metres held under State grant No. 335/85 for fifty years commencing 3 June 1985.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula*

	2009	Group <i>Restated</i> 2008	2009	Company <i>Restated</i> 2008
4. INVESTMENTS				
Investment in related companies*	77 267 655	53 755 119	–	–
Investment in shares – listed**	2 050	2 450	–	–
	77 269 705	53 757 569	–	–

* These amounts relate to advances made to related companies under common control. These balances are interest free, unsecured and without any fixed repayment terms. These amounts are encumbered as per note 14.

** The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2009 was P2.05 per share (2008: P2.45 per share).

	2009	Group <i>Restated</i> 2008	2009	Company <i>Restated</i> 2008
5. DEFERRED TAXATION				
Deferred taxation is reconciled as follows:				
Opening deferred taxation	2 473 885	2 479 166	–	–
(Charge)/credit for the year	(2 695 656)	24 943	–	–
Prior year under provision	–	(30 224)	–	–
Closing deferred taxation	(221 771)	2 473 885	–	–
Comprising of temporary differences in the following elements:				
Tax losses carried forward	1 426 785	188 163	–	–
Accelerated capital allowances on items of property, plant and equipment	(4 017 833)	242 657	–	–
Deferred lease liability	2 369 277	2 043 065	–	–
	(221 771)	2 473 885	–	–

	2009	Group <i>Restated</i> 2008	2009	Company <i>Restated</i> 2008
6. GOODWILL				
On acquisition of business units	18 767 153	14 324 926	–	–

The goodwill arose on acquisition of business operations' net assets. Additional goodwill of P4 442 226 was recognised in the year as a result of the acquisition of a controlling interest in three new subsidiaries (2008: P Nil). The goodwill was recognised with reference to the consideration paid and the fair values of the entities' net assets. The valuation of goodwill at year end was determined by comparing the present value of estimated incremental future cash flows against the carrying amount. This was based on the observed 41% growth in the group income (2008: 63%), to which the acquired operations contribute. As a result no impairment was recognised.

Restatement

The comparative figures for goodwill were restated in the Group financial statements. The reasons for the restatements and effects thereof are disclosed in note 22 of these financial statements.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula*

	2009	Group <i>Restated</i> 2008	2009	Company <i>Restated</i> 2008
7. INVENTORIES				
Finished goods	88 014 819	76 347 595	–	–
Goods in transit	345 051	2 574 176	–	–
	88 359 870	78 921 771	–	–

Due to the fast moving nature of the inventories, no impairment allowance was recognised (2008: P Nil). Inventory of P27 834 459 (2008: P28 923 205) is encumbered under the Bifm Promissory Note as disclosed in note 14.

	2009	Group <i>Restated</i> 2008	2009	Company <i>Restated</i> 2008
8. ADVANCES AND DEPOSITS				
Deposits	1 230 189	1 200 990	–	–
Sundry deposits	–	12 004	–	–
Prepayments	6 000	21 050	–	–
Rent advances	375 877	105 796	–	–
Salary advances	2 919 778	1 601 311	–	–
Other advances	8 418 306	15 138 896	–	–
	12 950 150	18 080 047	–	–

9. TRADE AND OTHER RECEIVABLES

Trade receivables	8 010 593	14 549 287	–	–
Other receivables	2 605 451	19 891 375	–	1 176 584
VAT refundable	2 474 255	753 851	–	–
	13 090 299	35 194 513	–	1 176 584

Trade and other receivables of P2 853 831 (2008: P7 322 813) are encumbered as disclosed in note 14.

10. RELATED PARTY TRANSACTIONS

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

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

	2009	Group 2008	2009	Company 2008
Loans to subsidiary companies	–	–	–	1 554 407

These balances consist of amounts advanced to subsidiaries within the Choppies Enterprises Group. These balances were unsecured, interest free with no fixed repayment terms and were recovered in full during the current financial year.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***10. RELATED PARTY TRANSACTIONS (continued)**

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

	Group		Company	
	2009	2008	2009	2008
Related party receivables	16 759 109	7 497 103	796 101	599 461

These balances are unsecured, interest free and have no fixed repayment terms.

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

	Group		Company	
	2009	2008	2009	2008
Related party payables	4 012 273	2 135 875	17 718 391	13 837 360

These balances are mainly trading related, are at arms' length and are unsecured and interest free with no fixed repayment terms.

Comparatives for amounts due from and to related entities have been restated in the Company and Group financial statements. The reasons for the restatements and effects thereof have been disclosed in note 22 of these financial statements.

	Group		Company	
	2009	2008	2009	2008

11. AMOUNTS DUE FROM SHAREHOLDERS

Ramachandran Ottappath	7 604 093	–	2 049 431	786 567
Farouk Essop Ismail	7 604 093	–	2 049 430	786 566
	15 208 186	–	4 098 861	1 573 133

Amounts due to shareholders

Associated Investment Development Corporation	362 986	362 986	–	–
Farouk Essop Ismail	–	2 875 664	–	–
Ramachandran Ottappath	–	2 875 665	–	–
Moitsheki Thabo Lekalake	180 000	180 000	–	–
Other shareholders	–	514 681	–	514 681
Younis Adam	362 986	–	–	–
	905 972	6 808 996	–	514 681

Amounts due from and to shareholders are unsecured, interest free and have no fixed repayment terms.

The comparative figures for amounts due to and from shareholders were restated in the Company and Group financial statements. The reasons for the restatements and effects thereof are disclosed in note 22 of these financial statements.

Amounts paid to key personnel

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

Amounts paid to key personnel during the year as remuneration for services rendered were P7 989 541 (2008: P7 389 171).

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula*

	2009	Group Restated 2008	2009	Company Restated 2008
12. CASH AND CASH EQUIVALENTS				
Cash on hand	2 047 537	5 415 384	–	–
Cash at bank	26 021 627	19 850 850	–	–
	28 069 164	25 266 234	–	–
Bank overdraft	(20 165 509)	(48 732 658)	–	–
Total	7 903 655	(23 466 424)	–	–

The group's bank facilities are secured by an unlimited guarantee from Choppies Enterprises (Proprietary) Limited and personal guarantees from the directors.

The majority of the banking facilities have been granted to Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) 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.

	2009	Group 2008	2009	Company 2008
13. STATED CAPITAL				
100 ordinary share at no par value	100	100	100	100

All shares in issue prior to commencement of the Companies Act, 2003 (No. 32 of 2004) of Botswana have been converted into shares of no par value. Such conversion does not affect the rights and liabilities attached to the shares. With the commencement of the Companies Act, 2003 (No. 32 of 2004) of Botswana the stated capital is all called up issued share capital and its related share premium balance.

Where a company, formed prior to the commencement of the Companies Act, 2003 (No. 32 of 2004) Botswana has authorised un-issued shares, the directors may issue these shares up to the authorised share capital limit without a resolution at the annual general meeting.

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 equally with regard to the company's residual assets.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula*

	2009	Group <i>Restated</i> 2008	2009	Company <i>Restated</i> 2008
14. LONG TERM BORROWINGS				
Banc ABC (formerly African Banking Corporation of Botswana Limited)	5 325 118	9 240 366	–	–
Bank of Baroda (Botswana) Limited	6 950 814	5 098 467	–	–
Bank Windhoek	21 537 671	–	–	–
Botswana Investment Fund				
Management Capital	35 000 000	35 000 000	–	–
Capital Bank of Botswana Limited	429 444	–	–	–
Botswana Power Corporation	80 834	119 836	–	–
Citizen Entrepreneurial Development Agency	96 190	3 457 433	–	–
First National Bank of Botswana Limited	2 128 922	2 173 337	–	–
Forklift Sales Botswana	351 935	585 030	–	–
National Development Bank	2 002 301	2 135 805	–	–
Nedbank South Africa Limited	216 740	216 890	–	–
Scania Finance Southern Africa	16 798 808	7 934 343	–	–
Stanbic Bank Botswana Limited	–	141 959	–	–
Wesbank Botswana Limited	2 137 195	3 774 264	–	–
	93 055 972	69 877 730	–	–
<i>Less: Current portion transferred to current liabilities</i>	(22 003 924)	(17 953 366)	–	–
	71 052 048	51 924 364	–	–

The group's borrowings are secured as follows:

Banc ABC (formerly African Banking Corporation of Botswana Limited)

Term loan of P3 500 000 secured by:

- A first mortgage bond over Portion 46, a portion of Portion 35 (a portion of Portion 3) of the Farm Forest Hill No. 9–KO, Commerce Park, Kgale; owned by Super Profits Investments (Pty) Limited;
- An unlimited guarantee of Super Profits Investments (Pty) Limited, a related company through common shareholders; and
- Unlimited guarantees by Mr F Ismail and Mr R Ottapath, directors and ultimate shareholders of Choppies Enterprises (Proprietary) Limited.

The loan is repayable in 60 monthly instalments of P84 237 each and bears interest at the prime lending rate less 1% per annum commencing on 31 May 2006.

Term loan of P4 500 000 secured by:

- All liability guarantees by Mr Farouk Ismail and Mr Ramachandran Ottapath directors and ultimate shareholders of Choppies Enterprises (Proprietary) Limited;
- A first mortgage bond for P4 500 000 over Plot 1275, Old Lobatse Road, Gaborone; owned by Dansons Investments (Pty) Limited;
- Unlimited guarantee by Dansons Investments (Pty) Limited, a related company through common shareholders.

The loan is repayable in 60 monthly instalments of P108 240 each and bears interest at the prime lending rate less 1% per annum commencing 30 August 2006.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009****14. LONG TERM BORROWINGS (continued)****Banc ABC (formerly African Banking Corporation of Botswana Limited) (continued)***Finance lease liabilities:*

Finance lease liabilities are secured over motor vehicles with a net book value of P2 564 396 (2008: P3 149 194). These liabilities bear interest at the prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

Bank of Baroda (Botswana) Limited*Financial lease liabilities:*

Finance lease liabilities are secured over motor vehicles with a net book value of P6 935 656 (2008: P4 745 144). These liabilities bear interest at the prime lending rate less 1% per annum and are repayable in 36 monthly instalments.

Botswana Investment Fund Management Capital ("Bifm")*Promissory Notes:*

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

Promissory Note A:

The Note bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable at 31 December 2015.

Promissory Note B:

The Note bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable at 31 December 2017.

Securities:

- CDC guarantee of P35 million, principal shareholders' guarantees and principal shareholders' pledge;
- the issuer deed of subordination and the issuer deed of cession;
- CDC deed of hypothecation over trade and other receivables and inventory; and
- CDC deed of subordination and insurance cover in respect of Furniture and Fittings.

Bank Windhoek*Financial lease liabilities:*

- unlimited surety by Choppies Enterprises (Pty) Ltd;
- unlimited surety by Ramachandran Ottapath, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited; and
- unlimited surety by Farouk Essop Ismail, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited.

This liability bears interest at the prime lending rate per annum and is repayable in 48 monthly instalments.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009****14. LONG TERM BORROWINGS (continued)****Citizen Entrepreneurial Development Agency ("CEDA")***Long term borrowings*

- Personal guarantees by Farouk Essop Ismail and Ramachandran Ottapath, both directors and ultimate shareholders in Choppies Enterprises (Proprietary) Limited; and
- Hypothecation over inventory for P1 443 236 (2008: P1 094 640), plant and equipment for P772 167 (2008: P384 958), furniture and fittings of P342 898 (2008: P414 743) and computer equipment for P19 369 (2008: 36 071) of Macha Investment (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited.

The loan is repayable in 56 equal monthly instalments of P30 667 each and bears interest at a fixed rate of 7.50% per annum.

First National Bank of Botswana Limited*Term loan of P2 200 000 secured by:*

- First covering Mortgage Bond for P2 400 000 over Lease Area No 1934 – KO, a portion of Lot 38805, Gaborone with a net book value of P2 224 457 (2008: P2 263 325). The property is owned by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited;
- Letter of suretyship for an unlimited amount by Farouk Essop Ismail, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited; and
- Letter of suretyship for an unlimited amount by Ramachandran Ottapath, a director and ultimate shareholder in Choppies Enterprises (Proprietary) Limited.

The loan is repayable in 60 monthly instalments and bears interest at the prime lending rate.

Nedbank South Africa Limited

Mortgage bond secured by: A mortgage bond over the property for the sum of R262 500 commencing on 1 January 2002 and concludes on 31 December 2021. The property is situated at Section 9, Door Number 0009, Elsienora. The property is owned by Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited. The loan is repayable in 240 monthly instalments of R2 551 (2008: P2 551) each and bears interest at 10.10% (2008: 10.10%) per annum.

Scania Finance Southern Africa

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P6 738 879 (2008: P9 497 387). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 48 monthly instalments.

Wesbank Botswana Limited:

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P65 600 (2008: P220 800). These liabilities bear interest at the prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

Forklift Sales Botswana

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P479 663 (2008: P639 551). These liabilities bear interest at the prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009****14. LONG TERM BORROWINGS (continued)****Capital Bank Botswana Limited**

Financial lease liabilities: Finance lease liabilities are secured over motor vehicles with a net book value of P466 180 (2008: P Nil). These liabilities bear interest at the prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

Botswana Power Corporation

This balance is unsecured and bears interest at the prime lending rate less 0.3%, being repayable over 60 equal monthly instalments of P4 632 each.

National Development Bank

This balance bears interest at a fixed rate of 15% per annum and is repayable over 144 equal monthly instalments of P40 523 commencing August 2003. The facility is secured by:

- First covering mortgage bond for P2 820 000 over Plots 17488 and 17489 in Gaborone owned by Genuine Passions (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited;
- Deed of hypothecation over plant and equipment with a net book value of P893 468 (2008: P852 770);
- Personal guarantees of Farouk Essop Ismail and Ramachandran Ottapath, both directors and ultimate shareholders in Choppies Enterprises (Proprietary) Limited.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula*

	2009	Group Restated 2008	2009	Company Restated 2008
15. OPERATING LEASE LIABILITIES				
Opening balance	8 172 259	5 616 614	–	–
Charge for the year	1 304 848	2 555 645	–	–
Closing balance	9 477 107	8 172 259	–	–
Operating lease rental deferred reverses as follows:				
Within 1 year	893 957	770 874	–	–
2 – 5 years	5 062 997	4 365 902	–	–
5 – 10 years	3 520 153	3 035 483	–	–
	9 477 107	8 172 259	–	–
At year end the following future non-cancellable minimum lease rentals are payable:				
Within 1 year	19 434 009	17 677 604	–	–
2 – 5 years	61 435 995	59 490 443	–	–
5 – 10 years	16 333 307	24 166 213	–	–
	97 203 311	101 334 260	–	–

	2009	Group Restated 2008	2009	Company Restated 2008
16. TRADE AND OTHER PAYABLES				
Trade payables	151 129 008	126 330 562	–	–
VAT payable	3 298 055	826 598	–	–
Withholding tax payable	617 839	103 645	–	–
Dividend payable	–	153 000	–	–
Other payables	10 027 901	7 565 090	–	3 379 323
	165 072 803	134 978 895	–	3 379 323

17. FINANCIAL INSTRUMENTS

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

Market risk

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

Interest rate risk

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

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Interest rate risk (continued)**

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

	2009	Group	2008
African Banking Corporation of Botswana Limited	Prime less 1%		Prime less 1%
Wesbank Botswana Ltd	Prime less 2%		Prime less 2%
Bank of Baroda (Botswana) Limited	Prime less 1%		Prime less 1%
Scania Finance Southern Africa	Prime less 2%		Prime less 2%
Capital Bank of Botswana Limited	Prime plus 2%		–
First National Bank of Botswana Limited	Prime lending rate		Prime lending rate
Nedbank South Africa Limited	10.10%		10.10%
Bank Windhoek	11.50%		–
Forklift Sales Botswana	Prime plus 2%		Prime plus 2%
Botswana Investment Fund Management Capital (Bifm)	12.00%		12.00%
Bank overdraft	Prime less 1%		Prime less 1%

	2009	Group	Restated 2008
Citizen Entrepreneurial Development Agency	7.50%		7.50%
Botswana Power Corporation	Prime less .03%		Prime less .03%
National Development Bank of Botswana Limited	15%		15%
Call account denominated in Pula	7.00% to 8.00%		10.00% to 11.25%
Call account denominated in foreign denominated currency	1.60%		1.5%
Fixed deposits with banks	7.00% to 8.30%		6.85% to 8.15%

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

	2009	Group	2009	Company	2008
		Restated 2008		Restated 2008	
Long term borrowings	(93 055 972)	(69 877 730)	–	–	–
Bank overdraft	(20 165 509)	(48 732 658)	–	–	–
Call account denominated in Pula	5 202 582	24 231 960	–	–	–
Call account denominated in foreign denominated currency	437 589	405 626	–	–	–
Fixed deposits with banks	856 875	628 648	–	–	–

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Interest rate risk (continued)**

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

	Group		Company	
	2009	Restated 2008	2009	Restated 2008
Variations of 50 basis points:				
Long term borrowings	465 280	349 389	–	–
Bank overdraft	100 828	243 663	–	–
Call accounts denominated in Pula	(26 013)	(121 160)	–	–
Call accounts denominated in foreign currencies	(2 188)	(2 028)	–	–
Fixed deposits with banks	(4 284)	(3 143)	–	–
	533 623	466 721	–	–

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

Credit risk

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

- amounts due from related companies;
- amounts due from shareholders;
- amounts due from trade and other receivables;
- investments in cash and cash equivalents; and
- amounts paid in advance and deposits.

