

# CHOPPIES

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## Choppies Enterprises Limited

Condensed Reviewed Interim Group Financial Results for the Six Months Ended 31 December 2021

Registration Number: BW00001142508

### Consolidated Statements of profit or loss and other comprehensive income

for the six months ended 31 December 2021

Figures in Pula millions	(Reviewed) 6 Months ended 31-Dec-21 BWPm	(Reviewed) 6 Months ended 31-Dec-20 BWPm	(Audited) 12 Months ended 30-Jun-21 BWPm
<b>Continuing operations</b>			
Revenue	3 223	2 711	5 331
Cost of sales	(2 537)	(2 113)	(4 142)
<b>Gross profit</b>	<b>686</b>	<b>598</b>	<b>1 189</b>
Other operating income	25	23	45
<b>Operating income</b>	<b>711</b>	<b>621</b>	<b>1 234</b>
<b>Expenditure</b>	<b>(530)</b>	<b>(483)</b>	<b>(1 008)</b>
Loss on disposal of plant and equipment	(2)	-	-
Movement in credit loss allowances	-	16	17
Administrative expenses	(476)	(414)	(856)
Selling and distribution expenses	(13)	(8)	(16)
Other operating expenses	(68)	(63)	(135)
Foreign exchange gains/(losses) on lease liability	29	(16)	(19)
Net monetary gain on translating Zimbabwean entities	-	2	1
<b>Operating profit</b>	<b>181</b>	<b>138</b>	<b>226</b>
Finance costs	(51)	(49)	(110)
<b>Profit before taxation</b>	<b>130</b>	<b>89</b>	<b>116</b>
Taxation	(22)	(25)	(34)
<b>Profit from continuing operations</b>	<b>108</b>	<b>64</b>	<b>82</b>
<b>Discontinued operations</b>			
Loss from discontinued operations	-	(26)	(22)
<b>Profit for the period</b>	<b>108</b>	<b>38</b>	<b>60</b>
<b>Other comprehensive profit/(loss) for the period not Other Comprehensive loss for the period</b>			
Exchange differences on translating foreign operations in Hyperinflationary economies	27	(27)	34
Exchange differences on translating foreign operations	(21)	(16)	(75)
<b>Other comprehensive loss for the period</b>	<b>6</b>	<b>(43)</b>	<b>(41)</b>
<b>Total comprehensive profit/(loss) for the period</b>	<b>114</b>	<b>(5)</b>	<b>19</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the parent	105	44	68
Non-controlling interest	3	(6)	(8)
	<b>108</b>	<b>38</b>	<b>60</b>
<b>Profit/(loss) attributable to: Owners of the parent:</b>			
From continuing operations	105	65	85
From discontinued operations	-	(21)	(17)
	<b>105</b>	<b>44</b>	<b>68</b>
<b>Non-controlling interest:</b>			
From continuing operations	3	(2)	(3)
From discontinued operations	-	(4)	(5)
	<b>3</b>	<b>(6)</b>	<b>(8)</b>
<b>Total comprehensive profit/(loss) attributable to:</b>			
Owners of the parent	112	(3)	25
Non-controlling interest	2	(2)	(6)
	<b>114</b>	<b>(5)</b>	<b>19</b>
<b>Earnings per share</b>			
<b>Basic &amp; Diluted earnings/(loss) per share</b>			
Basic earnings per share (thebe) - continuing operations	8.0	5.0	6.5
Basic loss per share (thebe) - discontinued operations	-	(1.7)	(1.3)
	<b>8.0</b>	<b>3.3</b>	<b>5.2</b>

### Consolidated Statements of financial position

as at 31 December 2021

Figures in Pula millions	(Reviewed) 31-Dec-21 BWPm	(Reviewed) 31-Dec-20 BWPm	(Audited) 30-Jun-21 BWPm
<b>Non-current assets</b>	<b>1 227</b>	<b>1 207</b>	<b>1 160</b>
Property, plant and equipment	1 137	1 133	1 088
Goodwill and intangible asset	85	69	64
Investments in new projects	5	5	8
<b>Current assets</b>	<b>733</b>	<b>608</b>	<b>543</b>
Inventories	482	390	341
Amounts due from related entities	6	5	5
Advances and deposits	36	29	44
Trade and other receivables	103	95	64
Current tax receivable	10	-	10
Restricted cash	-	9	5
Cash and cash equivalents	96	80	74
Assets of disposal groups	-	20	-
<b>Total assets</b>	<b>1 960</b>	<b>1 835</b>	<b>1 703</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>(334)</b>	<b>(472)</b>	<b>(448)</b>
Stated capital	906	906	906
Treasury shares	(29)	(29)	(29)
Foreign currency translation reserve	(494)	(417)	(474)
Hyper inflationary reserve	220	132	193
Retained loss	(833)	(963)	(938)
Non-controlling interest	(104)	(101)	(106)
<b>Non-current liabilities</b>	<b>1 176</b>	<b>959</b>	<b>1 207</b>
Long-term borrowings	583	335	616
Lease liabilities	578	601	572
Deferred taxation liabilities	15	23	19
<b>Current liabilities</b>	<b>1 118</b>	<b>1 213</b>	<b>944</b>
Trade and other payables	741	621	568
Amounts due to related entities	49	63	44
Current portion of long-term borrowings	81	218	86
Current portion of lease liabilities	182	151	149
Current tax payable	20	10	29
Bank overdraft	45	150	68
Liabilities of disposal groups	-	135	-
<b>Total liabilities</b>	<b>2 294</b>	<b>2 307</b>	<b>2 151</b>
<b>Total equity and liabilities</b>	<b>1 960</b>	<b>1 835</b>	<b>1 703</b>

