

CHOPPIES

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CHOPPIES ENTERPRISES LIMITED

REVIEWED INTERIM GROUP FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	[Reviewed] 6 Months ended 31 December, 2018 P'000	Restated (Unaudited) 6 Months ended 31 December, 2017 P'000	(Audited) 12 Months ended 30 June, 2018 P'000
Revenue	5,920,818	5,761,505	10,791,295
Cost of sales	(4,708,770)	(4,639,137)	(8,728,879)
Gross profit	1,212,048	1,122,368	2,062,416
Other operating income	33,516	29,324	55,163
Operating income	1,245,564	1,151,692	2,117,579
Expenditure	(1,258,215)	(1,027,717)	(2,433,800)
Net impairment losses	(22,776)	-	(334,669)
Administrative expenses	(985,785)	(832,730)	(1,730,252)
Selling and distribution expenses	(87,688)	(24,095)	(76,655)
Other operating expenses	(161,966)	(170,892)	(292,224)
Operating (Loss) profit before interest	(12,651)	123,975	(316,221)
Finance costs	(46,693)	(32,658)	(78,702)
Finance income	648	1,519	3,543
(Loss) Profit before taxation	(58,696)	92,836	(391,380)
Taxation	(904)	(25,179)	(53,129)
(Loss) Profit for the period	(59,600)	67,657	(444,509)
Attributable to:			
Owners of the company	(52,444)	71,522	(418,075)
Non-controlling interests	(7,156)	(3,865)	(26,434)
Other comprehensive (loss) income			
Exchange differences on translating foreign operations	31,024	4,853	(1,114)
Attributable to:			
Owners of the company	29,443	4,498	(1,938)
Non-controlling interests	1,581	355	824
(Loss) Profit and Total comprehensive (loss) income Attributable to:	(28,576)	72,510	(445,623)
Owners of the company	(23,001)	76,020	(420,013)
Non-controlling interest	(5,575)	(3,510)	(25,610)
Basic (loss) earnings per share - Thebe	(4.02)	5.49	(32.07)
Diluted (loss) earnings per share - Thebe	(4.02)	5.49	(32.07)
Headline (loss) earnings per share - Thebe	(2.58)	5.36	(6.84)
Diluted headline (loss) earnings per share - Thebe	(2.58)	5.36	(6.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	[Reviewed] 31 December, 2018 P'000	(Unaudited) 31 December, 2017 Restated P'000	(Audited) 30 June, 2018 P'000
Assets			
Non-current assets	1,483,008	1,597,125	1,567,798
Property plant and equipment	1,229,422	1,200,286	1,275,628
Intangible assets and goodwill	182,615	221,436	178,983
Deferred taxation	3,967	56,608	5,795
Investments in new projects	67,004	118,795	107,392
Current assets	1,858,005	1,954,879	1,444,922
Inventories	1,021,087	1,274,231	956,504
Amounts due from related entities	62,366	20,617	22,425
Other financial assets	3	3	2,190
Advances and deposits	117,409	100,239	80,830
Taxation refundable	26,557	1,875	17,646
Trade and other receivables	189,959	321,573	202,576
Restricted cash	115,330	-	41,375
Cash and cash equivalents	325,294	236,341	121,376
Total assets	3,341,013	3,552,004	3,012,720
Equity and Liabilities			
Equity	547,688	1,083,204	576,264
Stated capital	906,196	906,196	906,196
Retained (loss) earnings	(332,701)	212,325	(280,257)
Treasury shares	(29,616)	(30,720)	(29,616)
Foreign currency translation reserve	35,442	12,434	5,999
Non controlling interests	(17,031)	(17,031)	(26,058)
Non-current liabilities	880,162	648,138	823,939
Long term borrowings	727,023	531,522	708,755
Deferred taxation	40,872	33,365	41,910
Straightlining lease obligation	112,267	83,251	73,274
Current liabilities	1,913,163	1,820,662	1,612,517
Current portion of straightlining lease obligation	10,492	8,708	32,355
Bank overdraft	172,935	36,849	106,448
Trade and other payables	1,499,034	1,504,582	1,312,289
Amounts due to related entities	145,173	82,195	42,675
Taxation payable	5,737	32,243	12,020
Current portion of long term borrowings	79,792	156,085	106,730
Total liabilities	2,793,325	2,468,800	2,436,456
Total equity and liabilities	3,341,013	3,552,004	3,012,720

