

CHOPPIES

Great value for your money!

CHOPPIES RETURNS TO PROFITABILITY

CHOPPIES ENTERPRISES LIMITED CONDENSED REVIEWED INTERIM GROUP FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

Registration Number: BW00001142508

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited) 6 Months ended 31 December, 2020 P'000	(Unaudited) 6 Months ended 31 December, 2019 P'000	(Audited) 12 Months ended 30 June, 2020 P'000
Revenue	2,711,341	2,968,967	5,420,596
Cost of sales	(2,113,713)	(2,288,942)	(4,167,850)
Gross profit	597,628	680,025	1,252,746
Other operating income	23,402	28,700	51,961
Operating income	621,030	708,725	1,304,707
Expenditure	(483,207)	(564,071)	(1,096,725)
Net Impairment reversals/ (losses)	-	590	(11,280)
Administrative expenses	(413,759)	(473,252)	(901,870)
Selling and distribution expenses	(7,733)	(27,298)	(63,200)
Net monetary profit/(loss) on Zimbabwe entities	1,647	(14,017)	20,366
Other operating expenses	(63,362)	(50,094)	(140,741)
Operating profit before interest	137,823	144,654	207,982
Finance costs	(48,681)	(50,473)	(103,087)
Finance income	-	48	110
Profit before taxation	89,143	94,229	105,005
Taxation	(25,620)	(28,692)	(6,076)
Profit/(loss) from continuing operations	63,523	65,537	98,929
Loss from discontinued operations	(25,795)	(204,714)	(469,563)
Total profit/(loss) for the period	37,728	(139,177)	(370,634)
Other comprehensive (loss) income			
Items that may be reclassified to profit or loss	(42,352)	(97,481)	(16,273)
Exchange differences on translating foreign operations	(15,972)	(52,975)	(103,801)
Exchange differences on translating foreign operations in hyperinflationary economy	(26,380)	(44,506)	87,528
Total comprehensive (loss) for the year	(4,624)	(236,658)	(386,907)
Profit/(Loss) for the period attributable to:			
Owners of the parent	37,728	(139,177)	(370,634)
Non-controlling interest	(43,964)	(123,389)	(330,359)
	(6,236)	(15,788)	(40,275)
Total comprehensive income (loss) for the year attributable to Owners of the company	37,728	(139,177)	(370,634)
From continuing operations	43,964	(123,389)	(330,359)
From discontinued operations	65,414	68,019	105,052
	(21,450)	(191,408)	(435,411)
Non-controlling interests	(6,236)	(15,788)	(40,275)
From continuing operations	(1,891)	(2,482)	(6,123)
From discontinued operations	(4,345)	(13,306)	(34,152)
Total comprehensive loss attributable to:			
Owners of the parent	(4,624)	(236,658)	(386,907)
Non-controlling interest	(3,042)	(221,936)	(344,394)
	(1,582)	(14,722)	(42,513)
Basic earning (loss) per share - Thebe	3.37	(9.47)	(25.34)
Continuing operations	5.02	5.22	8.06
Discontinuing operations	(1.65)	(14.69)	(33.40)
Diluted earning (loss) per share - Thebe	3.37	(9.47)	(25.34)
Continuing operations	5.02	5.22	8.06
Discontinuing operations	(1.65)	(14.69)	(33.40)
Headline earning (loss) per share - Thebe	4.21	(9.29)	(15.27)
Continuing operations	4.83	5.44	9.06
Discontinuing operations	(0.62)	(14.73)	(24.33)
Diluted headline earning (loss) per share - Thebe	4.21	(9.29)	(15.27)
Continuing operations	4.83	5.44	9.06
Discontinuing operations	(0.62)	(14.73)	(24.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 December, 2020 P'000	(Unaudited) 31 December, 2019 P'000	(Audited) 30 June, 2020 P'000