### Headline earnings per share computation

Figures in Pula millions	(Reviewed) 6 Months ended 31-Dec-21 BWPm	(Reviewed) 6 Months ended 31-Dec-20 BWPm	(Audited) 12 Months ended 30-Jun-21 BWPm
Basic Earnings	105	44	68
Loss on disposal of assets	2	(3)	2
Impairment losses	-	13	14
Tax impact	(1)	1	-
Headline earnings	106	55	84
Number of shares for basic earnings	1 303 628 000	1 303 628 000	1 303 628 000
Weighted average Number of Shares	1 303 628 000	1 303 628 000	1 303 628 000
Basic Headline Earnings per share	8.1	4.2	6.5
Diluted Headline Earnings per share	8.1	4.2	6.5

### Consolidated statements of cash flows

Figures in Pula millions	(Reviewed) 6 Months ended 31-Dec-21 BWPm	(Reviewed) 6 Months ended 31-Dec-20 BWPm	(Audited) 12 Months ended 30-Jun-21 BWPm
Profit before taxation	130	89	116
Non-cash & other adjustments	188	180	377
Changes in working capital:	6	(76)	(69)
Taxation paid	(34)	(17)	(22)
Cash flows of discontinued operations	-	(8)	(43)
Net cash generated from operating activities	290	168	359
Net cash flows used in investing activities	(77)	(31)	(61)
Net cash flows generated from financing activities	(141)	(134)	(224)
Net movement in cash and cash equivalents	72	3	74
Cash and cash equivalents at beginning of the period	6	(88)	(88)
Cash balances from discontinued operations	-	1	2
Effect of translation of foreign entities	(27)	14	18
<b>Cash and cash equivalents at end of the period</b>	<b>51</b>	<b>(70)</b>	<b>6</b>

## Consolidated Statements of changes in equity

for the six months ended 31 December 2021

Figures in Pula millions	Stated capital & treasury shares	Foreign currency translation reserve	Hyper inflationary translation reserve	Retained loss	Total attributable to equity holders of the group	Non-controlling interest	Total equity
<b>Balance at 1 July 2020</b>	<b>877</b>	<b>(396)</b>	<b>159</b>	<b>(1 007)</b>	<b>(367)</b>	<b>(100)</b>	<b>(467)</b>
Total comprehensive loss for the period	-	(21)	(27)	44	(4)	(1)	(5)
Profit/(loss) for the period	-	-	-	44	44	(6)	38
Other comprehensive (loss)/income	-	(21)	(27)	-	(48)	5	(43)
<b>Balance at 31 December 2020 (Reviewed)</b>	<b>877</b>	<b>(417)</b>	<b>132</b>	<b>(963)</b>	<b>(371)</b>	<b>(101)</b>	<b>(472)</b>
Total comprehensive (loss)/ income for the period	-	(57)	61	25	29	(5)	24
Profit/(loss) for the period	-	-	-	25	25	(3)	22
Other comprehensive (loss)/income	-	(57)	61	-	4	(2)	2
<b>Balance at 30 June 2021 (Audited)</b>	<b>877</b>	<b>(474)</b>	<b>193</b>	<b>(938)</b>	<b>(342)</b>	<b>(106)</b>	<b>(448)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>(20)</b>	<b>27</b>	<b>105</b>	<b>112</b>	<b>2</b>	<b>114</b>
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105</b>	<b>105</b>	<b>3</b>	<b>108</b>
<b>Other comprehensive (loss)/income</b>	<b>-</b>	<b>(20)</b>	<b>27</b>	<b>-</b>	<b>7</b>	<b>(1)</b>	<b>6</b>
<b>Dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2021 (Reviewed)</b>	<b>877</b>	<b>(494)</b>	<b>220</b>	<b>(833)</b>	<b>( 230)</b>	<b>(104)</b>	<b>(334)</b>