The group limits the levels of credit risk that 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. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Credit risk (continued)**

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

	2009	Group Restated 2008	2009	Company Restated 2008
Trade receivables	8 010 593	14 549 287	–	–
Investments in related companies	77 267 655	53 755 119	–	–
Loans to subsidiary companies	–	–	–	1 154 407
Other receivables	5 079 706	20 645 226	–	1 176 584
Advances and deposits	12 950 150	18 080 047	–	–
Amounts due from related parties	16 759 109	7 497 103	796 101	599 461
Amounts due from shareholders	15 208 186	–	4 098 861	1 573 133
Cash and cash equivalents	26 021 627	19 850 850	–	–
	161 297 026	134 377 632	4 894 962	4 903 585

The aging of trade receivables (group) at the reporting date was:

	Gross 2009	Impairment Restated 2008	Gross 2009	Impairment Restated 2008
Not past due	3 843 061	–	8 421 817	–
Past due 1 – 30 days	584 443	–	1 109 503	–
Past due 31 – 120 days	3 583 089	–	5 017 967	–
	8 010 593	–	14 549 287	–

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

Liquidity risk

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

The following are classified as non-derivative financial liabilities:

	2009	Group Restated 2008	2009	Company Restated 2008
Long term borrowings	93 055 972	69 877 730	–	–
Amounts due to group companies	4 012 273	2 135 875	17 718 391	13 837 360
Amounts due to group shareholders	905 972	6 808 996	–	514 681
Bank overdraft	20 165 509	48 732 658	–	–
Trade payables	151 129 008	126 330 562	–	–
Other payables	13 943 795	8 648 333	–	3 379 323
	283 212 529	262 534 154	17 718 391	17 731 364

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Liquidity risk (continued)**

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

	Carrying amount	Contractual cash flows	12 months or less	After 1 year
Group 2009				
Long term borrowings	93 055 972	93 055 972	22 003 924	71 052 048
Amounts due to group companies	4 012 273	4 012 273	4 012 273	–
Amounts due to shareholders	905 972	905 972	905 972	–
Bank overdraft	20 165 509	20 165 509	20 165 509	–
Trade payables	151 129 008	151 129 008	151 129 008	–
Other payables	13 943 795	13 943 795	13 943 795	–
	283 212 529	283 212 529	212 160 481	71 052 048
Group 2008				
Restated				
Long term borrowings	69 877 730	69 877 730	17 953 366	51 924 364
Amounts due to group companies	2 135 875	2 135 875	2 135 875	–
Amounts due to shareholders	6 808 996	6 808 996	6 808 997	–
Bank overdraft	48 732 658	48 732 658	48 732 658	–
Trade payables	126 330 562	126 330 562	126 330 562	–
Other payables	8 648 333	8 648 333	8 648 333	–
	262 534 154	262 534 154	210 609 790	51 924 364
Company 2009				
Amounts due to group companies	17 718 391	17 718 391	17 718 391	–
Company 2008				
Restated				
Amounts due to group companies	13 837 360	13 837 360	13 837 360	–
Amounts due to shareholders	514 681	514 681	514 681	–
Other payables	3 379 323	3 379 323	3 379 323	–
	17 731 364	17 731 364	17 731 364	–

Foreign currency risk

The company incurred no transactions or balances in currencies other than its functional currency, the Pula, during the year or at end of the year (2008: Pnil).

The group is exposed to foreign currency risk for transactions that are denominated in currencies other than the Pula. These transactions are chiefly related to the group's distribution and retail trading business and are predominantly in the South African Rand, United States Dollar and British Pound Sterling. The group does not take cover on foreign currency as it regards the Pula as a stable currency.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Foreign currency risk (continued)**

The group's exposure to foreign currency risk was as follows based on notional amounts:

	Foreign currency amount	Pula equivalent
Group		
2009		
South African Rand denominated assets – balance with banks	1 170 277	1 039 969
United States Dollar denominated assets – balance with banks	1 919 325	13 255 007
British Sterling denominated assets – balance with banks	1 721 762	19 869 306
South African Rand denominated liabilities	(78 164 139)	(69 460 712)
United States Dollar denominated liabilities	(37 551)	(259 331)
Net exposure		(35 555 761)

Group

2008

Restated

South African Rand denominated assets – balance with banks	923 158	775 763
United States Dollar denominated assets – balance with banks	1 863 998	12 123 564
British Pound Sterling denominated assets – balance with banks	1 930 900	25 617 636
South African Rand denominated liabilities	(76 636 458)	(64 400 385)
Net exposure		(25 883 422)

Year end translation rates:

	2009	2008
Restated		
South African Rand exchange rate at year end	1.1253	1.1900
United States Dollar exchange rate at year end	0.1448	0.1538
British Pound Sterling exchange rate at year end	11.5401	13.2672

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

Group**2009****Pula**

South African Rand denominated assets – balances with banks	(94 543)
United States Dollar denominated assets – balances with banks	(1 326 325)
British Pound Sterling denominated assets – balances with banks	(1 986 931)
South African Rand denominated liabilities	6 314 610
United States Dollar denominated liabilities	25 950
Net increase in profit before taxation	2 932 761

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***17. FINANCIAL INSTRUMENTS (continued)****Foreign currency risk (continued)****Group**

2008	Pula
Restated	
South African Rand denominated assets – balance with banks	(70 524)
United States Dollar denominated assets – balance with banks	(1 102 142)
British Pound Sterling denominated assets – balance with banks	(2 561 763)
South African Rand denominated liabilities	5 854 580
Net increase in profit before taxation	2 120 151

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

18. CONTINGENT LIABILITIES

The group has the following contingent liabilities outstanding at year-end:

Guarantees:

Choppies Enterprises (Proprietary) Limited has provided an unlimited guarantee on behalf of Choppies Distribution (Proprietary) Limited and Lisboa Trading (Proprietary) Limited in respect of an overdraft facility.

Other related parties have issued unlimited guarantees on behalf of Choppies Distribution Centre (Proprietary) Limited for overdraft facilities granted to Choppies Distribution Centre (Proprietary) Limited.

19. INVESTMENT IN SUBSIDIARIES

Choppies Enterprises (Proprietary) Limited held the following interests in the stated capital of the subsidiaries consolidated into these financial statements. Voting rights attaching to the stated capital held by the company confer significant influence and control over these entities. The investments are measured at the cost of stated capital less impairment. The historical financial performance as well as the present value of reasonably estimable future cash flows and operating profits of the subsidiaries in the group were considered when assessing each investment balance for impairment. Based on this evaluation, at 30 June 2009 impairment in the investments was assessed as P Nil (2008: P Nil).

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***19. INVESTMENT IN SUBSIDIARIES (continued)**

Name	2009		2008 <i>Restated</i>	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
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
Asklite (Proprietary) Limited	100%	100	100%	100
Atladis (Proprietary) Limited	100%	100	100%	100
Beavers Investments (Proprietary) Limited	67%	200	67%	200
Bestlite Investments (Proprietary) Limited	100%	100	100%	100
Bowerbird (Proprietary) Limited	100%	82	100%	82
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
Daisy Gardens (Proprietary) Limited	67%	67	100%	100
Deluxe (Proprietary) Limited	56%	2 750 110	56%	2 750 110
Dostana Investments (Proprietary) Limited	100%	1 000	100%	1 000
F & A Enterprises (Proprietary) Limited	100%	10 000	100%	10 000
Freshtake Holdings (Proprietary) Limited	72%	72	72%	72
Genuine Passions (Proprietary) Limited	67%	67	67%	67
Gobrand Holdings (Proprietary) Limited	100%	100	100%	100
Godavari (Proprietary) Limited	100%	100	–	–
Gritnit (Proprietary) Limited	100%	100	100%	100
Hoovernit (Proprietary) Limited	100%	100	100%	100
Himalayas (Proprietary) Limited	100%	100	–	–
ILO Industries (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	67%	200	67%	200
Lisboa Trading (Proprietary) Limited	90%	1 022 743	90%	1 022 743
Macha Investments (Pty) Ltd	100%	2 489 757	100%	2 489 757
Motopi Holdings (Proprietary) Limited	93%	1 500 000	93%	1 500 000
Naivasha (Proprietary) Limited	100%	100	–	–
Ndongolela Investments (Proprietary) Limited	100%	100	68%	68
Ollur Investments (Proprietary) Limited	100%	6 700	100%	10 000
Pucko Investments (Proprietary) Limited (Mochudi)	100%	67	100%	100
Right Time Holdings (Proprietary) Limited	100%	100	100%	100
S & F Enterprises (Proprietary) Limited	100%	100	100%	100
Shaysons Investment (Proprietary) Limited (Ourluck)	100%	67	100%	100
Smoothsail Holdings (Proprietary) Limited	100%	100	100%	100
Sunrise Holdings (Proprietary) Limited	100%	67	100%	100
Tampatrail Investments (Proprietary) Limited	100%	100	100%	100
To Do More Holdings (Proprietary) Limited	100%	100	100%	100
Balance carried forward		14 992 227		14 995 327

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***19. INVESTMENT IN SUBSIDIARIES (continued)**

Name	2009		2008 <i>Restated</i>	
	% Ownership	Carrying value of investment	% Ownership	Carrying value of investment
Balance brought forward		14 992 227		14 995 327
Topshape Holdings (Proprietary) Limited	100%	1 000	100%	1 000
Torinby Investments (Proprietary) Limited	100%	100	100%	100
Uplift (Pty) Limited	100%	100	–	–
Walrus (Proprietary) Limited	100%	100	100%	100
Wayside Supermarket (Proprietary) Limited	100%	1 650	100%	3 000
Well Done (Proprietary) Limited	100%	100	100%	100
		14 995 277		14 999 627

Restatement

Comparatives for the carrying value of investments in subsidiaries were restated in the Company financial statements. The reasons for the restatement and effects thereof are disclosed in note 22 of these financial statements.

20. FINANCIAL SUPPORT

Choppies Distribution Centre (Proprietary) Limited, a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited, has pledged its continued financial and operational support to certain subsidiaries of Choppies Enterprises (Proprietary) 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.

In addition Choppies Distribution Centre (Proprietary) Limited also pledged its continued financial and operational support to Choppies Supermarkets SA (Proprietary) Limited, a company registered in South Africa and a related party through common shareholders in order for this company to continue operating as a going concern in the foreseeable future. Choppies Supermarkets SA (Proprietary) Limited has a shareholders' deficit of R3 761 863 at 30 June 2009. Based on the ability of Choppies Distribution Centre (Proprietary) Limited to continue providing such support, the individual financial statements of these technically insolvent companies have been prepared on the going concern assumption. The shareholders' deficits for each of the companies are as follows:

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***20. FINANCIAL SUPPORT (continued)**

Name of group company	2009	2008
Restated		
Bowerbird (Proprietary) Limited	–	319 461
Daisy Gardens (Proprietary) Limited	–	42 160
Hoovernit (Proprietary) Limited	–	214 233
F & A Enterprises (Proprietary) Limited	73 491	1 271 206
Godavari (Pty) Ltd	771 554	–
Himalaya (Pty) Ltd	552 151	–
Uplift (Pty) Ltd	163 274	–
Ndongolela Investment (Proprietary) Limited	–	419 090
Ollur Investments (Proprietary) Limited	332 862	518 161
Shaysons Investment(Proprietary) Limited	–	244 346
Sunrise Holdings (Proprietary) Limited	–	41 712
Tampatrail Investments (Proprietary) Limited	–	228 130
To Do More Holdings (Proprietary) Limited	182 691	312 149
Walrus (Proprietary) Limited	–	80 892
Wayside Supermarket (Proprietary) Limited	–	723 812
Well Done (Proprietary) Limited	–	39 745

21. LOSS DUE TO FIRE

Smoothsail (Proprietary) Limited, which operates a retail supermarket business and is a wholly owned subsidiary of Choppies Enterprises (Proprietary) Limited, experienced a loss to inventory and plant and equipment items as a result of a fire which occurred on its premises in April 2009.

The company is insured in full for losses experienced due to events of this nature.

The supermarket was closed for renovations since the date of the fire while renovations were conducted.

This event did not have a material effect on the financial results and position of the Group and the company has commenced normal operations from September 2009.

22. RESTATEMENTS**22.1 Restatements of comparatives for Company's investment in subsidiaries, amounts due from related entities, amounts due from shareholders and amounts due to related entities.**

In the financial statements of the parent company ("the Company"), for the year ended 30 June 2008, a cumulative amount of P11 664 765, representing investment by the Company in subsidiaries, was not included in the carrying value of the Company's investment in subsidiaries.

Accordingly, the Company's investment in subsidiaries has been restated to incorporate this amount.