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Particulars	Stated Capital P'000	Retained Earnings (loss) P'000	Treasury Shares P'000	Foreign Currency Translation Reserve P'000	Attributable to equity holders P'000	Non Controlling Interest P'000	Total P'000
Balance as at 30 June, 2017 (Audited)	906,196	168,778	(30,720)	7,936	1,052,190	(17,825)	1,034,365
Total comprehensive (loss) income for the period	-	71,522	-	4,498	76,020	(3,510)	72,510
(Loss)/Profit for the year	-	71,522	-	-	71,522	(3,865)	67,657
Other comprehensive (loss) income	-	-	-	4,498	4,498	355	4,853
Total distributions to owners of company recognised directly in equity	-	(27,975)	-	-	(27,975)	4,304	(23,671)
Minority contribution to share capital	-	-	-	-	-	4,304	4,304
Dividends paid	-	(27,975)	-	-	(27,975)	-	(27,975)
Balance as at 31 December, 2017 (Unaudited) restated	906,196	212,325	(30,720)	12,434	1,100,235	(17,031)	1,083,204
Total comprehensive (loss) income for the period	-	(490,428)	-	(6,435)	(496,863)	(22,100)	(518,963)
(Loss)/Profit for the year	-	(489,597)	-	-	(489,597)	(22,569)	(512,166)
Other comprehensive (loss) income	-	-	-	(6,435)	(6,435)	469	(6,797)
Other equity adjustment	-	(831)	-	-	(831)	-	(831)
Total distributions to owners of company recognised directly in equity	-	(2,154)	1,104	-	(1,050)	13,073	12,023
Issue of ordinary shares to share incentive trust	-	(2,154)	1,104	-	1,104	-	1,104
Dividends paid	-	(2,154)	-	-	(2,154)	-	(2,154)
Minority contribution to share capital	-	-	-	-	-	13,073	13,073
Balance at 30 June, 2018 (Audited)	906,196	(280,257)	(29,616)	5,999	602,322	(26,058)	576,264
(Loss)/Profit for the 6 months	-	(52,444)	-	-	(52,444)	(7,156)	(59,600)
Other comprehensive (loss) income	-	-	-	29,443	29,443	1,581	31,024
Total comprehensive loss for the 6 months	-	(52,444)	-	29,443	(23,001)	(5,575)	(28,576)
Balance at 31 December, 2018 (Reviewed)	906,196	(332,701)	(29,616)	35,442	579,321	(31,633)	547,688

CONSOLIDATED STATEMENT OF CASH FLOWS

Particulars	[Reviewed] 6 Months ended 31 December, 2018 P'000	Restated (Unaudited) 6 Months ended 31 December, 2017 P'000	(Audited) 12 Months ended 30 June, 2018 P'000	HEADLINE EARNINGS PER SHARE COMPUTATION
Net cash flows generated from operating activities	308,757	347,489	419,927	Basic Earnings
Net cash flows used in investment activities	(152,523)	(234,118)	(620,625)	Remeasurements
Net cash flows generated from financing activities	(55,363)	(17,362)	81,849	Loss on disposal of asset
Net movement in cash and cash equivalents	100,871	96,009	(118,849)	Impairment losses
Cash and cash equivalents at beginning of the period	14,928	103,483	103,483	Tax Impact
Effect of translation of foreign entities	36,560	-	30,294	Headline Earnings
Cash and cash equivalents at end of the period	152,359	199,492	14,928	Number of shares for basic earnings
				Weighted Average Number of Shares
				Basic HEPS
				Diluted HEPS