Assets			
Non-current assets	1,206,454	1,188,926	1,294,631
Property plant and equipment	1,133,148	1,138,695	1,218,626
Goodwill and intangible asset	68,652	42,670	65,735
Investments in new projects	4,654	7,561	10,270
Current assets	607,765	565,684	497,089
Inventories	390,118	323,616	305,476
Amounts due from related entities	5,364	6,171	5,414
Other financial assets	3	3	3
Advances and deposits	28,916	45,780	39,092
Trade and other receivables	94,146	96,005	63,645
Taxation refundable	-	-	9,887
Restricted cash	9,186	13,559	12,845
Cash and cash equivalents	80,032	80,550	60,727
Assets of disposal groups as held for sale	20,469	778,619	49,081
Total assets	1,834,688	2,533,229	1,840,801
Equity and Liabilities			
Equity	(471,678)	(316,804)	(467,054)
Stated capital	906,196	906,196	906,196
Treasury shares	(29,616)	(29,616)	(29,616)
Hyper inflationary reserve	132,540	26,886	158,920
Foreign currency translation reserve	(417,038)	(348,889)	(396,412)
Retained loss	(962,574)	(799,568)	(1,006,538)
Non controlling interests	(101,186)	(71,813)	(99,604)
Non-current liabilities	958,489	1,019,731	984,596
Long term borrowings	334,688	476,282	355,665
Lease liabilities	600,813	514,966	599,869
Deferred taxation liabilities	22,988	28,483	29,062
Current liabilities	1,213,317	1,041,940	1,155,460
Trade and other payables	620,233	495,336	571,225
Amounts due to related entities	63,110	62,155	82,794
Current portion of long term borrowings	218,207	114,193	192,289
Current portion of lease liabilities	151,420	158,641	153,116
Current portion of straight lining lease obligation	-	14	-
Taxation Payable	10,353	16,384	7,248
Bank overdraft	149,994	195,217	148,788
Liabilities of disposal group classified as held for sale	134,559	788,362	167,799
Total liabilities	2,306,365	2,850,033	2,307,855
Total equity and liabilities	1,834,688	2,533,229	1,840,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated Capital & Treasury Shares	Foreign Currency translation & Hyperinflation reserves	Retained loss	Attributable to equity holders	Non- Controlling Interest	Total equity
	P'000	P'000	P'000	P'000	P'000	P'000
Balance as at July, 2019 (Audited)	876,580	(223,457)	(676,179)	(23,056)	(57,091)	(80,147)
Total comprehensive (loss) for the period	-	(98,546)	(123,389)	(221,935)	(14,722)	(336,657)
Loss for the year	-	-	(123,389)	(123,389)	(15,788)	(139,177)
Other comprehensive (loss)/income	-	(98,546)	-	(98,546)	1,066	(97,480)
Balance as at Dec, 2019 (Reviewed)	876,580	(322,003)	(799,568)	(244,991)	(71,813)	(316,804)
Total comprehensive income/(loss) for the period	-	84,511	(206,970)	(122,459)	(27,791)	(150,250)
Loss for the year	-	-	(206,970)	(206,970)	(24,487)	(231,457)
Other comprehensive income/(loss)	-	84,511	-	84,511	(3,304)	81,207
Balance as at 30 Jun, 2020 (Audited)	876,580	(237,492)	(1,006,538)	(367,450)	(99,604)	(467,054)
Total comprehensive (loss)/income for the period	-	(47,006)	43,964	(3,042)	(1,582)	(4,624)
Profit/(loss) for the year	-	-	43,964	(3,042)	(6,236)	37,728
Other comprehensive (loss)/income	-	(47,006)	-	(47,006)	4,654	(42,352)
Balance as at Dec, 2020 (Reviewed)	876,580	(284,498)	(962,574)	(370,492)	(101,186)	(471,678)

CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Year ended 31-Dec-20 P'000	(Unaudited) Year ended 31-Dec-19 P'000	(Audited) Year ended 30-Jun-20 P'000
Profit before taxation	89,143	94,229	105,005
Non-cash & other adjustments	179,026	213,646	382,262
Changes in working capital	(75,593)	(65,851)	130,508
Interest received	-	48	110
Taxation paid/(reclaimed)	(17,165)	1,667	1,263
Cash flows of discontinued operations	(7,655)	(158,513)	(457,255)
Net cash generated from operating activities	167,756	85,226	161,893
Net cash flows used in investing activities	(31,290)	(60,265)	22,468
Net cash flows generated from financing activities	(133,399)	(96,190)	(251,066)
Net movement in cash and cash equivalents	3,067	(71,229)	(66,705)
Cash and cash equivalents at beginning of the period	(88,061)	(66,573)	(41,440)
Cash balances from discontinued operations	936	33,532	6,102
Effect of translation of foreign entities	14,096	(10,397)	13,982
Cash and cash equivalents at end of the period	(69,962)	(114,667)	(88,061)

NOTE: HEADLINE EARNINGS PER SHARE COMPUTATION

	(Unaudited) 6 Months ended 31 December, 2020 P'000	(Unaudited) 6 Months ended 31 December, 2019 P'000	(Audited) 12 Months ended 30 June, 2020 P'000
Basic Earnings	43,964	(123,389)	(330,359)
Profit/(loss) on disposal of asset	(3,060)	810	50,994
Impairment losses on non-current assets	13,311	2,101	101,935
Tax Impact	674	(600)	(21,615)
Headline Earnings/(losses)	54,889	(121,078)	(199,045)
Number of shares for basic earnings	1,303,628,341	1,303,628,341	1,303,628,341
Weighted Average Number of Shares	1,303,628,341	1,303,628,341	1,303,628,341
Basic HEPS	4.21	(9.29)	(15.27)
Diluted HEPS	4.21	(9.29)	(15.27)

SEGMENTAL RESULTS

	Botswana P'000	Zambia P'000	Zimbabwe P'000	Namibia P'000	Total for Continued operations	South Africa P'000	Kenya P'000	Tanzania P'000	Mozambique P'000	Total for Operations discontinued	Total Group
December 2020											
Statement of profit or loss and other comprehensive Income											
Revenue	2,185,209	243,279	211,426	71,427	2,711,341	-	-	-	-	-	2,711,341
Other income	22,724	207	337	134	23,402	-	-	-	-	-	23,402
Gross profit	486,945	45,982	50,922	13,779	597,628	-	-	-	-	-	597,628
EBITDA	243,744	8,018	13,222	2,534	267,518	[8,236]	[1,537]	[74]	312	[9,536]	257,982
Impairments Loss	-	-	-	-	-	-	9,943	3,368	-	13,311	13,311
Depreciation/Amortisation	99,270	20,035	5,244	5,146	129,695	-	749	-	-	749	130,444
Operating profit/(loss) [EBIT]	144,474	[12,017]	7,978	[2,612]	137,823	[8,236]	[12,229]	[3,442]	312	[23,595]	114,224
Profit/(loss) after taxation	81,705	[18,915]	4,683	[3,950]	63,523	[8,236]	[13,819]	[3,442]	[298]	[25,795]	37,728
Statement of financial position											
Assets	1,331,447	179,780	206,906	96,086	1,814,219	-	3,667	2,626	14,176	20,469	1,834,688
Liabilities	1,848,959	186,243	76,823	59,781	2,171,806	-	115,348	9,556	9,656	38,959	2,306,365
December 2019											
Statement of profit or loss and other comprehensive Income											
Revenue	2,291,144	340,019	268,593	69,211	2,968,967	1,516,277	35,645	1,350	4,928	1,558,200	4,527,167
Other income	25,072	3,071	453	105	28,700	6,466	[467]	[1,873]	487	4,613	33,314
Gross profit	562,345	56,137	49,171	12,373	680,027	275,722	2,813	169	[244]	278,460	958,485
EBITDA	263,959	1,935	12,446	[175]	278,166	[105,614]	[32,534]	[6,496]	[4,632]	[149,276]	128,890
Impairments Loss	[604]	14	-	-	[590]	-	-	-	148	148	[442]
Depreciation/Amortisation	106,633	19,884	2,229	5,354	134,100	40,196	7,134	862	946	49,139	183,239
Operating profit/(loss) [EBIT]	157,929	[17,963]	10,217	[5,529]	144,654	[145,810]	[39,668]	[7,358]	[5,726]	[198,562]	[53,908]
Profit/(loss) after taxation	90,174	[24,817]	7,199	[7,018]	65,537	[147,243]	[43,036]	[7,358]	[7,077]	[204,714]	[139,177]
Statement of financial position											
Assets	1,280,703	258,614	109,720	105,573	1,754,610	650,457	94,743	14,549	18,870	778,619	2,533,229
Liabilities	1,747,239	195,894	51,073	67,465	2,061,670	605,790	151,438	14,034	17,099	788,362	2,850,033
June 2020											
Statement of profit or loss and other comprehensive Income											
Revenue	4,260,178	604,147	414,143	142,128	5,420,596	2,355,498	34,871	1,385	4,891	2,396,644	7,817,240
Other income	47,010	4,118	576	257	51,961	13,478	[49,467]	[11,584]	1,439	[46,134]	5,827
Gross profit	1,041,266	106,559	78,845	26,077	1,252,746	428,020	1,633	173	[416]	429,410	1,682,156
EBITDA	468,079	[9,024]	19,495	[5,697]	472,853	[175,633]	[101,858]	[15,769]	[3,677]	[296,937]	175,916
Impairments Loss	10,965	70	246	-	11,281	88,831	28	-	-	88,859	100,140
Depreciation/Amortisation	197,666	37,282	8,004	10,640	253,592	62,958	10,143	884	-	73,985	327,577
Operating profit/(loss) [EBIT]	259,450	[46,375]	11,245	[16,337]	207,982	[327,422]	[112,029]	[16,653]	[3,677]	[459,781]	[251,799]
Profit/(loss) after taxation	172,299	[61,229]	7,004	[19,148]	98,929	[329,406]	[117,581]	[16,660]	[5,916]	[469,563]	[370,634]
Statement of financial position											
Assets	1,281,997	213,435	210,781	85,507	1,791,720	-	26,664	4,703	17,713	49,081	1,840,801
Liabilities	1,847,703	202,244	37,039	53,070	2,140,056	-	143,377	12,342	12,079	167,799	2,307,855