## Operating segmental information

for the six months ended 31 December 2021

Figures in Pula millions	Rest of Africa Includes Namibia, Zambia & Zimbabwe					BWPm Total for Continuing operations
	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	
<b>DECEMBER 2021 (Reviewed)</b>						
<b>Statement of profit or loss</b>						
Revenue	2 231	992	119	404	469	3 223
<b>EBITDA</b>	<b>228</b>	<b>53</b>	<b>1</b>	<b>38</b>	<b>14</b>	<b>281</b>
Movement in credit loss allowance	-	-	-	-	-	-
Foreign exchange gains on lease liability	-	29	-	29	-	29
Depreciation & Amortisation	(97)	(32)	(6)	(20)	(6)	(129)
<b>Operating Profit/(Loss) (EBIT)</b>	<b>131</b>	<b>50</b>	<b>(5)</b>	<b>47</b>	<b>8</b>	<b>181</b>
<b>Statement of financial position</b>						
Assets	1 310	650	113	237	300	1 960
Liabilities	1 879	415	63	216	136	2 294
<b>DECEMBER 2020 (Reviewed)</b>						
<b>Statement of profit or loss</b>						
Revenue	2 186	525	71	243	211	2 711
<b>EBITDA</b>	<b>228</b>	<b>39</b>	<b>3</b>	<b>23</b>	<b>13</b>	<b>267</b>
Movement in credit loss allowance	16	-	-	-	-	16
Foreign exchange losses on lease liability	-	(16)	-	(16)	-	(16)
Depreciation & Amortisation	(99)	(30)	(5)	(20)	(5)	(129)
<b>Operating Profit/(Loss) (EBIT)</b>	<b>145</b>	<b>(7)</b>	<b>(2)</b>	<b>(13)</b>	<b>8</b>	<b>138</b>
<b>Statement of financial position</b>						
Assets	1 332	483	96	180	207	1 815
Liabilities	1 849	323	60	186	77	2 172
<b>JUNE 2021 (Audited)</b>						
<b>Statement of profit or loss</b>						
Revenue	4 145	1 186	154	495	537	5 331
<b>EBITDA</b>	<b>430</b>	<b>57</b>	<b>4</b>	<b>40</b>	<b>13</b>	<b>487</b>
Movement in credit loss allowance	17	-	-	-	-	17
Foreign exchange losses on lease liability	-	(19)	-	(19)	-	(19)
Depreciation & Amortisation	(201)	(58)	(10)	(38)	(10)	(259)
<b>Operating Profit/(Loss) (EBIT)</b>	<b>246</b>	<b>(20)</b>	<b>(6)</b>	<b>(17)</b>	<b>3</b>	<b>226</b>
<b>Statement of financial position</b>						
Assets	1 224	479	100	151	228	1 703
Liabilities	1 197	954	144	336	474	2 151

The Zambian and Zimbabwean operating segments are now identified as a reportable segment in the current period due to their contribution to revenue exceeding the quantitative threshold of ten per cent. The prior-period segment data presented for comparative purposes have been restated to reflect the newly reportable segments. By default, the Namibian operating segment is disclosed despite its contribution to revenue not exceeding the quantitative threshold of ten per cent.

## Commentary

### 1. Nature of business

Choppies Enterprises Limited ("the Company") is a Botswana-based investment holding company operating in the retail sector in Southern Africa. Dual-listed on the Botswana Stock Exchange ("BSE") and Johannesburg Stock Exchange ("JSE"), its operations are food and general merchandise retailing as well as financial service transactions supported by centralised distribution channels through distribution and logistical support centres.

Each week, approximately 1.8 million customers visit 159 stores under four formats in four countries. With annual revenue of BWP 5.8 billion, Choppies employs over 9 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

### 2. Basis of preparation and accounting policies

The reviewed condensed consolidated interim financial statements for the six months ended 31 December 2021 have been prepared and presented in accordance with the requirements of the BSE Limited ("BSE Listings Requirements") and JSE Limited (JSE Listing Requirements), as well as the requirements of the Botswana Companies Act, as amended.

The interim reports have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and also contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous year and the methods of computation are consistent with those of the previous annual financial statements.

### 3. Director's responsibility for the condensed financial statements

The directors are responsible for the preparation of the condensed reviewed group financial results and financial position of the Company in accordance with BSE and JSE Listings Requirements and the Companies Act of Botswana.

### 4. Going concern

The Group's negative equity reduced from BWP 448 million as at June 2021 to BWP 334 million as at December 2021, due to trading profits.

In ensuring the ability of the Group to operate as a going concern for at least the following 12 months, the Board considered the detailed cash flow forecasts as prepared by management, undertakings of financial support

by the founding shareholders, the economic outlook of the countries in which it operates as well as the probable future impact of the COVID-19 pandemic.