This restatement did not affect retained earnings at 30 June 2008. The effect of the restatement in these Company financial statements as at 30 June 2009 is to increase investments in subsidiaries by P11 664 765 and to adjust opening amounts due from related entities, amounts due from shareholders and amounts due to related entities as shown below.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***22. RESTATEMENTS (continued)****22.1 Restatements of comparatives for Company's investment in subsidiaries, amounts due from related entities, amounts due from shareholders and amounts due to related entities. (continued)****Restatement of investment in subsidiaries**

	Company	
	2009	<i>Restated</i> 2008
Abbas Enterprises (Proprietary) Limited	3 000	3 000
Accrete Investments (Proprietary) Limited	100	100
Amphora (Proprietary) Limited	100	100
Asklite (Proprietary) Limited	100	100
Atladis (Proprietary) Limited	100	100
Beavers Investments (Proprietary) Limited	200	200
Bestlite Investments (Proprietary) Limited	100	100
Bowerbird (Proprietary) Limited	82	82
Catbird (Proprietary) Limited	100	100
Chathley Enterprises (Proprietary) Limited	550 000	550 000
Choppies Distribution Centre (Proprietary) Limited	100	100
Daisy Gardens (Proprietary) Limited	67	100
Deluxe (Proprietary) Limited	2 750 110	2 750 110
Dostana Investments (Proprietary) Limited	1 000	1 000
F & A Enterprises (Proprietary) Limited	10 000	10 000
Freshtake Holdings (Proprietary) Limited	72	72
Genuine Passions (Proprietary) Limited	67	67
Gobrand Holdings (Proprietary) Limited	100	100
Godavari (Proprietary) Limited	100	–
Gritnit (Proprietary) Limited	100	100
Hoovernit (Proprietary) Limited	100	100
Himalayas (Proprietary) Limited	100	–
ILO Industries (Proprietary) Limited	100	100
Jarapino Ventures (Proprietary) Limited	100	100
Jobfine Holdings (Proprietary) Limited	100	100
Kaar Distributors & Marketing Services (Proprietary) Limited	3 000	3 000
Kanye Friendly Grocer (Proprietary) Limited	201	201
Lisboa Trading (Proprietary) Limited	90	90
Macha Investments (Pty) Ltd	100	100
Motopi Holdings (Proprietary) Limited	372	372
Naivasha (Proprietary) Limited	100	–
Ndongolela Investments (Proprietary) Limited	100	68
Ollur Investments (Proprietary) Limited	6 700	10 000
Pucko Investments (Proprietary) Limited (Mochudi)	67	100
Right Time Holdings (Proprietary) Limited	100	100
S & F Enterprises (Proprietary) Limited	100	100
Shaysons Investment (Proprietary) Limited (Ourluck)	67	100
Smoothsail Holdings (Proprietary) Limited	100	100
Sunrise Holdings (Proprietary) Limited	67	100
Tampatrail Investments (Proprietary) Limited	100	100
To Do More Holdings (Proprietary) Limited	100	100
Topshape Holdings (Proprietary) Limited	1 000	1 000
Balance carried forward	3 328 462	3 331 662

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***22. RESTATEMENTS (continued)****22.1 Restatements of comparatives for Company's investment in subsidiaries, amounts due from related entities, amounts due from shareholders and amounts due to related entities. (continued)****Restatement of investment in subsidiaries (continued)**

	2009	Company Restated 2008
Balance brought forward	3 328 462	3 331 562
Torinby Investments (Proprietary) Limited	100	100
Uplift (Pty) Limited	100	–
Walrus (Proprietary) Limited	100	100
Wayside Supermarket (Proprietary) Limited	1 650	3 000
Well Done (Proprietary) Limited	100	100
Investment in subsidiary companies before restatement	3 330 512	3 334 862
<i>Restatements</i>		
Chathley Enterprises (Proprietary) Limited	4 485 745	4 485 745
Kaar Distributors & Marketing Services (Proprietary) Limited	2 167 082	2 167 082
Lisboa Trading (Proprietary) Limited	1 022 653	1 022 653
Macha Investments (Proprietary) Ltd	2 489 657	2 489 657
Motopi Holdings (Proprietary) Limited	1 499 628	1 499 628
	14 995 277	14 999 627

Restatement of amounts due from shareholders

In the financial statements of the parent company ("the Company"), for the year ended 30 June 2008, a cumulative amount of P1 573 133, representing amounts recoverable by the Company from shareholders, was not included in the carrying value of the Company's amounts due from shareholders.

	Company Restated 2008
Amount previously recognised	
Amounts due from shareholders – payable to related parties on balances with subsidiaries	13 837 360
Amounts due to shareholders – recoverable from related parties on balances with Company	(11 664 766)
Amounts due to shareholders – advances from shareholders to subsidiaries on Company's behalf	(599 461)
Sub-total	1 573 133

Restatement of amounts due to and from related entities

In the financial statements of the parent company ("the Company"), for the year ended 30 June 2008, a cumulative amount of P599 461, representing amounts recoverable by the Company from related parties, and a cumulative amount of P13 837 360, representing amounts payable to related parties by the Company, were not included in the Company's balance sheet.

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***22. RESTATEMENTS (continued)****22.1 Restatements of comparatives for Company's investment in subsidiaries, amounts due from related entities, amounts due from shareholders and amounts due to related entities. (continued)****Amounts due from related parties**

	Company <i>Restated</i> 2008
Amount previously recognised	–
Beavers Investments (Proprietary) Limited	396 667
Kanye Friendly Grocer (Proprietary) Limited	202 794
Sub-total	599 461

Amounts due to related parties

	Company <i>Restated</i> 2008
Amount previously recognised	–
Chathley Enterprises (Proprietary) Limited	5 035 746
Choppies Distribution Centre (Proprietary) Limited	4 141 775
Kaar Distributors & Marketing Services (Proprietary) Limited	2 170 082
Macha Investments (Proprietary) Limited	2 489 757
Sub-total	13 837 360

22.2 Restatements of Group's goodwill, amounts due from shareholders, and amounts due to shareholders

In the financial statements of the Group for the year ended 30 June 2008, a cumulative amount of P11 956 619, representing goodwill held by the Group in subsidiaries, was not included in the carrying value of the Group's goodwill.

Accordingly, the Group's goodwill has been restated to incorporate this amount.

This restatement did not affect retained earnings at 30 June 2008. The effect of this restatement in these Group financial statements at 30 June 2009 is to increase goodwill by P11 956 619 and to adjust opening amounts due from shareholders and opening amounts due to shareholders as shown below.

Restatement of goodwill

	2009	Group <i>Restated</i> 2008
Hoovernit (Proprietary) Limited	571 408	571 408
Tampatrail Investments (Proprietary) Limited	737 642	737 642
To Do More Holdings (Proprietary) Limited	397 850	397 850
Torinby Investments (Proprietary) Limited	661 407	661 407
Godavari (Proprietary) Limited	1 918 555	–
Himalayas (Proprietary) Limited	915 982	–
Uplift (Pty) Limited	1 607 690	–
Goodwill before restatement	6 810 534	2 368 307

Choppies Enterprises (Proprietary) Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30 June 2009***In Pula***22. RESTATEMENTS (continued)****22.2 Restatements of Group's goodwill, amounts due from shareholders, and amounts due to shareholders (continued)****Restatement adjustments**

	2009	Group Restated 2008
Chathley Enterprises (Proprietary) Limited	4 379 297	4 379 297
Kaar Distributors & Marketing Services (Proprietary) Limited	2 312 295	2 312 295
Macha Investments (Pty) Ltd	2 625 554	2 625 554
Motopi Holdings (Proprietary) Limited	1 771 307	1 771 307
Lisboa Trading (Proprietary) Limited	866 366	868 366
Freshtake Holdings (Proprietary) Limited	(100)	(100)
Genuine Passions (Proprietary) Limited	(100)	(100)
Restated goodwill	18 767 153	14 324 926

Restatement of amounts due from and to shareholders**Amount due from shareholders**

	Group Restated 2008
Amount previously recognised	7 536 362
Reclassified to amounts due to shareholders, to be offset against goodwill now recognised	(7 536 362)
Sub-total	–

Amount due to shareholders

	Group Restated 2008
Amount previously recognised	2 388 740
Amount due to shareholders to be recognised after recognising Company's investment in subsidiaries and resultant Group goodwill	4 420 256
Sub-total	6 808 996

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON *PRO FORMA* FINANCIAL INFORMATION



Audit

Plot 67977, Off Tlokweng Road,
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Web <http://www.kpmg.com/>

The Board of Directors
Choppies Enterprises (Proprietary) Limited
Plot 100, Eastgate
Private Bag 00278
Gaborone

2 November 2011

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL EFFECTS, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

Introduction

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects, statement of comprehensive income and statement of financial position (collectively "the *pro forma* financial information") of Choppies Enterprises (Proprietary) Limited set out in, paragraphs 37 and 40 of the Prospectus to be dated 23 November 2011 issued in connection with the listing of Choppies Enterprises (Proprietary) Limited ("transaction") on the Botswana Stock Exchange ("BSE").

The *pro forma* financial information has been prepared for purposes of complying with the requirements of the BSE, for illustrative purposes only, to provide information about how the transaction might have affected the reported financial information had the transaction been undertaken on 30 June 2010 for statement of comprehensive income purposes and on 30 June 2010 for statement of financial position purposes.

Because of its nature, the *pro forma* financial information may not present a fair reflection of the financial position, changes in equity, results of operations or cash flows of Choppies Enterprises (Proprietary) Limited, after the transaction.

Directors' responsibility

The directors are solely responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Prospectus and for the financial information from which it has been prepared.

Their responsibility includes determining that the *pro forma* financial information contained in the Prospectus has been properly compiled on the basis stated, the basis is consistent with the accounting policies of Choppies Enterprises (Proprietary) Limited and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the BSE Listings Requirements.



Choppies Enterprises (Proprietary) Limited
 Independent Reporting Accountants'
 Report on the Historical Financial Information of
 Choppies Enterprises (Proprietary) Limited (the "Company")
 2 November 2011

Reporting accountants' responsibility

Our responsibility is to express a limited assurance conclusion on the *pro forma* financial information included in the Prospectus. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial information*.

This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted audited historical financial information of Choppies Enterprises (Proprietary) Limited with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Choppies Enterprises (Proprietary) Limited, considering the evidence supporting the *pro forma* adjustments, recalculating the amounts based on the information obtained and discussing the *pro forma* financial information with the directors of Choppies Enterprises (Proprietary) Limited.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Choppies Enterprises (Proprietary) Limited and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Opinion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Section 8 of the BSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Choppies Enterprises (Proprietary) Limited; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the Listings Requirements.

Consent

We consent to the inclusion of this letter and the reference to our opinion in the prospectus to be issued by Choppies Enterprises (Proprietary) Limited in the form and context in which it appears.

KPMG

Certified Public Accountants
 Practicing Member: Francois Roos (20010078: 45)

Gaborone
 2 November 2011

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON PROFIT FORECAST

**Audit**

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The Board of Directors
Choppies Enterprises (Proprietary) Limited
Plot 100, Eastgate
Private Bag 00278
Gaborone

2 November 2011

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE PROFIT FORECAST OF CHOPPIES ENTERPRISES (PROPRIETARY) LIMITED (THE "COMPANY")

We have examined the consolidated profit forecast of the Company for the year (01 July 2011 to 30 June 2012) set out in the Prospectus to be dated 23 November 2011.

Directors' responsibility

The directors of Choppies Enterprises (Proprietary) Limited are responsible for the forecast, including the assumptions set out in paragraph 37 and 38 to the Prospectus, on which it is based and for the financial information from which it has been prepared. This responsibility, arising from compliance with the requirements of the Botswana Stock Exchange ("BSE Listings Requirements"), includes determining whether the assumptions, barring unforeseen circumstances, provide a reasonable basis for the preparation of the forecast, whether the forecast has been properly compiled on the basis stated and whether the forecast is presented on a basis consistent with the accounting policies of the Company.

Reporting accountants' responsibility

Our responsibility is to provide a limited assurance report on the forecast prepared for the purpose of complying with the BSE Listings Requirements and for inclusion in the circular. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to the *Examination of Prospective Financial Information*. This standard requires us to obtain sufficient appropriate evidence as to whether:

- Management's best-estimate assumptions on which the forecast is based are not unreasonable and are consistent with the purpose of the information;
- The forecast is properly prepared on the basis of the assumptions;
- The forecast is properly presented and all material assumptions are adequately disclosed; and
- The forecast, is prepared and presented on a basis consistent with the accounting policies of Choppies Enterprises (Proprietary) Limited for the period concerned.



*Choppies Enterprises (Proprietary) Limited
Independent Reporting Accountants'
Report on the Historical Financial Information of
Choppies Enterprises (Proprietary) Limited (the "Company")
2 November 2011*

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained, than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that:

- The assumptions, barring unforeseen circumstances, do not provide a reasonable basis for the preparation of the forecast;
- The forecast has not been properly compiled on the basis stated;
- The forecast has not been properly presented and all material assumptions are not adequately disclosed; and
- The forecast, is not presented on a basis consistent with the accounting policies of the Company.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material accordingly no assurance is expressed regarding the achievability of the forecast.

KPMG

Certified Public Accountants
Practicing Member: Francois Roos (20010078: 45)

Gaborone
2 November 2011

INDEPENDENT VALUER'S REPORT ON LEASES

CBRE

26 October 2011

The Directors

Choppies Enterprises Limited
Private Bag 00278
Gaborone

Dear Sirs,

RE: VALUATION OF RENTALS PAYABLE BY CHOPPIES ENTERPRISES LIMITED AND ITS SUBSIDIARIES ("THE GROUP") IN RESPECT OF PREMISES LEASED FROM COMPANIES IN WHICH DIRECTORS OF THE GROUP HAVE AN INTEREST

I, Nightingale K Kwele, an authorised Chartered Surveyor in terms of the Real Estate Institute of Botswana and the Real Estate Professional Act, 2003, with 28 years experience, undertaking valuations of fixed property, declare that I and my associated have inspected the properties as set out in the attached table and lease agreements pertaining hereto, with a view to confirming whether or not the rentals are market related of date hereof.

I confirm neither I, nor my associates will receive, or have received any financial gain or benefits in connection with the valuation of the rentals for properties, other than the standard professional fees related to such a valuation.

We are of the view that rentals are market related on the date hereof.

BASIS OF VALUATION

The valuation has been prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

In reviewing the rentals the valuation approach adopted for arriving at open market rental value was the comparative method.

Yours faithfully



Nightingale K Kwele BA BSc (Hons) MSc MRICS MSAIV MREIB
Managing Director
CBRE

Schedule properties in respect of which leases and rentals were examined

LESSOR	PROPERTY
Abhura Holdings (Pty) Limited	Plot 349 and 350 Selebi Phikwe
Brand New Life (Pty) Limited	Lot 219 Ramotswa to the Group
Homage Holdings (Pty) Limited	Lot 322 Pula Court Gaborone
Laughing Thrush (Pty) Limited	Units A25 – 30 at Lot 38805 Louieville apartments Gaborone
Meteor Enterprises (Pty) Limited	Lot 42960, Phakalane
Pimmy (Pty) Limited	Units C19 – 27 at Lot 38805 Louieville apartments Gaborone
Zappos (Pty) Limited	61312 Maruapula Gaborone 13225 Broadhurst Gaborone 6094 Mahalapye 292 Lobatse 8757 Palapye 8372 Serowe 185 Jwaneng 212 Jwaneng 1167 Maun 3161 Kasane 3618 Mochudi 689 Tlokweng Lot 37839 Block 6, Gaborone
Choppies Investments (Pty) Limited	Lot 350 Lobatse
Backwater Holdings (Pty) Limited	Plot 16437 Gaborone West
Lobya Holdings (Pty) Limited	Lot 169 Gaborone International Commerce Park
HighCare Investments (Pty) Limited	Lot 173 Gaborone International Commerce Park
Handsome Returns (Pty) Limited	Premises in Mogoditshane Mall
RoadSpot (Pty) Limited	Retail premises in Gantsi
Aucor Investments (Pty) Limited	1760 Pitsane
Farouk Ismail	Plot 434 Lobatse
Dansons Investments (Pty) Limited	Lot 1275 Old Lobatse Road Gaborone
Superprofits (Pty) Limited	Plot 46 Gaborone International Commerce Park

PROPERTY

PART I: PROPERTIES OWNED BY THE GROUP

Subsidiary Owner	Location	Nature of Premises	Nature of Title
Choppies Distribution Centre (Pty) Ltd	Units A13 – A18 Plot 38805 Louisville Apartments Gaborone	Residential	Deed of Fixed Period State grant for 99 years from 13 March 2003
Choppies Distribution Centre (Pty) Ltd	Plot 213 Maun	Commercial, Warehouse	Agreement of Lease for Business Plot for 50 years from 9 December 1981
Choppies Distribution Centre (Pty) Ltd	Section 9 Unit 0009 Elsienora, Pretoria	Residential	Sectional Title
Choppies Distribution Centre (Pty) Ltd	Plot 1110 Lobatse	Commercial, Store	Deed of Fixed Period State grant for 50 years from 1 December 1980
Genuine Passions (Pty) Ltd	Plot 17488 Namantle	Commercial, Store	Deed of Fixed Period State grant for 50 years from 1 June 1996
Ollur Investments (Pty) Ltd	Plot 1381 Pitsane	Commercial, Store	Memorandum of Lease for 50 years from 6 August 2004
Choppies Supermarket South Africa (Pty) Ltd	Erf 676, Rodeon Swartruggens	Commercial, Store	Freehold
Choppies Supermarket South Africa (Pty) Ltd	Erf 229 and 230 Northam Ext 2 Township	Commercial, Store	Freehold
Choppies Supermarket South Africa (Pty) Ltd	Erf 880, 461 and 462 Koster	Commercial, Store	Freehold