SEGMENTAL RESULTS

Particulars	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 after 30 June 2019	Total Group
Six months ended 31st December 2018 (Reviewed)											
Statement of profit or loss and other comprehensive Income											
Revenue :											
Trading income	2,149,433	353,641	1,032,482	60,436	3,595,991	2,036,782	241,525	32,378	14,141	2,324,826	5,920,818
Other income	16,790	394	437	48	17,670	14,620	559	211	457	15,846	33,516
Total segmental revenue	2,166,223	354,035	1,032,919	60,484	3,613,661	2,051,402	242,083	32,589	14,598	2,340,673	5,954,334
Reportable segment gross profit	507,074	66,056	227,148	9,478	809,756	354,488	40,277	4,977	2,549	402,291	1,212,048
Reportable segment Impairments Loss	17,888	38	66	-	17,993	4,733	37	-	14	4,784	22,776
Reportable segment EBITDA	144,964	[20,668]	77,858	[3,490]	198,664	[52,538]	[16,488]	[3,526]	[1,291]	[73,844]	124,820
Reportable segment Depreciation/Amortisation	42,039	7,426	14,269	1,589	65,324	40,913	6,342	706	1,411	49,373	114,697
Reportable segment Finance Income	137	-	7	-	145	504	-	-	-	504	648
Reportable segment Finance Expense	34,460	-	3,481	96	38,037	3,214	3,264	-	2,177	8,656	46,693
Reportable segment profit/ (loss) Before taxation	50,715	[28,132]	60,049	[5,175]	77,457	[100,894]	[26,132]	[4,233]	[4,894]	[136,153]	[58,696]
Reportable segment Taxation	5,425	-	[6,205]	-	[780]	-	[26]	[98]	-	[124]	[904]
Reportable segment profit/ (loss) after taxation	56,140	[28,132]	53,844	[5,175]	76,677	[100,894]	[26,158]	[4,331]	[4,894]	[136,277]	[59,600]
Statement of financial position											
Reportable segment assets	1,146,968	214,206	678,488	56,040	2,095,702	945,861	235,438	25,783	38,229	1,245,311	3,341,013
Reportable segment liabilities	1,443,251	114,005	280,596	18,798	1,856,650	697,759	199,777	11,634	27,505	936,675	2,793,325
Six months ended 31st December 2017 (Unaudited) restated											
Statement of profit or loss and other comprehensive Income											
Revenue :											
Trading income	2,299,262	239,795	869,084	3,488	3,411,628	2,126,611	204,711	6,074	12,481	2,349,876	5,761,505
Other income	17,812	413	603	-	18,828	9,222	591	18	664	10,496	29,324
Total segmental revenue	2,317,074	240,208	869,687	3,488	3,430,456	2,135,833	205,302	6,092	13,145	2,360,372	5,790,829
Reportable segment gross profit	517,053	31,917	143,264	442	692,676	395,311	31,367	1,072	1,942	429,692	1,122,368
Reportable segment Impairments Loss	-	-	-	-	-	-	-	-	-	-	-
Reportable segment EBITDA	184,749	[7,317]	33,399	[2,625]	208,206	58,797	[12,027]	[2,348]	[1,724]	42,698	250,904
Reportable segment Depreciation/Amortisation	56,199	7,282	13,929	124	77,533	43,632	4,045	377	1,342	49,396	126,930