The Board, relying on the presentations by management, concluded that the Group would be a going concern for the foreseeable future.

### 5. Group results

The Group's revenue increased by 18.9% to BWP 3 223 million (2020: BWP 2 711 million), driven by seven new stores coupled with strong volume and price growth in the Rest of Africa. The Group's like for like sales growth was 13.9%.

Botswana experienced modest revenue growth to BWP 2 231 million (2020: BWP 2 186 million) mainly as a result of negative volume growth due to the impact of the COVID-19 pandemic on the economy and consumer spending. The Rest of Africa revenue increased by 89.0% to BWP 992 million (2020: BWP 525 million) driven by the addition of five new stores, inflationary increases in Zimbabwe and Zambia and volume growth in all countries.

In Pula terms, gross profit grew by 14.7% to BWP 686 million (2020: BWP 598 million) despite the challenging economic environment.

Total operating costs increased by 9.7%, mainly driven by a 15.0% increase in administrative expenses which was offset a BWP 29 million foreign exchange gain on lease liabilities from the Zambian operation following the strengthening of the Kwacha. As a result, operating profit (EBIT) increased by 31.2% from BWP 138 million to BWP 181 million. EBIT margins improved from 5.1% to 5.6%.

The effective tax rate reduced from 28.1% to 16.9% due to unrecognised tax losses in Zambia.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP 83 million in net debt over the past six months. Free cash flow of BWP 72 million (2020: BWP 3 million) was generated during the past six months compared to BWP 74 million for the 12 months to June 2021.

### 6. Operational overview

#### Botswana

Revenue from Botswana increased by 2.1% as the business continued to show strong resilience in an increasingly challenging economic environment. The Botswana economy experiences a confluence of elevated inflation, high unemployment, and lower economic growth.

Operating expenditure was managed well, increasing by 6.5% despite two new stores and increasing by 1.8% after excluding once-off bad debt recoveries from last year's costs.

Due to extremely challenging trading conditions, operating profit (EBIT) reduced by 9.7% but the EBIT margin remains healthy at 5.9%.

#### Rest of Africa consisting of Namibia, Zambia and Zimbabwe.

The segment has shown a significant improvement in EBIT with the segment moving into profitability of BWP 50 million from last year's EBIT loss of BWP 7 million.

Revenue increased by 89.0%, driven by five new stores, inflation, and volume growth.

Operating expenditure grew 20.4%, driven by inflation in Zambia and Zimbabwe and five new stores.

EBIT margin is a healthy 5.0% versus the negative 1.3% for the prior period.

### 7. Events after reporting date

We expect continued uncertainty in our business and the Southern African economy due to the duration and intensity of the COVID-19 pandemic; the duration and extent of economic stimuli; timing and effectiveness of global and regional vaccines; and volatility in employment trends and consumer confidence, all of which may impact our results.

### 8. Review Opinion

Mazars, the Group's independent auditor, has reviewed the condensed consolidated interim financial statements for the six month period ended 31 December 2021 and has expressed an unmodified review conclusion thereon.

A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial information identified in the auditor's report.

The auditor's review report does not necessarily report on all the information in these interim financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's review report together with the accompanying financial information from the Company's registered office and on the company website.

Mazars' review report is published on XNews and SENS simultaneously with this condensed release of results and is also available on the Group's website: <https://choppiesgroup.com/investor-relations/>.

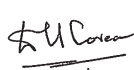
### 9. Changes in board members

As reported in our June 2021 Annual Integrated Report, the Company appointed a new independent non-executive director, Mr Valentine Chitalu, as recommended by the nominations committee and approved by the Board with effect from 5 August 2021. Mr Chitalu has also been appointed to the audit and risk committee and is appointed as Chairman of the human resources committee.

### 10. Dividend

The Board has resolved not to declare an interim dividend given the prolonged impact of the Covid-19 pandemic, the continuing uncertain economic environment as well as the rebuilding phase of the Group's capital structure (2020: Nil).

### For and on behalf of the Board

  
D. K. U. Corea  
(Chairman)

15<sup>th</sup> February 2022

  
R. Ottapathu  
(Chief Executive Officer)

**REGISTERED OFFICE**  
Plot 50371,  
Fairgrounds office park,  
Gaborone, Botswana.

**SPONSORS**  
BSE: Stockbrokers  
Botswana  
JSE: PSG Capital

**COMPANY SECRETARY**  
DPS Consulting Services  
(PTY) Ltd.  
Plot 54513,  
Unit 6A  
Courtyard Village,  
Gaborone, Botswana.

**AUDITORS**  
Mazars  
Plot 139,  
Finance Park,  
Gaborone,  
Botswana.