PART II: STORE LEASES

Subsidiary Lessee	Location	Nature of Premises	Terms	Actual date of commencement (if the occupation date differs from the agreement date)	Period (years)	Escalation	Base rental (ZAR) per month	Base rental (BWP) per month
			Lease commencement date					
Abbas Enterprises (Proprietary) Ltd	Moshupa	Store	11 November 2008		10	8.0%		10 000
Accrete Investments (Proprietary) Limited	Thamaga	Store	01 January 2011		5	8.0%		20 417
Asklite (Proprietary) Limited	Kasane	Store	01 March 2011		5	8.0%		67 001
Asklite (Proprietary) Limited	Kasane	Store Warehouse	28 February 2008		5	10.0%		9 900
Atladis (Proprietary) Limited	Tlokweng	Store	01 May 2010		5	8.0%		63 249
Bearers Investments (Proprietary) Limited	Molepolole	Store	01 July 2002	01 July 2005	7	10.0%		20 000
Bestlite Investments (Proprietary) Limited	Maun	Store	12 January 2004		10	8.0%		60 390
Bowerbird Investments (Proprietary) Limited	Ghanzi	Store Warehouse	01 February 2008		5	10.0%		5 000
Bowerbird Investments (Proprietary) Limited	Ghanzi	Store	01 December 2007		10	8.0%		34 470
Cat Bird (Proprietary) Limited	Lethlakane	Store	01 April 2007		10	7.0%		34 470
Cathley Enterprises (Proprietary) Limited	Selibe Phikwe	Store	01 February 2006	01 March 2006	10	8.0%		45 000
Choppies Supermarkets South Africa (Proprietary) Limited	Carletonville	Store	01 March 2009		7	8.0%	82 322	
Choppies Supermarkets South Africa (Proprietary) Limited	Mafikeng	Store	01 March 2009		10	8.0%	139 320	
Choppies Supermarkets South Africa (Proprietary) Limited	Phokeng	Store	01 June 2009		7	8.0%	45 825	
Choppies Supermarkets South Africa (Proprietary) Limited	Lichtenburg	Store	01 December 2008	01 July 2009	9.16	8.0%	110 000	
Choppies Supermarkets South Africa (Proprietary) Limited	Zeerust	Store	01 February 2009		5	10.0%	28 616	
Choppies Supermarkets South Africa (Proprietary) Limited	Rustenburg	Store	01 December 2010		5	8.00%	166 800	
Daisy Gardens (Proprietary) Limited	Lobatse	Store	01 January 2011		3	5.0%		9 600
Deluxe (Proprietary) Limited	Fairgrounds	Store	01 April 2009		5	10.0%		64 152
Dostana Investments (Proprietary) Limited	Serowe	Store	01 January 2010		5	10.0%		92 304

Subsidiary Lessee	Location	Nature of Premises	Terms	Actual date of commencement (if the occupation date differs from the agreement date)	Period (years)	Escalation	Base rental (ZAR) per month	Base rental (BWP) per month
			Lease commencement date					
F & A Enterprises (Proprietary) Limited	Busrank Lobatse	Store	01 April 2006		7	10.0%	23 707	
Flowing Ideas (Proprietary) Limited	Serowe	Store	01 July 2010		5	8.0%	77 610	
Fresh Take Holdings (Proprietary) Limited	Station	Store	01 February 2007	01 May 2007	5	8.0%	51 740	
Godavani (Proprietary) Limited	Lobatse	Store	11 December 2003		9		51 225	
Gobrand Holdings (Proprietary) Limited	Jwaneng	Store	12 January 2003		10	8.0%	33 000	
Gritnit (Proprietary) Limited	Kanye	Store	01 April 2007		7	8.0%	36 155	
Himalayas (Proprietary) Limited	Bonnington	Store	01 July 2006		5	10%	15 000	
Hoovernit (Proprietary) Limited	Francistown	Store 1	01 August 2005		10	8.0%	55 548	
Hoovernit (Proprietary) Limited	Francistown	Store 2	01 July 2010		5	10.0%	11 918	
Jarapino Ventures (Proprietary) Limited	Village	Store	01 December 2008		5	10.0%	24 200	
Jobfine Holdings (Proprietary) Limited	Ramotswa	Store	01 January 2011		5	5.0%	40 998	
Kaar Distributors and Marketing Services (Proprietary) Limited	Mogoditshane	Store	07 January 2009		2.25	8.0%	49 974	
Lisboa Trading (Proprietary) Limited	Westgate Mall	Store	01 April 2010		7	8.0%	210 364	
Macha Investments (Proprietary) Limited	Selibe Phikwe	Store	01 January 2006		10	10.0%	31 400	
Motopi Holdings (Proprietary) Limited	Old Lobatse Road Gaborone	Store	01 March 2004		10	10.0%	10 000	
Motopi Holdings (Proprietary) Limited	Mogoditshane	Store	01 April 2006		8.5	7.0%	27 686	
Naivasha (Proprietary) Limited	Mahalapye	Store	01 March 2008		5	8.0%	47 800	
Ndongolela Investments (Proprietary) Limited	Bobonong	Store	01 October 2007	01 August 2008	12	8.0%	39 681	
New Page (Proprietary) Limited	Masunga	Store	01 September 2010		6.75	8.0%	28 880	
Ollur Investments (Pty) Ltd	Pitsane		01 December 2009		5	-	30 000	
Ourluck Investments (Proprietary) Limited	Molapowabojang	Store	01 January 2011		5	10.0%	3 194	
Pucko Investments (Proprietary) Limited	Mochudi	Store	01 February 2011		5	10.0%	55 483	
Kanye Friendly Grocer (Proprietary) Limited	Kanye		01 January 2006		5	-	25 000	
Right Time Holdings (Proprietary) Limited	Palapye	Store	01 December 2004		10	8.0%	38 750	

Subsidiary Lessee	Location	Nature of Premises	Terms	Actual date of commencement (if the occupation date differs from the agreement date)	Period (years)	Escalation	Base rental (ZAR) per month	Base rental (BWP) per month
Rigil Enterprises (Proprietary) Limited	Francistown	Store	14 September 2009	01 July 2011	5	8.0%		87 234
Roadtight (Proprietary) Limited nee Uplift (Proprietary) Limited	Broadhurst	Store	01 April 2008		5	8.00%		25 781
S & F Enterprises (Proprietary) Limited	Gaborone West	Store	01 January 2008		5	7.5%		50 000
Shoppers Paradise (Proprietary) Limited		Store	01 August 2008		10	8.0%		61 500
Smoothsail (Proprietary) Limited	Mogoditshane	Store	01 September 2009		5	12% from 2nd year and 8% thereafter		64 524
Sunrise (Pty) Ltd	Lobatse	Store	1 January 2009		5	8.0%		5 420
Tampatrail Investments (Proprietary) Limited	Maruapula	Store	01 August 2005		10	8.0%		44 625
Todomore Holdings (Proprietary) Limited	Nyerere Drive	Store	01 August 2005		10	8.0%		36 125
Topshape Holdings (Proprietary) Limited	Phakalane	Store	07 January 2007	01 July 2007	4.58	8% After 2 years		54 400
Summer Queen (Proprietary) Limited	Gaborone	Store	01 October 2009		10	9.0%		239 233
Torinby Holdings (Proprietary) Limited	Gaborone West	Store	01 July 2010		5	10.0%		73 803
Velocity Enterprises (Proprietary) Limited	New Mall, Maun	Store	01 May 2008	01 February 2009	5	10.0%		30 800
Walrus (Proprietary) Limited	Gaborone	Store	01 September 2008		5	10.0%		40 000
Wayside Supermarket (Proprietary) Limited	Lobatse	Store	01 June 2010		5			40 000
PART III: WAREHOUSE AND OFFICE LEASES								
Choppies Distribution Centre (Pty) Ltd	Lobatse	Warehouse	1 October 2008		5	8.0%		33 730
Choppies Distribution Centre (Pty) Ltd	Gaborone	Warehouse	29 July 2009		10	8.0%		320 000
Choppies Supermarkets South Africa (Proprietary) Limited	Zeerust	Warehouse	01 April 2010		5	7.5%	15 000	
Motopi Holdings (Proprietary) Limited	Pretoria	Warehouse	01 March 2009		9.11	7.0%	5 936	
Choppies Distribution Centre (Pty) Ltd	Gaborone	Offices accounts centre			5	8.0%		134 000

BORROWINGS OF THE GROUP AS AT 30 JUNE 2011

Borrower	Lender	Balance as at 30 June 2011	Terms
Abbas Enterprises (Pty) Ltd	BPC	P138 656	This represents the capital cost of electrical connection repayable over 60 months, which bears interest at 0.25%.
RoadTight (Pty) Ltd	BPC	P228 078	This represents the capital cost of electrical connection repayable over 60 months, which bears interest at 0.25%.
Wayside Supermarket (Pty) Ltd	BPC	P140 717	This represents the capital cost of electrical connection repayable over 60 months, which bears interest at 0.25%.
Choppies Distribution Centre (Pty) Ltd	1. Bank of Baroda	P8 567 939	Finance lease liabilities, secured over motor vehicles with a net book value of P2 092 412 (2010: P4 766 929) which bear interest at the prime lending rate less 1% per annum, repayable in 36 monthly instalments.
	2. Bank Gaborone	P13 342 755	Finance lease liabilities which bear interest at the prime lending rate per annum, repayable in 48 monthly instalments.
	3. Bifm	P35 000 000	Two (2) Promissory Notes, A & B; Promissory Note A: bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable on 31 December 2015, Promissory Note B: bears interest at a fixed rate of 12% per annum commencing at 10 December 2007 and is redeemable on 31 December 2017, secured by deed of hypothecation over trade and other receivables and inventory, deed of subordination and insurance cover in respect of furniture and fittings.
	4. Capital Bank	P138 890	Finance lease liabilities secured over motor vehicles with a net book value of P330 937 (2010: P476 255) which bear interest at the prime lending rate less 2% per annum, repayable in 36 monthly instalments.
	5. FNBB	P1 970 642	Term loan repayable in 180 monthly instalments and bears interest at the prime lending rate; secured by first covering Mortgage Bond for P2 400 000 over Lease Area No 1934 – KO, a portion of Lot 38805, Gaborone with a net book value of P2 146 722 (2010: P3 767 438) owned by Choppies Distribution Centre (Proprietary) Limited.
	6. Nedbank	R210 435	A loan repayable in 240 monthly instalments which bears interest at 10.10% (2010: 10.10%) per annum secured by a mortgage bond over property situated at Section 9, Door number 0009, Elsienora owned by Choppies Distribution Centre (Proprietary) Limited with a net book value of P3 792 792 (2010: P3 867 438).

Borrower	Lender	Balance as at 30 June 2011	Terms
	7. Scania Finance Botswana	P6 353 482	Finance lease liabilities secured over motor vehicles and generators. The vehicles have a net book value of P2 451 163 which bear interest at the prime lending rate less 2% per annum, repayable in 36 to 48 monthly instalments.
	8. Wesbank	P795 139	Finance lease liabilities secured over motor vehicles with a net book value of P279 816 (2010: P228 807) which bear interest at the prime lending rate less 2% per annum repayable in 36 to 48 monthly instalments.
Genuine Passions (Pty) Ltd	National Development Bank	P1 683 197	A loan which bears interest at a fixed rate of 155 per annum repayable over 144 equal monthly instalments secured by first covering mortgage bond for P2 820 000 over Plots 17488 and 17489 in Gaborone owned by Genuine Passions (Proprietary) Limited with a net book value of P2 218 955 (2010: P2 255 949) and a deed of hypothecation over plant and equipment with a net book value of P882 550 (2010: P1 208 518).
Welldone (Pty) Ltd	Scania Finance Botswana	P37 038 146	Finance lease liabilities secured over motor vehicles with a net book value of P47 254 400 (2010: P13 309 736) which bear interest at the prime lending rate less 2% per annum repayable in 36 to 48 monthly instalments.
Choppies Supermarkets South Africa (Pty) Ltd	Standard Bank South Africa	P12 071 925	Term loan of R4, 000, 000 secured by continuing covering mortgage bond for R4 000 000 over Erf 676, Rodeon Swartruggens; Term loan of R7 700 000 secured by continuing covering mortgage bond for R7 700 000 over Portion of the farm Leeuwkopje 415, Erf 229 and Erf 230 Northam Ext 2 Township; Term loan of R5, 040, 000 secured by continuing covering mortgage bond for R5 040 000 over Erf 880, Erf 461 and Erf 462, Koster, each for the land and building in South Africa owned by Choppies Supermarkets SA (Proprietary) Limited with a net book value of R24 185 664 (2010: R24 794 139). Finance lease liabilities secured over motor vehicles and plant machinery with a net book value of R5 305 570 and R34 742 779, respectively, which bear interest at the prime lending rate per annum and are repayable in 60 monthly instalments.
Choppies Supermarkets South Africa (Pty) Ltd	Scania South Africa	P5 100 853	Finance lease liabilities secured over motor vehicles with a net book value of P6 227 325, which bear interest at the prime lending rate less 2% per annum repayable in 36 to 48 monthly instalments.

Borrower	Lender	Balance as at 30 June 2011	Terms
The Group	First National Bank Botswana Limited and Rand Merchant Bank Limited	P83 000 000	The Banks have availed Lobya Holdings (Pty) Ltd, Plot 20602 (Pty) Ltd, and QTique 79 (Pty) Ltd, companies owned by the Selling Shareholders, of credit facilities in BWP and ZAR equal to an an build the distribution centre in Rustenburg, South Africa, and by Plot 20602 a warehouse and depot facility in Gaborone. The facilities attract interest equal to the 91 day Bank of Botswana Certificate plus 325 basis points, and is repayable over seven (7) years, with final repayment due on 31 August 2018, which liability has been guaranteed by Choppies and each of its subsidiaries. It is intended that, on listing, either: (i) the credit facilities at that time drawdown will be repaid by relevant borrowers and the underlying facilities discharged or (ii) the guarantees will be replaced by a pledge of shares by the Selling Shareholders.

RELATED COMPANIES CONTRACTS

PART I: SUPPLY AGREEMENTS WITH RELATED COMPANIES

The following detail is provided in respect of Supply Agreements with companies in which directors of Choppies have an interest, and shows those to whom accounts in excess of P400 000 are owing.

