OUR SHARED VALUE JOURNEY

CHOPPIES

Great value for your money!

INTEGRATED ANNUAL REPORT 2020

Choppies is the largest grocery retailer in southern Africa, outside of South Africa. Operating 150 stores and eight distribution centres across the African continent.

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Corporate information
(Registration number: BW00001142508)

BSE
ISIN: BW0000001072
Share code: CHOPPIES
Bloomberg code: CHOPPIES BG EQUITY
Reuters code: CHOPP.BT
Listing date: January 2012

JSE
ISIN: BW0000001072
Share code: CHP
Listing date: May 2015
Total shares in issue: 1 303 628 341

About this report

Choppies is committed to the principles and philosophy of integrated reporting.

Feedback

More information available on our website: ***www.choppies.co.bw***

A copy of this Integrated Annual Report is available online at www.choppies.co.bw. A hard copy is available to shareholders on request.

For additional contact details please see page 162.

Scope and boundary

In our 2020 Integrated Annual Report, for the year 1 July 2019 to 30 June 2020, we aim to provide an understanding of our business, our growth strategy and our ability to create sustainable value for our stakeholders in the short, medium and long term. This integrated report focuses on those matters that the directors believe are material to our stakeholders' understanding of the business.

The disclosures encompass Choppies' retail network, across all regions of continuing operations. The annual financial statements are presented in Botswana Pula ("BWP" or "P") (unless otherwise stated), which is considered the functional currency. There was no change to any measurement techniques except for the adoption of IFRS 16 – Leases, nor were there any restatements of previously reported information. (For more information see the Annual Financial Statements on pages 74 to 151.)

In assessing the risks, opportunities and outcomes that materially impact the Group's ability to create value for its stakeholders, the boundary has been extended beyond the financial reporting boundary to include the material interests attributable to/associated with our key stakeholders.

Reporting frameworks

This Integrated Annual Report is prepared in accordance with IFRS, the BSE Listings Requirements, the JSE Listings Requirements, the Botswana Companies Act, and the International Integrated Reporting Framework. Choppies complies in all material respects with the principles contained in the BSE Code of Best Practice on Corporate Governance as well as King III, as encapsulated in the applicable regulations. We endeavour to apply King IV Report on Corporate Governance* wherever possible.

Assurance

The Company's external auditor, Mazars, has independently audited the Annual Financial Statements for the year ended 30 June 2020. Their qualified audit report is set out on pages 68 to 73.

Business process	Nature of assurance	Assurance provider
Consolidated annual financial statements	External audit	Mazars
Internal audit	Independent outsourced	BDO from September 2020
Health, safety and environmental audits	Compliance reviews	SHE Group
BSE requirements	Compliance reviews	Stockbrokers Botswana Ltd
JSE Listings Requirements	Compliance reviews	PSG Capital
Lender due diligence	Legal and compliance reviews	Managed internally by the Investment Committee
Insurance due diligence	Independent risk reviews	Alpha Direct Insurance Company Pty Ltd

Forward-looking statements

This Integrated Annual Report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at year-end. Actual results may differ materially from the Group's expectations. The Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these. The Group disclaims any intention and assumes no obligation to revise any forward-looking statement even if new information becomes available, other than as required by the BSE Listings Requirements and the JSE Listings Requirements or any other applicable regulations.

About this report continued

Leadership

For further information please see page 38.

The Group's independent non-executive Chairman is Uttum Corea. The Group's CEO is Ramachandran Ottapathu and the interim CFO was Vidya Sanooj. The new CFO, Minnesh Rajcoomar, joined in May 2020. The CEO and CFO can be contacted at the registered office of the Company. A full list of the directors is set out on pages 28 to 29.

We create long-term sustainable value for stakeholders through the effective and balanced use of key resources and stakeholder relationships, or "capitals", as defined in the International Integrated Reporting Council's International <IR> Framework. Through the execution of our business activities, we increase, decrease or transform the six capitals, as described in our business model on pages 18 to 19.

While this report is primarily targeted at our current shareholders and potential investors in the Group, it also considers the information needs of our broad and diverse range of stakeholders who are key to sustainable value creation.

How to read our report

Our Integrated Annual Report is structured to show the relationship between the various elements involved in creating value. To aid navigation and cross-referencing, this report contains the icons illustrated in this introduction.

Our stakeholders

For further information please see pages 30 to 32.

Financiers

Suppliers

Customers

Shareholders

Employees

Regulators and government

Communities

Media

Employee representation

Responsibility statement

The Audit and Risk Committee acknowledges its responsibility on behalf of the Board to ensure the integrity of this Integrated Annual Report. The committee has applied its mind to the report and believes that it appropriately and sufficiently addresses all performance of Choppies and its subsidiaries for the year within the scope and boundary outlined above. The Audit and Risk Committee recommended this Integrated Annual Report to the Board for approval.