Reportable segment Finance Income	115	-	3	-	118	1,146	255	-	-	1,401	1,519
Reportable segment Finance Expense	14,759	-	2,982	32	17,773	11,745	[20]	-	3,160	14,885	32,658
Reportable segment profit/ (loss) Before taxation	113,906	[14,599]	16,491	[2,781]	113,017	4,567	[15,797]	[2,725]	[6,227]	[20,181]	92,836
Reportable segment Taxation	[26,238]	-	[4,087]	926	[29,398]	[1,563]	5,189	594	-	4,220	[25,179]
Reportable segment profit/ (loss) after taxation	87,668	[14,599]	12,404	[1,855]	83,618	3,004	[10,608]	[2,131]	[6,226]	[15,961]	67,657
Statement of financial position											
Reportable segment assets	1097174	187,817	553,202	38,391	1,876,584	1,428,492	186,333	20,259	40,336	1,675,420	3,552,004
Reportable segment liabilities	1141614	77,970	264,820	14,310	1,498,714	861,612	75,135	5,480	27,857	970,086	2,468,800
Year ended 30th June 2018 (Audited)											
Statement of profit or loss and other comprehensive Income											
Revenue :											
Trading income	4,102,809	502,714	1,641,385	45,223	6,292,131	4,044,525	407,699	22,121	24,820	4,499,164	10,791,295
Other income	35,528	747	1,393	14	37,682	15,661	673	92	1,056	17,482	55,163
Total segmental revenue	4,138,336	503,460	1,642,778	45,237	6,329,813	4,058,829	408,371	22,213	25,876	4,515,290	10,845,100
Reportable segment gross profit	939,051	66,059	267,946	5,270	1,278,327	715,662	61,678	2,697	4,053	784,089	2,062,416
Reportable segment Impairments Loss	131,954	34,477	16,553	-	182,984	140,187	-	-	-	140,187	323,171
Reportable segment EBITDA	125,959	[20,333]	52,697	[7,570]	150,753	[18,415]	[27,801]	[7,067]	[3,273]	[56,557]	94,196
Reportable segment Depreciation/Amortisation	101,374	11,021	12,915	1,263	126,573	68,897	8,969	927	2,563	81,355	207,928
Reportable segment Finance Income	226	-	9	-	235	2,451	857	-	-	3,308	3,543
Reportable segment Finance Expense	28,357	-	4,135	158	32,650	40,146	10	-	5,897	46,053	78,702
Reportable segment profit/ (loss) Before taxation	[6,237]	[31,354]	19,103	[8,991]	[27,478]	[273,775]	[70,400]	[7,994]	[11,732]	[363,901]	[391,380]
Reportable segment Taxation	[29,406]	[6,335]	[6,148]	-	[41,889]	[40]	[13,255]	2,055	-	[11,241]	[53,129]
Reportable segment profit/ (loss) after taxation	[35,643]	[37,688]	12,955	[8,991]	[69,367]	[273,814]	[83,656]	[5,940]	[11,732]	[375,142]	[444,509]
Statement of financial position											
Reportable segment assets	1,039,723	209,971	548,678	48,164	1,846,536	947,306	161,890	18,100	38,887	1,166,183	3,012,720
Reportable segment liabilities	1,303,020	96,079	233,737	17,072	1,649,908	654,034	97,898	6,097	28,519	786,548	2,436,456