Company	Nature of interest	Nature of transactions		Amount due from the Group as at 30 June 2011 BWP
Honey Guide (Pty) Limited	Ramachandran Ottapathu	25%	This company conducts a sorghum milling operation and supplies the Group with milled sorghum product on a cost plus 5% basis, which is invariably below market price.	863 420
	Farouk Essop Ismail	25%		
	Sadique Kebonang	25%		
	MT Lekalake	25%		
Real Plastics (Pty) Limited	Ramachandran Ottapathu	27.5%	This company bottles drinking water, under the Choppies brand, and supplies the bottled water product to the Group, at cost plus 10% basis.	
	Farouk Essop Ismail	27.5%		
Vet Agric (Pty) Limited	Ramachandran Ottapathu	37.5%	This company farms poultry and supplies fresh poultry products to the Group at a cost plus 12.5% basis.	
	Farouk Essop Ismail	37.5%		
Keriotic Investments (Pty) Limited	Ramachandran Ottapathu	50%	This company sources products across border and imports and distributes the same to the Group, at a cost plus 11% basis.	615 943
	Farouk Essop Ismail	50%		
Solace (Pty) Ltd T/A Star Poultry	Ramachandran Ottapathu	50%	This company operates a poultry farming business and supplies eggs to the Group at market related prices, agreed from time to time.	
	Farouk Essop Ismail	50%		
ILO Industries (Pty) Limited	Ramachandran Ottapathu	50%	This company acquires rice and spices and supplies the product to the Group at a cost plus 7.5% basis.	2 302 833
	Farouk Essop Ismail	50%		
Electrometic Enterprises (Pty) Limited	Ramachandran Ottapathu	30%	This company purchases bulk band width from BTC and provides internet bandwidth and network services to the Group, at a cost plus 10% basis.	
	Farouk Essop Ismail	30%		
Feasible Investments (Pty) Limited	Ramachandran Ottapathu	50%	This company provides IT maintenance services to the Group at an agreed cost, plus 10%, reviewable on an annual basis.	1 187 063
	Farouk Essop Ismail	50%		

Company	Nature of interest	Nature of transactions	Amount due from the Group as at 30 June 2011 BWP
Mont Catering and Refrigeration (Pty) Limited	Project Link (Pty) Ltd holds the shares in Mont Catering and Refrigeration (Pty) Ltd and it, in turn, is held as to: Ramachandran Ottapathu 50% Farouk Essop Ismail 50%	This company supplies refrigeration and catering items. These items are subject to quotation by independent suppliers and the supply thereof awarded to this company if it can supply below quoted price.	

Notes:

- The amounts due by the Group to the related company are balances in respect of goods sold and delivered to the Group, in the normal course of business.
- The Supply Agreements concluded between the Group and the supplier, provide:
 - for access for the Group to the books and records of the supplier, upon request, to verify cost of product or service to the supplier and the percentage mark-up;
 - reviews in respect of quantity, quality and delivery as appropriate to the service or product, which if not complied with, may result in termination of the agreement by the Group.
- The total value of supplies to the Group from related companies represent P124 million i.e 4% of sales.

In terms of the principles of corporate governance and the provisions of the Companies Act, the related directors would be obliged, when any aspect of the agreement with the supplier is under consideration by any Board of the Group, to declare his interest and will be asked to recuse himself from any deliberations on the agreement or vote on any resolution in respect thereof.

PART II: TRANSACTIONS WITH RELATED COMPANIES

The following detail is provided in respect of transactions with companies in which the directors of Choppies have an interest, which transactions, bearing in mind the nature of the business of the Group, are unusual. None are material to the business of the Group.

- The list below sets out indebtedness in excess of P400 000.
- Where indebtedness is in respect of goods sold and delivered, this is in the ordinary course of business.
- Where the indebtedness is in respect of monies loaned and advanced, the debtor has signed an acknowledgement that the loan or any balance thereof shall be repaid by 31 March 2012.
- Monies loaned have been loaned without accrual of interest, on the basis of mutual agreement between the parties having regard to the short term nature of the transaction.

Company	Nature of interest	Nature of transactions	Amount due to the Group as at 30 June 2011 BWP
Angrapa (Pty) Limited	Ramachandran Ottapathu 50% Farouk Essop Ismail 50%	This company is the holding company for hardware stores, and was advanced start-up capital which is to be repaid.	5 171 195
Aucor Investments (Pty) Limited	Ramachandran Ottapathu 50% Farouk Essop Ismail 50%	Ollur Investments (Proprietary) Limited contributed to the construction of the property and Aucor Investments (Proprietary) Limited is settling the contribution against rentals due to it from Ollur Investments (Proprietary) Limited on a monthly basis.	2 739 656

Company	Nature of interest		Nature of transactions	Amount due to the Group as at 30 June 2011 BWP
Callo (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company owns a furniture shop and was advanced a loan for stock by CDC, which is being repaid from the sale process.	1 008 271
Choppies Exim Uganda (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company is financed by CDC for the purchase of grain which finance is to be paid back.	1 265 922
Choppies Financial Services (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	CDC paid for delivery of equipment and computer hardware to this IT Company, which renders services at agreed rates, renewable on a monthly basis, the money is to be repaid back.	2 361 877
Choppies Investments (Pty) Limited	Mahomed Ismail Yasnim Ismail	50% 50%	This company rents premises to the Group and the Group effected repairs to the premises.	823 037
Fantique Trade (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company owns a bottle store in Zeerust and was advanced a loan by CDC for working capital and is to be repaid.	481 317
Loby holdings (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company is developing premises to be leased by the Group and was advanced monies to commence building	4 000 000
LumpSum Investments (Pty) Ltd	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	The company operates a hardware store and was advanced a normal trade facility, to be settled from sale proceeds.	715 064
Pratham (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This was a loan, for employee advances, which was repaid in August 2011.	439 682
Princeton (Pty) Ltd	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company is a pharmaceutical company retailing alternative hair products and the debt relates to the purchase of goods sold by Choppies to the company, which debt is to be repaid.	2 172 450
QTique 79 (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company is developing premises for the Group and was advanced by CDC and Choppies Supermarkets SA (Pty) Ltd, of which P4 121 924 has been repaid and the balance is to be repaid.	5 510 994

Company	Nature of interest	Nature of transactions	Amount due to the Group as at 30 June 2011 BWP
Shaysons Investments (Hardware) (Pty) Ltd	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	The company owns a hardware store and had purchased goods from CDC, and is to settle the purchase price from sale proceeds of a periodical basis.
			457 617

PART III: EMPLOYEE RESIDENTIAL ACCOMMODATION LEASES WITH RELATED PARTIES

The following schedule details residential premises that are let to the Group by companies which own the property and in which shareholders or directors of the Group have an interest.

Company	Nature of interest	Nature of transactions
Abhura Holdings (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%
Brand New Life (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%
Homage Holdings (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%
Laughing Thrush (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%
Meteor Enterprises (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%
Pimmy (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%
Zappos (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%
Backwater Holdings (Pty) Ltd	Ramachandran Ottapathu Farouk Essop Ismail	37.5% 37.5%

PART IV: COMMERCIAL LEASES WITH RELATED PARTIES

The following schedule is for commercial premises that are let to the Group by a company which owns the premises and in which shareholders or directors of the Group have an interest:

Related party	Shareholders		Premises
Loby Holdings (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company lets Lot 169 Gaborone International Commerce Park, a warehouse, to Choppies Distribution Centre (Pty) Ltd.
HighCare Investments (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	33.3% 33.3%	This company lets Lot 173 Gaborone International Commerce Park, a depot, to Choppies Distribution Centre (Pty) Ltd.
Handsome Returns (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company lets retail premises in Mogoditshane Mall to the subsidiary in the Group which operates a store there.
RoadSpot (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company lets retail premises in Ghantsi to the subsidiary in the Group which operates a store there.
Aucor Investments (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company owns Lot 1760 Pitsane, retail premises, which it lets to the subsidiary in the Group which operates a store there.
Farouk Ismail	N/A	100%	Mr Ismail owns Plot 434 Lobatse retail premises, and lets such premises to the subsidiary of the Group which operates a store there.
Dansons Investments (Pty) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company owns retail premises at Lot 1275 Old Lobatse Road Gaborone, which premises are currently under renovation but which would be let to a subsidiary in the Group to operate a store there.
Superprofit Investments (Proprietary) Limited	Ramachandran Ottapathu Farouk Essop Ismail	50% 50%	This company owns commercial property at Lot 46, Gaborone Commercial Park which are utilised by the company's accounts division.

RESTRUCTURING

In anticipation of listing and in order to simplify the Group structure, the Group was restructured effective as at 30 June 2011. In terms of the Restructuring, Choppies Supermarkets South Africa (Proprietary) Limited and Sarfrosh Holdings (Proprietary) Limited were sold by the Selling Shareholders for a consideration of P266 690 000 and P14 404 798, respectively. This was settled through the issue of 110 912 658 Shares to Farouk Essop Ismail and 110 912 658 Shares to Ramachandran Ottappathu. After set-off of the consideration due by Ramachandran Ottappathu and Farouk Essop Ismail, to settle their acquisition of ILO Industries (Proprietary) Limited. A valuation was performed on Choppies Enterprises (Proprietary) Limited, Sarfrosh Holdings (Proprietary) Limited, ILO Industries (Proprietary) Limited and Choppies Supermarkets South Africa (Proprietary) Limited for the purpose of establishing the number of shares to be issued for the acquisitions. Similarly a number of minority shareholders in subsidiary companies were offered Shares or cash for their interests in the underlying subsidiaries based on valuations performed. All minority shareholders accepted these offers resulting in the companies becoming wholly owned subsidiaries. The Restructuring Agreements are available for inspection at the offices of the Company's Legal Advisor.

PART I: ACQUISITION OF MINORITY INTERESTS IN THE SUBSIDIARIES

	New Shares issued, BWP Share value	Minority interest Cash paid (BWP)	Minority interest (Number of new Shares issued)	
Beavers Investments (Proprietary) Limited	4 110 687 BWP4 778 946		Cassim Dada (4 110 687)	
Bowerbird (Proprietary) Limited	2 034 147 BWP2 364 831		Flash Investments (Proprietary) Limited (2 034 147)	
Daisy Gardens (Proprietary) Limited	249 626 BWP290 206		Aboobaker Chopdat (249 626)	
Deluxe (Proprietary) Limited	1 736 627 BWP2 018 944	Mbiganyi Charles Tibone BWP1 009 472	Yunus Ali Adam (868 313)	Associated Investment and Development Corporation (Proprietary) Limited (868 313)
Freshtake Holdings (Proprietary) Limited	3 469 775 BWP4 033 844		Yunus Ali Adam (1 734 887)	Associated Investment and Development Corporation (Proprietary) Limited (1 734 887)
Genuine Passions (Proprietary) Limited	592 386 BWP688 688		Sadique Kebonang (179 511)	Moitseki Lekalake (412 875)
Lisboa Trading (Proprietary) Limited	1 715 495 BWP1 994 377		Cassim Dada (1 715 495)	
Ollur Investments (Proprietary) Limited	1 719 036 BWP1 998 493		Aboobaker Chopdat (1 719 036)	

	New Shares issued, BWP Share value	Minority interest Cash paid (BWP)	Minority interest (Number of new Shares issued)
Kanye Friendly Grocer (Proprietary) Limited	377 668 BWP439 064		Cassim Dada (377 668)
Pucko Investments (Proprietary) Limited	2 450 683 BWP2 849 081		Cassim Dada (2 450 683)
Ourluck Investments (Proprietary) Limited	365 531 BWP424 953		Aboobaker Chopdat (365 531)
Sunrise Holdings (Proprietary) Limited	205 735 BWP239 180		Aboobaker Chopdat (205 735)
Wayside Supermarket (Proprietary) Limited	691 820 BWP804 286		Aboobaker Chopdat (691 820)
F&A Enterprises (Proprietary) Limited	623 597 BWP724 973		Aboobaker Chopdat (623 597)
Motopi Holdings (Proprietary) Limited	1 604 673 BWP1 865 538		Majid El Halabi (1 604 673)

PART II: ACQUISITION OF THE ENTIRE ISSUED CAPITAL OF THE SOUTH AFRICAN COMPANY AND SARFROSH

	New Shares issued, BWP Share value	Minority interest Cash paid (BWP)	Vendors interest (Number of new Shares issued)	
Choppies Supermarkets South Africa (Proprietary) Limited	229 394 830, BWP266 686 757		Ramachandran Ottapathu (114 697 415)	Farouk Essop Ismail (114 697 415)
Sarfrosh Holdings (Proprietary) Limited	14 047 988, BWP16 331 720		Ramachandran Ottapathu (7 023 994)	Farouk Essop Ismail (7 023 994)

PART III: DISPOSAL

	New Shares issued, BWP Share value	Minority interest Cash paid (BWP)	Vendors interest (Number of new Shares offset)	
ILO Industries (Proprietary) Limited*	(21 617 502), (BWP25 131 784)		Ramachandran Ottapathu (10 808 751)	Farouk Essop Ismail (10 808 751)

* ILO Industries (Proprietary) Limited was disposed by Choppies Enterprises (Proprietary) Limited, to Ramachandran Ottapathu and Farouk Essop Ismail, effective 30 June 2011. The consideration was settled by an offset of shares held in Choppies Enterprises (Proprietary) Limited by Farouk Essop Ismail and Ramachandran Ottapathu in equal proportions.

ANNEXURE 12

THE SUBSIDIARIES

The following are the details of the Subsidiaries of Choppies as at the Last Practicable Date:

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING ORD	PREF
ABBAS ENTERPRISES (PTY) LTD	4862	30.11.1983	3 300	3 000	300	FAROUK ISMAIL	CHOPPIES	3 000	
						RAMACHANDRAN OTTAPATHU	SABU KURUMBAKANDATH	150	
						SABU KURUMBAKANDATH	JJU T. RAMAKRISHNAN	150	
						JJU T. RAMAKRISHNAN			
ACCRETE INVESTMENTS (PTY) LTD	2005/5055	09.09.2005	125	100	25	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	VARGHESE C. KURIAKOSE	5	
						VENUGOPALAN KANDAPARAMBIL	NAWSHAD A. LATHEEF MOHAMMED	5	
						VARGHESE C. KURIAKOSE	HARISH PREMKUMAR	5	
						NAWSHAD A. LATHEEF MOHAMMED	BALARAMAN MUTHALANGAT	5	
						HARISH PREMKUMAR	VENUGOPALAN KANDAPARAMBIL	5	
						BALARAMAN MUTHALANGAT			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	
							ORD	PREF
AMPHORA (PTY) LTD	2000/5517	15.11.2000	115	100	15	FAROUK ISMAIL	CHOPPIES	100
						RAMACHANDRAN OTTAPATHU	NAIR MADAVA PANICKER SREEDHARAN	5
						NAIR MADAVA PANICKER SREEDHARAN	SANTHOSH KARUVAN NARAYANAN	5
						SANTHOSH KARUVAN NARAYANAN	PUTHENPURAKKAL D. VARGHESE	5
						PUTHENPURAKKAL D. VARGHESE		
						UNIKRISHNAN P. SANKARAN		
ASKLITE (PTY) LTD	2005/115	14.01.2005	115	100	15	FAROUK ISMAIL	CHOPPIES	100
						RAMACHANDRAN OTTAPATHU	BALACHANDRAN KUNDUVALAPPIL	5
						BALACHANDRAN KUNDUVALAPPIL	STAIN VARGHESE	5
						STAIN VARGHESE	UNIKRISHNAN PANANCHUKUNNATH SANKARAN	5
						UNIKRISHNAN PANANCHUKUNNATH SANKARAN		
ATLADIS (PTY) LTD	2002/4446	05.12.2005	115	100	15	FAROUK ISMAIL	CHOPPIES	100
						RAMACHANDRAN OTTAPATHU	KRISHNAKUMAR C. SREEKUMAR	5
						KRISHNAKUMAR C. SREEKUMAR	CHILLY RAPPAL INASU	5
						CHILLY RAPPAL INASU	JAGADEESH KAIPPILLY	5
						JAGADEESH KAIPPILLY		