The Board acknowledges its responsibility to ensure the integrity of this Integrated Annual Report.

Uttum Corea
Chairman

Ramachandran Ottapathu
CEO

Chairman's letter to stakeholders

UTTUM COREA
CHAIRMAN

It has been a challenging year both from a greater macro-economic perspective as well as for Choppies specifically.

However, we have made major strides in creating a solid foundation for the Group to build on and believe this has set the course for a rebirth of the Company which offers value for money to its customers in a challenging economic environment.

The new Board was appointed in September 2019 and we started with a turbulent legacy coupled with a number of major tasks. I am pleased to report that we had achieved most of these milestones by year-end at June 2020. It has taken a tremendous effort by the finance team and Audit and Risk Committee to ensure that we published the FY18, FY19 and now the FY20 financial results and not to mention the interim results. In addition, we have appointed new auditors, Mazars, in respect of FY19 and FY20. All of this was achieved within a year and is a marathon achievement reflecting a great effort by all involved.

The past two years has been marked by the cloud of suspicion which hung over Choppies relating to certain governance matters, including allegations of fraud and stock manipulation. The Board through its legal counsel Neill Armstrong, appointed independent counsel, Advocate Hoffman SC, Advocate Andrew Redding SC and Advocate Mark Meyerowitz to examine the allegations contained in various reports and to conduct a comprehensive investigation. Their lengthy investigation, further elaborated in the Audit and Risk Committee report on pages 63 to 67, established that the allegations appeared unfounded, which then enabled Choppies to lift the veil of suspicion. We are now confident to move forward in re-building the business.

Our Investment Committee was busy with the disposal of loss-making operations in South Africa, and the closure of operations in Mozambique, Kenya and Tanzania, which has helped return the Group to profitability. Our other markets also proved economically challenging with a struggling and volatile Zimbabwean economy, currency devaluation in Zambia and a lack of economies of scale in Namibia. However, we believe a focused approach in these regions as well as the numerous opportunities for growth in Botswana present the Group with solid prospects. This together with the favourable conditions following the introduction of funds by the founding shareholders, together with additional security, and given the renegotiation of our banking facilities which will see our monthly payments lower, put the Group on a firm going concern footing.

Central to Choppies' success is its approach to "shared value". Joining the Group as an outsider with a theoretical interest in shared values publicised by Professor Michael Porter of Harvard University and "Conscious Capitalism" practised by Wholefoods in the USA led by John Mackey and "Inclusive Capitalism" referred to in King IV, I was excited to make a serendipitous discovery of its very practical embodiment in

Choppies. The Company goes beyond the ordinary CSR and truly ascribes to a higher purpose, which forms part of its DNA. This approach cascades down throughout the Group from the top to the shop floor worker. Founders Ramachandran and Farouk instinctively applied this principle of shared value and have been putting it into practice. This has now manifested itself in the practice of "corporate *Botho*" by Choppies.

Central to Choppies' success is its approach to "shared value".

We subsequently engaged a US-based global consultancy firm to help document the shared value strategy. While it was already occurring in practice they assisted in mapping it out and incorporating it into KPIs and professionalising what was already Choppies' secret to success. (See page 13 for further detail.) This is evident in the fact that Choppies is the largest private sector employer in Botswana with a vast distribution network especially in underserved rural areas. The Company's aim is that 90% of the population should be within a 10km radius of a Choppies store. This distribution network has provided access to most citizens as consumers and remote farmers with a transport network, and resulted in 75% of fresh produce sold by Choppies being fresh produce grown in Botswana. Part of the shared value benefit is the emphasis on self-sufficiency. The farming community in the country gets support in the form of temporary advances and crop buying bulk agreements from the Company. This will encourage the renewed interest in farming activity and food security of the nation, and aligns with our shared value approach, benefiting the farmers and customers as well as Choppies and its investors.

Another example of this approach is the new offering in Choppies stores of distributing old-age pensions which was previously only available from post offices. This has made the service more accessible to pensioners while Choppies enhances loyalty to its home-grown brand by helping the community. Choppies' higher purpose is described as follows:

"Choppies provides the best value and grows together with its communities by respectfully and sustainably contributing to their wellbeing".

Our management team is committed to utilising renewable energy going forward, as the energy cost curves for solar and fossil fuels intersect and make it economically feasible to transition to renewables. We can thus make our contribution towards environmental responsibility while reducing vulnerability to load-shedding from the grid. The management team is also looking at opportunities to improve on waste management.