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.

2. Basis of preparation and accounting policies

The Reviewed Interim Financial Statements are for the six months ended 31 December 2020 and are presented in Botswana Pula, which is the functional currency of the parent company. The financials have been prepared in accordance with IAS 34 'Interim Financial Reporting' and in accordance with the JSE listing requirements, BSE listing requirements, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of Botswana. The financials do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2020.

The accounting policies applied during the period 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 consolidated financial results and financial position of the Company in accordance with BSE and JSE listings requirements and of the Companies Act of Botswana.

4. Going concern

Despite the turnaround in profitability, the Group's negative equity increased from P467.1 million at June 2020 to P471.7 million as at December 2020 mainly due to further currency weaknesses in Zambia and in Zimbabwe.

In ensuring the ability of the Group being able to operate as a going concern for at least the following twelve months, the Board considered the detailed cash flow forecasts, stress checked, as prepared by management against the recently restructuring agreement of its debt with a consortium of banks, undertakings of financial support by the founding shareholders, the economic outlook of the countries in which it operates as well as the possible future impact of the Covid-19 pandemic. The Board, relying on the presentations by management, concluded that the Group will be a going concern for the foreseeable future.

The Auditors have drawn attention to the Going Concern issue in their Review report but have not modified their opinion in this regard.

5. Group results

The Group reported its first profit since 2016 of P37.7 million [2019: Loss of P139.2 million], as the benefits from restructuring the business following the exit from underperforming investments, are being realized.

Group revenue decreased by 8.7% to P2 711 million [2019: P2 969 million]. This decrease was a result of negative volume growth due to the impact of the Covid-19 pandemic and currency weaknesses in Zimbabwe and Zambia.

In spite of the lock downs implemented in the Group's largest operations, being Botswana and Zimbabwe, coupled with the currency depreciation in Zambia and Zimbabwe, the Group did well to reduce the possible huge revenue losses which resulted in a reduced impact on the gross profit. Consequently, gross profit margins reduced slightly to 22.0% [2019: 22.9%].

In response to lower volumes, the Group managed costs aggressively by reducing its total expenditure by 14.3% resulting in a 4.7% decline in EBIT as the drop in gross profit was offset by lower expenditure.

During FY2020, the Board decided to discontinue or dispose of its operations in South Africa, Kenya, Tanzania, and Mozambique. Accordingly, the results of these operations are disclosed with effect from 1 July 2019 in terms of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". As a result, total assets for the period under review are significantly lower than the December 2019 levels.

6. Operational overview

Botswana

The Botswana business continued to show strong resilience in an increasingly competitive

operating environment and poor trading conditions. Revenue declined by 4.6% despite volumes reducing by 6.4%. The gross profit margin, albeit lower at 22.3% [2019: 24.5%] remains relatively healthy despite the extremely challenging trading conditions.

Expenditure was well controlled with total expenditure reducing by 15.6% negating some of the decline in gross profit. One additional store was opened bringing the total number of stores in Botswana to 91 stores [2019: 90 stores].