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
BEAVERS INVESTMENTS (PTY) LTD	2002/308	06.02.2002	360	300	60	FAROUK ISMAIL	CHOPPIES	300	
						RAMACHANDRAN OTTAPATHU	AMMAYATH GIREESAN		15
						BINISH M. BALAKRISHNAN	BINISH M. BALAKRISHNAN		15
						THEKOOT P. RAMAKRISHIAN	THEKOOT P. RAMAKRISHNAN		15
						CASSIM DADA	GEORGE ANISH		15
						GEORGE ANISH			
						AMMAYATH GIREESAN			
BESTLITE INVESTMENTS (PTY) LTD	2002/2563	25.09.2002	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	KEETHIVEETIL PRASAD		5
						KEETHIVEETIL PRASAD	SAJEETH GANGADHARAN		5
						SAJEETH GANGADHARAN	JAYASHANKAR K. PRABHAKARAN		5
						JAYASHAKAR K. PRABHAKARAN			
BOWER BIRD (PTY) LTD	2006/2866	15.06.2006	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	CHIRAMEL ANTHONY JOY		5
						CHIRAMEL ANTHONY JOY	CHALAPPURATH K. VARGHESE		5
						CHALAPPURATH K. VARGHESE			
CATBIRD (PTY) LTD	2006/3156	26.06.2006	1 050	1 000	50	FAROUK ISMAIL	CHOPPIES	1 000	
						RAMACHANDRAN OTTAPATHU	SANTHOSHKUMAR T. VELAYUDHAN		50
						SANTHOSHKUMAR T. VELAYUDHAN			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
CHATHLEY ENTERPRISES (PTY) LTD	1992/2180	03.12.1992	660 000	550 000	110 000	FAROUK ISMAIL	CHOPPIES	550 000	
						RAMACHANDRAN OTTAPATHU	CHITTETH VIJAYAN VINULAL		27 500
						CHITTETH VIJAYAN VINULAL	GANESAN SUBRAMANIAM		27 500
						GANESAN SUBRAMANIAM	VENKAT RAMAN SUBRAMANIAM		27 500
						VENKAT RAMAN SUBRAMANIAM	KRISHNAKUMARAN CHEMMER		27 500
						KRISHNAKUMARAN CHEMMER			
CHOPPIES DISTRIBUTION CENTRE (PTY) LTD	2001/1472	12.04.2001	3 450	3 000	450	FAROUK ISMAIL	CHOPPIES	3 000	
						RAMACHANDRAN OTTAPATHU	SUBEESH SASITHARAN		150
						SUBEESH SASITHARAN	OTTAPATH NARAYANAN		150
						OTTAPATH NARAYANAN	PRAVEENKUMAR NAMBINAGATH		150
						PRAVEENKUMAR NAMBINAGATH			
						TIMOTHY GORDON MARSLAND			
CHOPPIES SUPERMARKETS SA (PTY) LTD	2008/001621/07	25.1.2008	10 million	10 million		FAROUK ISMAIL	CHOPPIES	10 million	
						RAMACHANDRAN OTTAPATHU			
DAISY GARDENS (PTY) LTD	2001/1794	03.05.2001	100	100		FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU			
DELUXE (PTY) LTD	98/1245	18.05.1998	32 200	32 200		FAROUK ISMAIL	CHOPPIES	32 200	
						RAMACHANDRAN OTTAPATHU			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
DOSTANA INVESTMENTS (PTY) LTD	2002/3498	13.11.2002	1 150	1 000	150	FAROUK ISMAIL	CHOPPIES	1 000	
						RAMACHANDRAN OTTAPATHU	AMMAYATH PRASANTH		50
						AMMAYATH PRASANTH	ATHIYARATH RAJU		50
						ATHIYARATH RAJU	JOE PAUL KOLLANNUR		50
						JOE PAUL KOLLANNUR			
F & A ENTERPRISES (PTY) LTD	92/1870	21.10.1992	10 500	10 000	500	FAROUK ISMAIL	CHOPPIES	10 000	
		Company name was originally Riverside Multisave Supermarket (Pty) Ltd change of name occurred on 24 June 1993							
						RAMACHANDRAN OTTAPATHU	SANJEEV PATTIYIL		500
						SANJEEV PATTIYIL			
FLOWTING IDEAS (PTY) LTD	2009/10409	10.12.2009	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	RAJU ATHIYARATH		5
						RAJU ATHIYARATH	SUBIN CHANDRAN		5
						SUBIN CHANDRAN			
FRESHTAKE HOLDINGS (PTY) LTD	2004/2507	30.01.2004	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	SAJIN PEETHABARAN		5
						SAJIN PEETHABARAN	SATHEESHAN KODAKKANATH		5
						SATHEESHAN KODAKKANATH			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
GENUINE PASSIONS (PTY) LTD	2006/1406	28.03.2006	105	100	5	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	MADHU PUTHIYOTTIL		5
						MADHU PUTHIYOTTIL			
GOBRAND (PTY) LTD	2002/3830	22.11.2002	105	100	5	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	V. R. KRISHNA KUMAR		5
						V. R. KRISHNA KUMAR			
GODAVARI (PTY) LTD	2004/2166	19.01.2004	120	100	20	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	VADUTHALA GOPINATHAN SUNIL		5
						VADUTHALA GOPINATHAN SUNIL	VELUTHEDATH AJITH KUMAR		5
						VELUTHEDATH AJITH KUMAR	BINISH SASIBABU		5
						BINISH SASIBABU	PRINSON CHITTILAPPILLY FRANCIS		5
						PRINSON CHITTILAPPILLY FRANCIS			
GRITNIT (PTY) LTD	2005/151	14.01.2005	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	JINO JOSE		5
						JINO JOSE	VENUGOPALAN KANDAPARAMBA		5
						VENUGOPALAN KANDAPARAMBA	VIJAYAKUMAR KADAMBANAT		5
						VIJAYAKUMAR KADAMBANAT			
HIMALAYAS (PTY) LTD	2005/6967	08.12.2005	100	100		FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
HOOVERNIT (PTY) LTD	2005/233	24.01.2005	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	KUNNATH U. PANACHU		5
						KUNNATH U. PANACHU	SHINTOY PALOLIKKAAL JOSEPH		5
						SHINTOY PALOLIKKAAL JOSEPH	SATHISH V. SIDHARTHAN		5
						SATHISH V. SIDHARTHAN			
JARAPINO VENTURES (PTY) LTD	2002/4165	31.12.2002	105	100	5	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	MURALEEDHARAN AMMAYATH		5
						MURALEEDHARAN AMMAYATH			
JOBFINE HOLDINGS (PTY) LTD	2002/4218	03.12.2002	120	100	20	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	VARGHESE P. DEVASSY		5
						VARGHESE P. DEVASSY	KAIPPILLY JAGADEESH		5
						KAIPPILLY AGADEESH	MANINYANGATTIL BABURAJ		5
						BABURAJ MANINYANGATTIL	KUTTANKULANGRA B. SUNIL KUMAR		5
						KUTTANKULANGRA B. SUNIL KUMAR			
KAAR DISTRIBUTORS AND MARKETING SERVICES (PTY) LTD	95/831	09.06.1995	3 300	3 000	300	FAROUK ISMAIL	CHOPPIES	3 000	
						RAMACHANDRAN OTTAPATHU	NAZER MULACKAL SAIDU MUHAMMED		150
						NAZER MULACKAL SAIDU MUHAMMED	GOPINATHAN SUNIL VADTHALA		150
						GOPINATHAN SUNIL VADTHALA			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
KANYE FRIENDLY GROCER (PTY) LTD	2001/1478	12.04.2001	330	300	30	FAROUK ISMAIL	CHOPPIES	300	
						RAMACHANDRAN OTTAPATHU	KODAMUKKIL GOPALAKRISHNAN		15
						KODAMUKKIL GOPALAKRISHNAN	OTTAPATH RAVEENDRAN		15
						OTTAPATH RAVEENDRAN			
LISBOA TRADING (PTY) LTD	2002/981	28.03.2002	1 200	1 000	200	FAROUK ISMAIL	CHOPPIES	1 000	
						RAMACHANDRAN OTTAPATHU	HARISH AMMAYATH		50
						HARISH AMMAYATH	KURUMBAMKANDATH S. SIVARAMAN		50
						KURUMBAMKANDATH S. SIVARAMAN	SUBEESH KOLAZHY SURENDRAN		50
						SUBEESH KOLAZHY SURENDRAN	SOORAJ KOLLERY		50
						SOORAJ KOLLERY			
MACHA INVESTMENTS (PTY) LTD	2000/3039	05.07.2000	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
		Originally Nhlalux Building Construction (Pty) Ltd which was registered on 6 August 2002				RAMACHANDRAN OTTAPATHU	NARAYANAN SANKARA MENON		5
						NARAYANAN SANKARA MENON	SHINTOY PALOLIKKAL JOSEPH		5
						SHINTOY PALOLIKKAL JOSEPH	AUGOSH EDAPPAYIL		5
						AUGOSH EDAPPAYIL			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
MOTOPI HOLDINGS (PTY) LTD	2003/3114	11.06.2003	1 100	1 000	100	FAROUK ISMAIL	CHOPPIES	1 000	
						RAMACHANDRAN OTTAPATHU	JOSEPH THOMAS PANENGADAN		50
						JOSEPH THOMAS PANENGADAN	INASU CHULLY RAPPAL		50
						INASU CHULLY RAPPAL			
NAIVASHA (PTY) LTD	2007/5648	12.10.2007	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	BINISH MENCHERY BALAKRISHNAN		5
						BINISH MENCHERY BALAKRISHNAN	SOORAJ KOLLERY		5
						SOORAJ KOLLERY	ANIL GEORGE		5
						ANIL GEORGE			
NDONGOLELA ENVESTMENTS (PTY) LTD	2006/4795	14.09.2006	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	PARAMBIL V MURALEEDHARAN		5
						PARAMBIL V. MURALEEDHARAN	SOORAJ VEEROLATH		5
						SOORAJ VEEROLATH			
NEWPAGE (PTY) LTD	2010/7573	22.08.2010	105	100	5	RAMACHANDRAN OTTAPATHU	CHOPPIES	100	
						FAROUK ISMAIL	UNNIKRISHNAN PANANCHUKUNNATH SANKARAN		5
						UNNIKRISHNAN PANANCHUKUNNATH SANKARAN			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
OLLUR INVESTMENTS (PTY) LTD	2000/4399	20.09.2000	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	BINISH S. BABU		5
						BINISH S. BABU	BIJU S. BABU		5
						BIJU S. BABU	OTTAPATH RAVEENDRAN		5
						OTTAPATH RAVEENDRAN			
OURLUCK (PTY) LTD	1999/3180	24.08.1999	100	100		FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU			
PUCKO INVESTMENTS (PTY) LTD	2000/4212	08.09.2000	345	300	45	FAROUK ISMAIL	CHOPPIES	300	
						RAMACHANDRAN OTTAPATHU	CHIRAMEL ANTHONY JOY		15
						CHIRAMEL ANTHONY JOY	SANJEEV PATTIYIL		15
						SANJEEV PATTIYIL	VISWANATHAN G. KALLIPARABIL		15
						VISWANATHAN G. KALLIPARABIL			
RIGHT TIME (PTY) LTD	2004/970	16.01.2004	120	100	20	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	MADHU THATHAMPARAMBATH		5
						MADHU THATHAMPARAMBATH	VELAYUDHAN SANTHOSH KUAMAR		5
						VELAYUDHAN SANTHOSH KUMAR	GOPALAN THILAKAN KOZHIPARAMB		5
						GOPALAN THILAKAN KOZHIPARAMB	SAJITH GANGADHARAN		5
						SAJITH GANGADHARAN			
RIGIL ENTERPRISES (PTY) LTD	2010/8885	29.09.2010	100	100		CHOPPIES	CHOPPIES	100	

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	ORD	PREF
ROADTIGHT (PTY) LTD	2004/7482	14.09.2004 original name was Uplift (Pty) Ltd with change of name to Roadtight on 08.04.2010	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	SUBEESH SASITHARAN		5
						SUBEESH SASITHARAN	AMMAYATH PRASANTH		5
						AMMAYATH PRASANTH			
SARFROSH HOLDINGS (PTY) LTD	2002/3500	13.11.2002	1 000	1 000		FAROUK ISMAIL	CHOPPIES	1 000	
						RAMACHANDRAN OTTAPATHU			
S & F ENTERPRISES (PTY) LTD	99/2801	30.07.1999	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	MOIDEENSHA A. B. CHEMBOOTHUM		5
						MOIDEENSHA A. B. CHEMBOOTHUM	SANJEEV PATTIYIL		5
						SANJEEV PATTIYIL			
SHOPPER'S PARADISE (PTY) LTD	2007/2539	25.05.2007	1 000	1 000		FAROUK ISMAIL	CHOPPIES	1 000	
						RAMACHANDRAN OTTAPATHU			
SMOOTH SAIL HOLDINGS (PTY) LTD	2004/1473	16.01.2004	105	100	5	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	SUVIJITH KELAT		5
						SUVIJITH KELAT			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
SUNRISE HOLDINGS (PTY) LTD	99/3191	24.08.1999	100			FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU			
TAMPATRAIL INVESTMENTS (PTY) LTD	2004/9380	07.12.2001	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	JOE PAUL KOLLANNUR		5
						JOE PAUL KOLLANNUR	REVI KANDENKAVIL		5
						REVI KANDENKAVIL	NAMBINGATH PRAVEEN KUMAR		5
						NAMBINGATH PRAVEEN KUMAR			
TO DOMORE (PTY) LTD	2005/119	14.01.2005	100	100		FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU			
TOPSHAPE HOLDINGS (PTY) LTD	2004/7141	24.08.2004	115	100	15	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	BINOJ THOMAS		5
						BINOJ THOMAS	JAMES MENCHERY JOSEPH		5
						JAMES MENCHERY JOSEPH	SABU SIVARAMAN KURUMBAMKANDATH		5
						SABU SIVARAMAN KURUMBAMKANDATH			
TORINBY HOLDINGS (PTY) LTD	2005/123	14.01.2005	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	STAIN VARGHESE		5
						STAIN VARGHESE	SAJANA RIAZ		5
						SAJANA RIAZ			

COMPANY NAME	COMPANY NO.	DATE OF INCORP	STATED CAPITAL	NO. OF SHARES (ORDINARY)	NO. OF SHARES (PREFERENCE SHARES)	DIRECTORS	SHAREHOLDERS	SHAREHOLDING	
								ORD	PREF
VELOCITY ENTERPRISES (PTY) LTD	2008/2819	13.05.2008	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	SANTHOSH KUMAR SIVASANKARAN		5
						SANTHOSH KUMAR SIVASANKARAN	BABURAJ MANINYANGATTIL		5
						BABURAJ MANINYANGATTIL			
WALRUS (PTY) LTD	2003/2167	15.05.2003	110	100	10	FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU	PIUS PALLAN		5
						PIUS PALLAN	BABURAJ MANINYANGATTIL		5
						BABURAJ MANINYANGATTIL			
WAYSIDE SUPER MARKET (PTY) LTD	86/247	17.04.1986	100	100		FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU			
WELL DONE (PTY) LTD	2003/2382	09.04.2003	100	100		FAROUK ISMAIL	CHOPPIES	100	
						RAMACHANDRAN OTTAPATHU			

The preference shares issued out by a subsidiary together entitle the holders thereof usually the managers of the store operated by or the business operated by the subsidiary to a percentage of profit, which is part of the incentive and retention plan adopted in the Group, details of which appear in paragraph 27 on page 17 of the Prospectus.