The Covid-19 pandemic has presented us with many challenges, however, as an essential service Choppies continued operating throughout. Our staff are frontline staff and we ensured that they were kept safe and healthy at all times. This included bussing them to work during lockdown periods to avoid the use of public transport. We survived the lockdown periods well and contributed to Botswana's initiatives as well as the initiatives in the other countries in which we operate. The pandemic in itself brought opportunities such as developing our online and delivery services which are set to continue post-lockdown.

Following the widely reported breakdown in corporate governance during 2018/19, the new Board aspires to transition from King III and adopt and implement the principles of King IV as more fully described in the corporate governance section of this report (page 41). Priority was given to the urgent issues addressed by the Audit and Risk Committee and the Investment Committee during the year ended 30 June 2020, apart from the investigations carried out by independent counsel. We now have to operationalise the Remuneration and Social and Ethics Committees once we identify suitable independent non-executive directors. The work of a Nominations Committee will be handled by the Board for the time being.

The past year has been focused on restructuring and consolidation and returning to profitability and stability. We have reassessed our previous pan-African expansion strategy and having taken the lesson learnt, we are now focused on southern Africa and our remaining countries of operation being Botswana, Zimbabwe, Zambia and Namibia. Botswana itself offers a number of opportunities for growth. Once we have perfected the working models in Botswana we will seek to introduce them in our other countries of operation.

Innovation is the key for us going forward and our short-term focus will be on benchmarking against peers and international trends.

With the allegations and suspicions which have haunted Choppies for the past two years having been cleared, we look forward to growth going forward and embodying our shared value approach where, "if all our stakeholders prosper we also prosper."

Appreciation

Again, I must thank our CEO, Ramachandran, and his supportive management team for their continued dedication to the Choppies vision, mission and shared value approach. I thank all members of staff in all the countries in which we operate for their dedication to the Choppies brand, their hard work and support of the CEO in the business. My appreciation also to my fellow Board members for their deliberations and continued support during the course of the year. A particular appreciation to the finance team and Audit and Risk Committee in publishing all outstanding financial results.

Finally, Choppies cannot achieve its objectives without the most important support of all stakeholders. I thus thank you all for your continued involvement and help in our success.

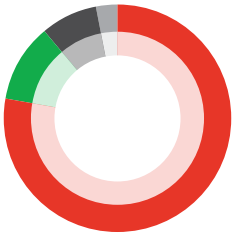
Uttum Corea
Chairman
21 October 2020

Choppies at a glance

Choppies is the largest retailer in southern Africa, outside of South Africa. Operating 150 stores and eight distribution centres across southern Africa.

Contribution per country

Revenue (%)



Botswana | 78
Zambia | 11
Zimbabwe | 8
Namibia | 3

Investment case

- Key player in the FMCG markets across southern Africa
- Full in-house supply chain and logistics
- Embracing responsible business behaviour which impacts positively on all stakeholders and increases long-term shareholder value
- Leadership team focused on cash-generative operations as an enabler for growth
- Experienced regional management teams with a solid track record

Customer-centric retail offering

The Group is intent on being the retailer of choice for all the communities we serve. We are focusing on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Choppies family.

We pride ourselves on providing value for money and a happy shopping experience to customers and communities across southern Africa. Our product offering spans food, groceries, tobacco products, beauty products and other general merchandise as well as value-added financial services. With many of our stores located in small rural areas, to suit every budget, we offer an extensive range of private label Choppies products alongside well-known brand products.

Choppies is committed to addressing the socio-economic challenges faced by the communities we serve through the supply of high quality, affordable food for all customers, while providing significant employment and economic opportunities across the value chain.

Our customers are primarily value-conscious, lower to middle-income consumers (LSM 3 to 6), cash, and small basket shoppers. In Botswana we are adapting our service offering to meet the needs of our increasing number of higher to middle-income customers. We introduced online ordering during the year allowing customers to have products delivered to their homes. This was especially helpful during lockdown restrictions.

Botswana

FY20 revenue **P4 260 million**
Number of stores **91** | New stores **3**
Number of employees **6 272**

Zambia

FY20 revenue **P604 million**
Number of stores **22** | New stores **1**
Number of employees **1 170**

Zimbabwe

FY20 revenue **P414 million**
Number of stores **32**
Number of employees **1 617**

Namibia

FY20 revenue **P142 million**
Number of stores **5** | New stores **1**
Number of employees **326**

What we offer in store

Fresh fruit and vegetables

- Good quality fresh fruits and vegetables sourced directly from market and farmers in Botswana, Namibia, Zambia and Zimbabwe
- Fruit and vegetable distribution centre unique in Botswana
- Strong support from farming community enables competitive pricing and stock availability

Bakery

- In-store bakeries provide customers with freshly baked goods daily including bread, cakes and pastries
- Bakery offering variety according to profile of store and region