Namibia

The Namibian operation continued to show improvement in gross profit even though it still has a very small footprint. Revenue for this segment increased by 3.2% with gross profit margins improving to 19.3% [2019: 17.9%].

EBIT losses reduced by 95% due to improved gross profit margins coupled with an 8.2% reduction in expenditure.

Zambia

The Zambia operation also showed an improvement in gross profit but the continued weakness of the Kwacha against the Pula had a very significant impact on the trading results and expenses. Even though the Pula revenue declined by 28.5%, revenue in Kwacha grew by 2.4% despite volumes reducing by 8.9%. Gross profit margins improved to 18.9% [2019: 16.5%] driven by price inflation. EBIT losses reduced by 33% due to effective cost control. The Zambian segment consists of 25 stores [2019: 21].

Zimbabwe

The changes and volatility of the Zimbabwean currency makes operating in this market extremely difficult, as gains obtained at country level gets eliminated when converted at group level due to the weak currency when compared to the Botswana Pula. Revenue declined by 21.3% to P211.4 million [2019: P268.6 million] resulting from a weakening of the local currency against the Pula during the previous 6 months. Gross profit margins improved to 24.1% [2019: 18.3%]. EBIT reduced to P7.9 million [2019: P10.2 million]. Even though this business remains self-sustaining without any cash flow constraints, repatriation of profits to Botswana will continue to be difficult until the economy undergoes a structural change. The segment consists of 32 stores [2019: 32].

8. Events after reporting date

The Group also finalised restructuring its debt with a consortium of banks [note 44.3 to the June 2020 audited annual financial statements].

9. Review Opinion

The Group's auditors, Mazars, issued a modified conclusion on the comparative interim period ended 31 December 2019 and for the year ended 30 June 2020. The statement of comprehensive income and the statement of cash flows for the six months ended 31 December 2020 have only been subject to modification as a result of it being presented against its comparative figures for 31 December 2019 which were subject to modification. 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/>.

10. Dividend

The Board has considered it prudent not to declare a dividend for the period under review.

The Company's primary listing is on BSEL and its secondary listing is on JSE.

17th March 2021

For and on behalf of the Board



Farouk Essop Ismail (Director)



R. Ottapathu (Chief Executive Officer)

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COMPANY SECRETARY
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SPONSORS BSE
Stockbrokers
Botswana Ltd.

SPONSORS JSE
PSG Capital

AUDITORS
Mazars
Plot 139,
Finance Park,
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Independent Auditor's Review Report on Interim Financial Statements

To the Shareholders of Choppies Enterprises Limited

We have reviewed the condensed consolidated financial statements of Choppies Enterprises Limited and its subsidiaries ("Choppies Group"), contained in the accompanying interim report, which comprises the condensed consolidated statement of financial position as at 31 December 2020 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of the interim financial information in accordance with the International Financial Reporting Standard (IAS), 34 *Interim Financial Reporting*, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Material Uncertainty Related to Going Concern

Management prepared these condensed consolidated financial statements on the basis that the Choppies Group is a going concern. We draw attention to the fact that the Group incurred a net profit of BWP 38 million during the six months period ended 31 December 2020, had retained loss of BWP 963 million, and as at that date, the Choppies Group's total liabilities exceeded its total assets by BWP 472 million, and the total current liabilities exceed its total current assets by BWP 606 million. As stated above, these events or conditions, along with other matters as set forth, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not further modified in respect of this matter.

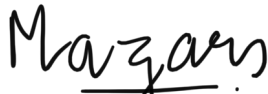
Basis for Conclusions, including Qualified Conclusion on the Statement of Financial Performance and Cash Flows for the six month period ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence and completeness of the opening balance of inventory as at 30 June 2019. As a result of this matter and since opening inventories enter into the determination of the financial performance and cash flows of the Choppies Group, we were unable to determine whether any adjustments might have been necessary in respect of cost of sales reported in the consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows for the comparative interim period ended 31 December 2019 and for the year ended 30 June 2020.

Our conclusion on the current period's condensed consolidated financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Choppies Enterprises Limited for the six months period ended 31 December 2020 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard (IAS) and 34 Interim Financial Reporting.



Mazars
Certified Auditors
Practicing member: Shashikumar Velambath
Membership number: 19980076

Date: 17 March 2021