SUBSIDIARIES AND THE STORES IN BOTSWANA

Subsidiary	Store location
Abbas Enterprises (Proprietary) Limited	Moshupa
Accrete Investments (Proprietary) Limited	Thamaga
Asklite (Proprietary) Limited	Kasane
Atladis (Proprietary) Limited	Tlokweng
Beavers Investments (Proprietary) Limited	Molepolole
Bestlite Investments (Proprietary) Limited	Maun
Bowerbird (Proprietary) Limited	Ghanzi
Catbird (Proprietary) Limited	Letlhakane
Chathley Enterprises (Proprietary) Limited	Selibe-Phikwe
Daisy Garden (Proprietary) Limited	Lobatse
Deluxe (Proprietary) Limited	Fairgrounds – Gaborone
Dostana Investments (Proprietary) Limited	Serowe
F & A Enterprises (Proprietary) Limited	Lobatse
Flowting Ideas (Proprietary) Limited	Serowe
Fresh take Holdings (Proprietary) Limited	Station – Gaborone
Genuine Passions (Proprietary) Limited	Namantle
GoBrand Holdings (Proprietary) Limited	Jwaneng
Godavari (Proprietary) Limited	Lobatse
Gritnit (Proprietary) Limited	Kanye
Himalayas (Proprietary) Limited	Bonnington – Gaborone
Hoovernit (Proprietary) Limited	Francistown
Jarapino Ventures (Proprietary) Limited	Village – Gaborone
Jobfine Holdings (Proprietary) Limited	Ramotswa
Kaar Distributors and Marketing Services (Proprietary) Limited	Mogoditshane
Kanye Friendly Grocer (Proprietary) Limited	Kanye
Lisboa Trading (Proprietary) Limited	Westgate Mall – Gaborone
Macha Investments (Proprietary) Limited	Selebi-Phikwe
Motopi Holdings (Proprietary) Limited	Gaborone
Naivasha (Proprietary) Limited	Mahalapaye
Newpage (Proprietary) Limited	Masunga
Ndongolela Investments (Proprietary) Limited	Bobonong
Ollur Investments (Proprietary) Limited	Pitsane

Subsidiary	Store location
Ourluck Investments (Proprietary) Limited	Molapowabojang
Pucko Investments (Proprietary) Limited	Mochudi
Right Time (Proprietary) Limited	Palapye
Rigil Enterprises (Proprietary) Limited	Francistown
Roadtight (Proprietary) Limited	Broadhurst – Gaborone
S & F Enterprises (Proprietary) Limited	Gaborone West – Gaborone
Shoppers Paradise (Proprietary) Limited	Gaborone
Smoothsail (Proprietary) Limited	Mogoditshane
Sunrise Holdings (Proprietary) Limited	Lobatse
Tampatrail Investments (Proprietary) Limited	Maruapula – Gaborone
Todomore Holdings (Proprietary) Limited	Nyrere Drive – Gaborone
Topshape Holdings (Proprietary) Limited	Phakalane – Gaborone
Torinby Holdings (Proprietary) Limited	Gaborone West – Gaborone
Velocity Enterprises (Proprietary) Limited	Maun
Walrus (Proprietary) Limited	Gaborone Industrial – Gaborone
Wayside Super Market (Proprietary) Limited	Lobatse
Summer Queen (Proprietary) Limited	Railpark Mall – Gaborone
Franchise stores	Store location
Mafila Holdings (Pty) Limited	Mochudi
Porto (Pty) Limited	Shakawe

EXTRACTS FROM THE CONSTITUTION OF CHOPPIES

1. Directors must not at any time be less than four and subject to this limitation the number of Directors to hold office shall be fixed from time to time by Ordinary Resolution.
2. A Director may be appointed and removed by Ordinary Resolution.
3. There is no qualification as regards holding of shares or debentures or linked units for Directors.
4. At the first annual general meeting all the directors for the time being shall retire. At every annual meeting thereafter at least one-third of the Directors for the time being shall retire from office. The Directors to retire in each year shall be those who have been longest in office.
5. Retiring Directors shall be eligible for re-election, but no person not being a retiring Director shall be eligible for election to the office of the Director at any annual meeting, provided that the member intending to propose him has at least five days before the meeting, left at the registered office of the Company a notice in writing, duly signed signifying the intention of such members to propose and the consent of the candidate to assume the office of the Director.
6. Any person employed under a contract with the Company, which contract has a condition thereof that the person shall be a Director of the Board, shall not be subject to retirement by rotation but the period he shall hold office shall be determined by his contract.
7. The Board may from time to time appoint one of the Directors to be the Managing Director either for a fixed term and on such other terms (including remuneration) as the Board determines.
8. The Directors may elect one of their number as chairperson of the Board and determine the period for which the chairperson is to hold office.
9. Every Director has one vote. In the case of an equality of votes the chairperson will have a casting vote.
10. Subject to provisions in respect of notice of meetings quorum (four directors) voting, resolutions (to be in writing) and minutes, the Board may regulate its own procedure.
11. The Board may exercise the power conferred by the Act to authorise remuneration and other benefits to and for Directors.
12. Each Director is entitled to be paid for all reasonable travelling, accommodation and other expenses incurred by the Director in connection with the Director's attendance at meetings or otherwise in connection with the Company's business.
13. The Board may authorise special remuneration to any Director who is or has been engaged by the Company to carry out any work or perform any services which is not in the capacity of a Director of the Company.
14. The Directors may raise or borrow for the purposes of the Company's business, such sum or sums of money as the Directors deem appropriate for the business of the Group, provided that the profit of the Group (the Company and its subsidiaries combined) shall be sufficient to cover the interest payable on such borrowings at least 5 times or such other ratio of cover as the Company may, by Ordinary Resolution, in General Meeting determine.
15. Every Director shall be indemnified by the Company for any costs referred to in section 159 of the Act. The Board may determine the amounts and terms and conditions of such an indemnity.

DETAILS OF PLACEES

Placee	Number of Shares	% of Private Placing Shares	% of Choppies Shares on listing
Bifm Botswana Limited	65 622 967	25.15	5.59
Investec Asset Management Botswana (Pty) Ltd	49 138 049	18.84	4.18
Fleming Asset Management (Botswana) (Pty) Ltd	46 873 548	17.97	3.99
Coronation Fund Managers Botswana (Pty) Ltd	26 492 904	10.16	2.26
SQM Frontier Management LP	24 257 061	9.30	2.07
Allan Gray (Botswana) (Pty) Ltd	17 788 511	6.82	1.51
Stanbic Investments Management Services (Pty) Ltd	12 685 365	4.86	1.08
Motor Vehicle Accident Fund	5 390 458	2.07	0.46
Metsi Trading	5 120 935	1.96	0.44
Motor Centre Botswana (Pty) Ltd	4 687 355	1.80	0.40
Black Thread Capital (Pty) Ltd	2 695 229	1.03	0.23
Motswedi Securities (Pty) Ltd	117 183	0.04	0.01
Total	260 869 565	100.00	22.22

Bifm Botswana Limited

Registered office	Plot 50676 Fairgrounds Office Park Gaborone Botswana
Company registration number	1975/1803
Directors	M C Dawes F J Kellerman D K U Corea B P Dambegroth C Chauhan M Mpugwa H C Werth J P Hinchliffe M A Tyrer

Investec Asset Management Botswana (Pty) Ltd

Registered office	1st Floor, Time Square Plot 134, Independence Avenue Gaborone Botswana
Company registration number	94/61
Directors	L O Ndzinge J Green M Seboni

Fleming Asset Management (Botswana) (Pty) Ltd

Registered office	Mokolwane House Plot 67978 Fairgrounds Office Park Gaborone Botswana
Company registration number	94/319
Directors	M C Tibone L D Lekalake P McC van Riet-Lowe S McIntosh

Coronation Fund Managers Botswana (Pty) Ltd

Registered office	Plot 64511, Exchange House Fairgrounds Office Park Gaborone Botswana
Company registration number	2004/4758
Directors	H A Nelson K H Munamati P Chagan J A Snalam M M F Mbaakanyi

SQM Frontier Management LP

Registered office	3101 Wilson Boulevard, Suite 210 Arlington, VA 22201 United States of America
Partners	J Niepold S Atta D Savage

Allan Gray (Botswana) (Pty) Ltd

Registered office	Plot 115, Unit 19 Kgale Mews Millennium Park Postnet Kgaleview Private Bag 149 Suite 107 Gaborone Botswana
Company registration number	2003/3082
Directors	T Motshubi R Dower L J Legwaila T Mhlambiso G Mosinyi

Stanbic Investment Management Services (Pty) Ltd

Registered office	Phase 2, Block D, Unit 10, First Floor Fairgrounds Office Park Plot 50676 Gaborone Botswana
Company registration number	2002/2321
Directors	P Tafa L Gabaraane L Zulu L Siwawa

Motor Vehicle Accident Fund

Registered office	Plot 50367, 3rd Floor MVA Fund House Fairgrounds Office Park Gaborone Botswana
Company registration number	N/A
Directors	F Modise T E Malebeswa G M Bakwena A A Botes M K Molebatsi L Thebe E Gonsalves A Madigele

Metsi Trading

Registered office	Ugland House South Church Street George Town Grand Cayman KY1-1104 Cayman Islands
Company registration number	155667
Directors	I Hamilton R Nichol R van Vliet R King

Motor Centre Botswana (Pty) Ltd

Registered office	Plot 50371 Fairgrounds Office Park Gaborone Botswana
Company registration number	32
Directors	A S Dada Y Dada

BlackThread Capital (Pty) Ltd

Registered office	Plot 8772/3 Unit 3, Bontleng Mall Gaborone Botswana
Company registration number	2007/6132
Directors	M Mothibatsela R L Mothibatsela K K Gogoi

Motswedi Securities (Pty) Ltd

Registered office	Plot 113, Unit 30 Kgale Mews Gaborone Botswana
Company registration number	2002/27
Directors	M M Makgatlhe O S Makgatlhe

PLACES FOR COLLECTION OF COPIES OF THE PROSPECTUS

1. THE FOLLOWING BRANCHES OF BARCLAYS BANK OF BOTSWANA:

- Gaborone Mall
- Gaborone Industrial
- Broadhurst
- Carbo Prestige
- Lobatse
- Orapa
- Jwaneng
- Ghanzi
- Mahalapye
- Serowe
- Palapye
- Selibe-Phikwe
- Francistown
- Maun
- Kasane
- Tsabong
- Mochudi
- Molepolole
- Tlokweng
- Mogoditshane
- Shakawe
- Gaborone Sun Prestige
- Game City
- Phakalane Prestige
- Galo Prestige
- Letlhakane
- Personal Prestige
- Selibe-Phikwe Prestige
- Blue Jacket Prestige
- Head Office

2. THE FOLLOWING CHOPPIES STORES:

- Choppies Molepolole
- Choppies Maun
- Choppies Ghanzi
- Choppies Letlhakane
- Choppies Phikwe Mall
- Choppies Serowe CBD
- Choppies Hillside, Lobatse
- Choppies Jwaneng
- Choppies Kanye
- Choppies Village, Gaborone
- Choppies Mogoditshane, Gaborone
- Choppies Hyper Western Bypass, Gaborone
- Choppies Mahalapye
- Choppies Palapye
- Choppies Maru-a-Pula, Gaborone
- Choppies Nyerere Drive, Gaborone
- Choppies Hyper Rail Park Mall, Gaborone
- Choppies Kasane
- Choppies Loja Mall, Francistown
- Choppies Masunga
- Choppies Fairgrounds, Gaborone

LIST OF OTHER COMPANIES IN WHICH THE DIRECTORS HOLD DIRECTORSHIPS AND THE NATURE OF THE BUSINESS OF THOSE COMPANIES

1.1 Non-executive Directors of Choppies

Director	Other company	Nature of business
The Excellency former President of Botswana Festus Gontebanye Mogae (72) Chairman Motswana	1. FGM Holdings (Pty) Ltd	Investment company
Date of appointment: 20 October 2004		
Timothy Gordon Marsland (45) British	1. Bifm Capital (Pty) Ltd 2. Bifm Capital Investment Fund One (Pty) Ltd 3. Bifm Capital Investment Fund Two (Pty) Ltd 4. Capital Management Africa (Pty) Ltd 5. Private Investment Managers (Pty) Ltd	Fund manager Investment fund Investment fund Asset manager Asset managers
Date of appointment: 11 December 2007		
Dorcas Ana Kgosietsile (52) Motswana	1. M & N Coffin Manufacturing (Pty) Ltd 2. Kagiso Funeral Parlour (Pty) Ltd 3. Imperial Funeral Parlour (Pty) Ltd 4. Business Clinic (Pty) Ltd 5. DUSA Investment (Pty) Ltd 6. Job Hope (Pty) Limited 7. Bararo (Pty) Limited 8. Kgosilema (Pty) Limited	Coffin manufacturers Funeral undertakers Funeral undertakers Dormant Investment vehicle Dormant entity Dormant entity Dormant entity
Date of appointment: 2 November 2011		
Robin Stenhouse Tilney (70) British	1. Rhoss (Pty) Ltd 2. Safmarine (Botswana) (Pty) Ltd 3. Bokgoni Accounting Services (Pty) Ltd 4. Manupharma (Pty) Ltd 5. Kenpat (Pty) Ltd 6. Emsa Ventures (Pty) Ltd 7. F.K. Holdings (Pty) Ltd 8. Chaeshire Properties (Pty) Ltd 9. Delhurst Properties (Pty) Ltd 10. Kestrel (Pty) Ltd 11. Xazai Investments (Pty) Ltd 12. Barlow Industries (Pty) Ltd	Secretarial services Transportation Accounting services Property Dormant entity Dormant entity Property Property Property Investment company Investment company Property
Date of appointment: 2 November 2011		

1.2 Executive Directors of Choppies

Director	Other company	Nature of business
Farouk Essop Ismail 57 Motswana	1. Backwater Holdings (Pty) Ltd	Residential property in Botswana
	2. Fine care Investments (Pty) Ltd	Residential property in Botswana
Executive Deputy Chairman	3. Highcare Investments (Pty) Ltd	Commercial property in Botswana
	4. Homage Holdings (Pty) Ltd	Residential property in Botswana
Date of appointment: 7 July 2004	5. Laughing Thrush (Pty) Ltd	Residential property in Botswana
	6. Leviathan (Pty) Ltd	Commercial property in Botswana
	7. Loby Holdings (Pty) Ltd	Commercial property in Botswana
	8. Atlas Property Corporation (Pty) Ltd	Commercial property in Botswana
	9. Masgrowth (Pty) Ltd	Residential property in Botswana
	10. Meteor Enterprises (Pty) Ltd	Residential property In Botswana
	11. Pimmi (Pty) Ltd	Residential property In Botswana
	12. Plot 20602 (Pty) Ltd	Commercial property in Botswana
	13. Superprofit Investments (Pty) Ltd	Commercial property in Botswana
	14. Zappos(Pty) Ltd	Commercial and Residential property in Botswana
	15. Dansons Investments (Pty) Ltd	Commercial property in Botswana
	16. Aucor Investments (Pty) Ltd	Commercial property in Botswana
	17. Estimable Holdings (Pty) Ltd	Commercial property in Botswana
	18. N & F Investments (Pty) Ltd	Commercial property in Botswana
	19. Quovadis (Pty) Ltd	Commercial property in Botswana – farm
	20. Mike Junior Express (Pty) Ltd	Residential property in Botswana
	21. Brand New life (Pty) Ltd	Residential property in Botswana
	22. Abhura Holdings (Pty) Ltd	Residential property in Botswana
	23. Medupe Bridge Fin (Pty) Ltd	Residential property in Botswana
	24. Time Star Investments (Pty) Ltd	Farm in Botswana
	25. Somerset Housing Estate (Pty) Ltd	Commercial property in Botswana
	26. Roadspot Enterprises (Pty) Ltd	Commercial property in Botswana
	27. Handsome Returns (Pty) Ltd	Commercial property in Botswana
	28. Zoom Concepts (Pty) Ltd	Residential property Botswana
	29. Q Tique79 (Pty) Ltd	Commercial property in South Africa
	30. Far Properties (Pty) Ltd	Property management company
	31. Good Track (Pty) Ltd	Commercial property in Botswana
	32. Shamwari Holdings (Pty) Ltd	Residential property in Botswana
	33. Eternal Fame (Pty) Ltd	Property holding company
	34. Ascending Returns (Pty) Ltd	Property company
	35. Venta (Pty) Ltd	Retail trading in hardware and building materials
	36. Balsam (Pty) Ltd	Retail trading in hardware and building materials
	37. Gironde (Pty) Ltd	Retail trading in hardware and building materials
	38. Maganafit (Pty) Ltd	Retail trading in hardware and building materials
	39. Morava (Pty) Ltd	Retail trading in hardware and building materials
	40. Texo (Pty) Ltd	Retail trading in hardware and building materials