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 abridged interim financial statements for the six months ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies applied during the year are consistent with those applied in the previous year with the exception of the introduction of IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers) and IAS 29 (Hyperinflation) in respect of the Group's Zimbabwean subsidiary.

Owing to an inflation acceleration of more than 100% as at June 2019, the Group concluded that Zimbabwe was a hyperinflationary economy and made a decision to account for it as such. As a result, the Group adopted IAS 29 for their year-end financial statements and also assessed the impact of the standard in these interim results. It was concluded that as at December 2018, the impact of hyperinflation was not material and thus no impact of this standard is presented in these interim financial statements.

3. Director's Responsibility for the Abridged Financial Statements

The directors are responsible for the preparation of the abridged 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. Reason for delay in publication of results

Upon the appointment of PricewaterhouseCoopers ("PwC") as external auditors for the 2018 financial year, the Board and the new auditors initiated an exercise to re-assess several past accounting practices and policies, which took more time than expected and had a material impact on the 2018 and prior period financial statements.

Furthermore, the Board initiated a legal and a forensic investigation on some of the matters raised by the auditors which reports were only concluded and released during September 2019.

The above actions had the result that the 2018 Audited Annual Financial Statements were only released during December 2019.

During September 2019, PwC resigned as auditors of the Company/Group for the 2019 financial year. Following a protracted process to replace PwC as auditors, Mazars eventually agreed to be appointed external auditors for the Company/Group on 17 February 2020.

The knock-on effects of the above events, coupled with the outbreak of COVID 19 and the lockdowns in the countries in which the Group operates, resulted in the delay of the finalisation of interim financial results.

5. Group results

Group revenue, comprising of sales of goods, increased by 2.8% from P5 761 Million to P5 920 Million. Gross profit margin increased from 19.5% to 20.5% owing to a 1.1% improvement in the Botswana segment.

EBITDA decreased from P250.9 million to P124.8 million mainly due to reported losses of P52.5 million (2017: profit of P58.8 million) from the South Africa segment on the back of dismal trading conditions in the North West province. Consequently, the Group incurred a loss of P59.6 million for the period under review (2017: profit of P67.7 million).

Non-current assets reduced from P1 567 million (June 2018) to P1 483 million as investments in new projects declined by P40.3 million.

Net borrowings decreased from P801 million to P654 million as the Group continues to prioritize the reduction of debt.

6. Operational overview

A detailed review of the Group's ongoing operations is set out in the results announcement for the year ended 30 June 2019, issued simultaneously with these interim results.

7. Events after reporting date (full details in note 43 to the 2019 Audited Annual Financial Statements).

In order to consolidate the business so as to focus on value adding subsidiaries, the Board took the decision to divest from South Africa, Kenya, Tanzania and Mozambique and a lot of progress has already been made with these divestments.

The Payless group of companies was placed in liquidation with the Group as the first secured creditor.

Since December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. The impact of the virus on the Group's businesses were limited due to its operations been classified as essential services and hence not closed during the lockdown periods. Assessments made of the impact on the Group's businesses during the three months, April, May, and June 2020, indicated a loss of revenue of approximately P190 million. The duration and future impact of the COVID-19 pandemic remains unclear at this time.

8. Review opinion

The Group's interim financial statements have been reviewed by Mazars who issued a disclaimer of conclusion. Mazars' review report is published on XNews simultaneously with this abridged release of results.

9. Change in board members

From the reporting date to the date of publication of these abridged Interim Financial Statements there has been changes in the Board of Directors of the Company as detailed below:

Changes in Board

Dorcás Ana Kgosietsile [Resigned 4 September 2019]
Heinrich Mathiam Stander [Appointed 15 December 2018 and Resigned 4 September 2019]
His Excellency Festus Gontebanye Mogae [Resigned 4 September 2019]
Ronald Tamale [Appointed 13 December 2017 and Resigned 4 September 2019]
Wilfred Victor Mpaai [Appointed 22 November 2018 and Resigned 4 September 2019]
Sydney Alan Muller [Resigned 22 October 2018]
Sanooj Pullarote [Resigned 15 December 2018]
Robert Neil Matthews [Resigned 19 February 2019]

Current Board

Farouk Essop Ismail
Ramachandran Ottapathu
Carol Jean Harward [Appointed 4 September 2019]
Tom Pritchard [Appointed 4 September 2019]
D. K. Uttum Corea [Appointed 9 September 2019]

9. Dividend

The company has a policy of declaring dividends once a year based on the annual results.

The Company's primary listing is on BSEL and its secondary listing is on JSE. The listings in both exchanges are currently suspended.

For and on behalf of the Board



Farouk Essop Ismail (Director)



R. Ottapathu (Chief Executive Officer)

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

COMPANY SECRETARY
DPS Consulting Services (PTY) Ltd.
Plot 50371, Fairgrounds office park,
Gaborone, Botswana.
[Appointed on 29 November 2019]
Corporate Services (Proprietary) Limited
[Resigned 29 November 2019]

AUDITORS (Appointed 17 February 2020)
Mazars
Plot 139,
Finance Park,
Gaborone,
Botswana.