Director	Other company	Nature of business
Farouk Essop Ismail (continued)	41. Shaysons Investments (Pty) Ltd	Retail trading in hardware and building materials
	42. Match Up Investments (Pty) Ltd	Retail trading in hardware and building materials
	43. Brass lock (Pty) Ltd	Retail trading in hardware and building materials
	44. Lumpsum Investments (Pty) Ltd	Retail trading in hardware and building materials
	45. Modasa Investments (Pty) Ltd	Retail trading in hardware and building materials
	46. Honey Guide (Pty) Ltd	Manufacturers of mabele, samp and fowl food
	47. Montrose Investments (Pty) Ltd	Retail trade of furniture and home accessories
	48. Callo (Pty) Ltd	Retail trade of furniture and home accessories
	49. Princeton (Pty) Ltd	Retail trade of alternative medicine
	50. Meddiland Health Care Distributors (Pty) Ltd	Distributors of medical equipment and medicines
	51. Real plastics (Pty) Ltd	Manufacturers of PET and HDPL bottles, closures and still water
	52. Mont Catering and Refrigeration (Pty) Ltd	Distributors and manufacturers of tailor made refrigeration solutions and air conditioners
	53. Vet Agric Supplies (Pty) Ltd	Involved in chicken farming
	54. Keriotic Investments (Pty) Ltd	Import and distribution of various commodities
	55. Solace Poultry (Pty) Ltd	Poultry and layer egg farming
	56. ILO Industries (Pty) Ltd	Packaging of rice and spices
	57. Electrometic Enterprises (Pty) Ltd	Internet and networking services
	58. Feasible Investments (Pty) Ltd	IT support
	59. Weal (Pty) Ltd	Filling station
	60. Fantique Trade Pty Ltd	Bottle store in South Africa
	60. Cascade Avenue (Pty) Ltd	Bottle store in South Africa
	61. Browalia (Pty) Ltd	Ice factory
	62. Navy Blue (Pty) Ltd	Ice factory
	63. Angrapa(Pty) Ltd	Holding Company for consolidating hardware Groups
	64. Project Link (Pty) Ltd	Holding company of Mont Catering and refrigeration (Pty) Ltd
	65. Curlew (Pty) Ltd	Confectionery manufacturing company
	66. Choppies International (Pty) Ltd	Retail holding company for overseas investments
67. Admiral Touch (Pty) Ltd	Farming	
Ramachandran Ottapathu 47 Motswana	1. Backwater Holdings (Pty) Ltd	Residential property in Botswana
Chief Executive Officer	2. Fine care Investments (Pty) Ltd	Residential property in Botswana
	3. Highcare Investments (Pty) Ltd	Commercial property in Botswana
	4. Homage Holdings (Pty) Ltd	Residential property In Botswana
	5. Laughing Thrush (Pty) Ltd	Residential property In Botswana
	6. Leviathan (Pty) Ltd	Commercial property in Botswana
	7. Lobya Holdings (Pty) Ltd	Commercial property in Botswana
	8. Atlas Property Corporation (Pty) Ltd	Commercial property in Botswana
	9. Masgrowth (Pty) Ltd	Residential property in Botswana
	10. Meteor Enterprises (Pty) Ltd	Residential property in Botswana
	Date of appointment: 7 July 2004	

Director	Other company	Nature of business
Ramachandran Ottapathu (continued)	11. Pimmi (Pty) Ltd	Residential property in Botswana
	12. Plot 20602 (Pty) Ltd	Commercial property in Botswana
	13. Superprofit Investments (Pty) Ltd	Commercial property in Botswana
	14. Zappos (Pty) Ltd	Commercial and Residential property in Botswana
	15. Dansons Investments (Pty) Ltd	Commercial property in Botswana
	16. Aucor Investments (Pty) Ltd	Commercial property in Botswana
	17. Estimable Holdings (Pty) Ltd	Commercial property in Botswana
	18. N & F Investments (Pty) Ltd	Commercial property in Botswana
	19. Quovadis (Pty) Ltd	Commercial property in Botswana
	20. Mike Junior Express (Pty) Ltd	Farm in Botswana
	21. Brand New life (Pty) Ltd	Residential property In Botswana
	22. Abhura Holdings (Pty) Ltd	Residential property In Botswana
	23. Medupe Bridge Fin (Pty) Ltd	Industrial property in Botswana
	24. Time Star Investments (Pty) Ltd	Farm in Botswana
	25. Somerset Housing Estate (Pty) Ltd	Commercial property in Botswana
	26. Roadspot Enterprises (Pty) Ltd	Commercial property in Botswana
	27. Handsome Returns (Pty) Ltd	Commercial property in Botswana
	28. Zoom Concepts (Pty) Ltd	Residential property In Botswana
	29. Q Tique79 (Pty)Ltd	Commercial property in South Africa
	30. Far Properties (Pty) Ltd	Property management company
	31. Precious Possessions (Pty) Ltd	Property holding company
	32. Binary Agencies (Pty) Ltd	Residential property in Botswana
	33. Burgandy Holdings (Pty) Ltd	Residential property in Botswana
	34. SJB Investments (Pty) Ltd	Residential property in Botswana
	35. Good Track (Pty) Ltd	Commercial property in Botswana
	36. Venta (Pty) Ltd	Retail trading in hardware and building materials
	37. Balsam (Pty) Ltd	Retail trading in hardware and building materials
	38. Gironde (Pty) Ltd	Retail trading in hardware and building materials
	39. Maganafit (Pty) Ltd	Retail trading in hardware and building materials
	40. Morava (Pty) Ltd	Retail trading in hardware and building materials
	41. Texo (Pty) Ltd	Retail trading in hardware and building materials
	42. Shaysons Investments (Pty) Ltd	Retail trading in hardware and building materials
	43. Match Up Investments (Pty) Ltd	Retail trading in hardware and building materials
	44. Brass lock (Pty) Ltd	Retail trading in hardware and building materials
	45. Lumpsum Investments (Pty) Ltd	Retail trading in hardware and building materials
	46. Modasa Investments(Pty) Ltd	Retail trading in hardware and building materials
	47. Honey Guide (Pty) Ltd	Manufacturers of mabele, samp and fowl food
	48. Montrose Investments (Pty) Ltd	Retail trade of furniture and home accessories
	49. Callo (Pty) Ltd	Retail trade of furniture and home accessories
	50. Princeton (Pty) Ltd	Retail trade of alternative medicine

Director	Other company	Nature of business
Ramachandran Ottapathu (continued)	51. Meddiland Health Care Distributors (Pty) Ltd	Distributors of medical equipment and medicines
	52. Real Plastics Moulds (Pty) Ltd	Manufacturers of PET and HDPL bottles, closures and still water
	53. Mont Catering and Refrigeration (Pty) Ltd	Distribution and manufacture of tailor made refrigeration solutions and air conditioners
	54. Vet Agric Supplies (Pty) Ltd	Involved in chicken farming
	55. Keriotic Investments (Pty) Ltd	Import and distribution of various commodities
	56. Solace Poultry (Pty) Ltd	Poultry and layer egg farming
	57. ILO Industries (Pty) Ltd	Packaging of rice and spices
	58. Electrometic Enterprises (Pty) Ltd	Internet and Networking services
	59. Feasible Investments (Pty) Ltd	IT support
	60. Weal (Pty) Ltd	Filling station
	61. ZCX Investments (Pty) Ltd	Retail trading of alcoholic beverages
	62. Infra Africa (Pty) Ltd	Undertakes contract jobs of specialised asphalt based projects
	63. Fantique Trade (Pty) Ltd	Bottle store in South Africa
	64. Cascade Avenue (Pty) Ltd	Bottle store in South Africa
	65. Browalia (Pty) Ltd	Ice factory
	66. Navy Blue (Pty) Ltd	Ice factory
	67. Angrapa (Pty) Ltd	Holding Company for consolidating Hardware Groups
	68. Project Link (Pty) Ltd	Holding company of Mont Catering and Refrigeration (Pty) Ltd
	69. Curlew (Pty) Ltd	Confectionery manufacturing company
	70. Choppies International (Pty) Ltd	Retail holding company for overseas investments
	71. Admiral Touch (Pty) Ltd	Farming

1.3 Directors of the Subsidiaries of Choppies

Details of the Directors of the Subsidiaries appear in Annexure 12.

REPORT OF THE INDEPENDENT EXPERT: RELATED PARTY CONTRACTS

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Our Ref: 0038

Your Ref:

The Directors
 Choppies Enterprises Limited
 Private Bag 00278
 GABORONE

07 November 2011

Dear Sirs

RE: INDEPENDENT CONFIRMATION OF THE FAIRNESS AND REASONABLENESS OF THE TERMS AND CONDITIONS PERTAINING TO THE AGREEMENTS AND DOCUMENTS RECORDED AT PART I AND PART II OF ANNEXURE 10 TO THE PROSPECTUS DATED 2 NOVEMBER 2011 (the “Prospectus”) ISSUED BY CHOPPIES ENTERPRISES LIMITED (the “Company”)

1. We are a law firm recognised by the Law Society of Botswana and our principal is a duly admitted attorney of the High Court of Botswana, holding a current and valid practising certificate.
2. We are experienced in the practice of law, inter alia, as it applies to the analysis of the terms and conditions of contracts.
3. We confirm that we will not receive, nor have we received, any financial gain or benefits in connection with the analysis that we have undertaken, other than the standard professional fees related to such an instruction.
4. We advise that we have been furnished with, and have reviewed, signed copies of each of:
 - 4.1 the supply agreements with related companies recorded at Part I of Annexure 10 to the Prospectus (the “Supply Agreements”), save for (i) Solace (Proprietary) Limited t/a Star Poultry and (ii) Mont Catering and Refrigeration (Proprietary) Limited, both of which we have been advised enter into ad hoc trading arrangements, at market related prices, from time to time with the Company and for which there exist no contracts (in respect of which we accordingly express no opinion and provide no confirmation); and
 - 4.2 the acknowledgments of debt relating to the transactions with related parties recorded at Part II of Annexure 10 to the Prospectus (the “Acknowledgments of Debt”).
5. In undertaking our analysis, we have assumed, with regard to each of the Supply Agreements and the Acknowledgments of Debt, that:

- 5.1 the information contained in them is true and accurate;
 - 5.2 the necessary corporate action by each of the parties to them has been duly and properly taken;
 - 5.3 the relevant person signing each of them is duly and properly authorised to do so and that the relevant signature of that person is in fact his usual signature.
6. In relation to the Supply Agreements and the Acknowledgments of Debt, we confirm that:
- 6.1 no provision in any of them detracts from, or contradicts, the notes provided at each of Part I and Part II of Annexure 10 (relating, respectively, to the Supply Agreements and the Acknowledgments of Debt) to the Prospectus;
 - 6.2 no provision in any of them suggests that the transaction recorded therein is anything other than that of a revenue nature;
 - 6.3 the terms and conditions thereof are standard for the type of transaction governed by them;
 - 6.4 there is nothing in any of them to indicate that such terms and conditions are other than fair and reasonable to the Company or, without limiting the generality of that statement, other than fair and reasonable to the shareholders of the Company.
7. The confirmations at paragraph 6 above are hereby stated expressly to be limited to the Supply Agreements and the Acknowledgments of Debt reviewed by us.

Yours faithfully



SHAKILA KHAN
KHAN CORPORATE LAW

ILO INDUSTRIES (PTY) LIMITED HISTORICAL FINANCIAL INFORMATION

Sectoral Analysis: ILO Industries (Proprietary) Limited

The table below presents the historical financial results for ILO Industries (Proprietary) Limited for the last four years. ILO Industries (Proprietary) Limited was a wholly owned subsidiary under Choppies Enterprises (Proprietary) Limited until it was disposed on 30 June 2011. It is now a related party by virtue of the shareholders in the company.

The data below is represents the Statement of Comprehensive Income for the entity.

For the year ended 30 June BWP	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Revenue	23 661 392	35 691 890	36 083 142	36 065 994
Cost of sales	(21 970 309)	(31 143 445)	(29 132 456)	(29 969 522)
Gross profit	1 691 083	4 548 445	6 950 686	6 096 472
Other income	–	–	2 500	–
Expenditure	(1 392 737)	(2 269 925)	(3 643 159)	(3 398 213)
Administrative expenses	(1 027 061)	(1 855 496)	(2 435 177)	(2 933 701)
Selling and distribution expenses	(44 693)	(157 134)	(107 462)	(106 916)
Other operating expenses	(320 983)	(257 295)	(1 100 520)	(357 596)
Operating profit before interest	298 346	2 278 520	3 310 027	2 698 259
Interest paid	(17 480)	–	–	(2 803)
Profit before taxation	280 866	2 278 520	3 310 027	2 695 456
Taxation	(52 191)	(562 137)	(871 474)	(502 526)
Profit after taxation	228 675	1 716 383	2 438 553	2 192 930
<p>The company sales are mainly to Group companies while its purchases are from external suppliers. Upon consolidation into Group results, intercompany revenue is eliminated for the Group to show earnings from external parties. After elimination of intercompany transactions, the company's contribution to the Group is a net loss as shown below for the respective years:</p>				
Loss after taxation	(23 238 190)	(31 075 448)	(31 330 869)	(25 729 017)

Statements of Financial Position

The table below presents the historical Statements of Financial Position of ILO Industries (Proprietary) Limited for the last four years.

For the year ended 30 June	2008	2009	2010	2011
BWP	Actual	Actual	Actual	Actual
ASSETS				
Non-current assets				
Plant and equipment	460 531	333 226	333 446	146 293
Deferred taxation	–	–	2 043	
	460 531	333 226	333 446	148 336
Current assets				
Inventory	1 236 204	2 022 416	2 118 165	3 520 581
Advances and deposits	35 704	30 907	25 490	78 770
Trade and other receivables	930 670	1 043 643	2 800 279	2 488 694
Cash and cash equivalents	27 589	145 870	1 020 825	334 690
	2 230 167	3 242 836	5 964 759	6 422 735
Total assets	2 690 698	3 576 062	6 298 205	6 571 071
EQUITY				
Capital reserves				
Stated capital	100	100	100	100
Retained earnings	464 915	1 819 930	4 258 483	4 178 332
	465 015	1 820 030	4 258 583	4 178 432
Non-current liabilities				
Deferred taxation	14 497	14 497	6 401	–
Current liabilities				
Advance due to shareholders	305 487	305 487	305 487	305 487
Trade and other payables	1 900 401	995 658	1 204 079	1 711 810
Taxation payable	5 298	440 390	523 655	375 342
	2 211 186	1 741 535	2 033 221	2 392 639
Total equity and liabilities	2 690 698	3 576 062	6 298 205	6 571 071

DETAILS OF DISPOSAL OF THE COMPANY BY THE GROUP AT 30 JUNE 2011

ILO Industries (Pty) Ltd was disposed at 30 June 2011 for a total consideration of P25 131 784. Accordingly, the 2011 group statement of financial position does not include the ILO Industries (Pty) Ltd numbers above. Profit on disposal is shown below:

Net assets of the company	4 178 432
Consideration received	(25 131 784)
Profit on disposal	(20 953 352)

The consideration was determined by valuation of the business using discounted future cash flows. The valuation was performed by independent valuers.