Groceries

- In addition to the best international branded groceries, we have 275 SKUs of Choppies branded products ranging from fresh, frozen, canned, dry foods, snacks, ethnic specialities, health and beauty care, household as well as laundry products

Butchery

- Fresh meat and poultry delivered daily
- Local supply arrangements with farmers and abattoir owners in all regions ensure regular and consistent supply

Takeaways

- Takeaway food offerings in all stores
- "Store-in-store take-away" concept
- Choppies Fried Chicken
- Daily menu depending on customer profile in every location. Items include fried chicken, chips and curries

Our store formats

CHOPPIES Hyper

"One stop shop"

- 2 000m² to 4 900m²
- 62 000 SKUs
- Spacious layout
- Urban and non-urban areas
- More affluent consumers demanding greater variety

CHOPPIES Superstore

Broad range supermarket

- 550m² to 2 300m², average 1 350m²
- Up to 22 000 SKUs
- Full supermarket offering (bakery, deli, fresh produce, financial services)
- LSM 3 to 6 customers

CHOPPIES Valuestore

Convenience store for immediate needs

- Less than 500m², average 350m²
- Fewer service offerings
- Based in rural areas with low levels of formal retail
- Target retail consumers in lower income brackets

Choppies at a glance continued

Logistics, supply chain and distribution network

Farm/factory to shelf

Our in-house logistics and distribution network is one of our key competitive advantages and drivers of best value for money to our consumers providing a wide product range and consistent supply of fresh, high-quality products. Our distribution centres are able to handle everything from dry groceries to fresh and perishable produce with the same efficiency. By controlling the logistics, supply (and maintenance) chain we are able to ensure well-stocked shelves, uninterrupted supply to stores, fresh produce and speedy turnaround on maintenance issues. We own both the distribution centres and the vehicle fleet for maximum efficiencies.

Logistics	Vehicle fleet	Distribution centres	Maintenance
• Custom designed enterprise resource planning system across all countries • Centralised management with collated real-time data • Centralised pricing systems help maintain consistency in margins	• Enhances brand awareness – serves as moving billboard • Choppies total commercial trucks Botswana 414 Namibia 11 Zimbabwe 74 Zambia 17 TOTAL 516	• Eight wholly owned distribution centres (DCs) – Two grocery DCs (Gaborone and Francistown), two Fruit & Vegetable DCs (Gaborone and Lobatse) – One Meat DC (Gaborone) – Two DCs in Zimbabwe – One DC in Zambia. • Strategically located • Central depot for retail stores • Supplier agreements negotiated per region • Supported by Group services and logistics functions	• Managed in-house • Provides stores with plumbing, refrigeration, electrical and other general repair and maintenance services • Lead-time and maintenance costs significantly reduced

Relevant consumer trends for Choppies in 2020

How they are	Challenges/responses
• Population is young • In Botswana pensioners with social security will also be a target • There is an increasing income disparity • More conscious about injustice • There is a trend towards urbanisation	• Being able to cater for an increasingly polarised population with very different purchasing capacity and range of products they can afford and are willing to pay for • The increasing urbanisation is putting at risk the profitability of a model based on a vast footprint • Decreasing loyalty (added to more competitive pressure) in which Choppies will have to avoid a price war and provide increasing retention measures • Adapting to new consumer preferences with an offering that has availability and quality supply chain challenges (organic fruits, vegetables, and meat substitutes) • Providing in-store, online and other transaction formats that increase convenience and experience but that have a positive bottom line • Being credible and transparent in terms of value proposition and offering
How they buy	
• Consumers are less loyal to brands and more price conscious • Impulse buying is increasing due to Covid-19 • Decentralisation of purchasing decisions • Convenience: one stop shop and home delivery • Reluctance to carry cash	
What they buy	
• People are more health conscious which is leading to: – An increase in the demand for organic, fresh fruits, vegetables and seafood offerings – A reduction in red meat consumption • People want transparency in what they buy, with: – More importance set on labelling, food origin and traceability – Wanting to see through (e.g. in meal cooking)	

Other relevant trends

Technological	Challenges/responses
• Digitisation of the entire value chain, allowing addition of new services with lower integration costs and real-time exchange of information • The data age: with increasing data collection points, storage is becoming cheaper and easier for large data analysis, as well as regulatory compliance • Automation in terms of decision making and optimisation, as well as mechanising some processes for higher efficiency	• Exploiting technology to promote informed decisions, boost efficiency and provide a better customised response to different stakeholders, and complying with privacy regulations • Developing an architecture that is scalable and can be upgraded rapidly with future needs • Short-term economic downturn and shortage of products • Sourcing instability which challenges the regular availability of stock • Profiting from stricter regulations and being able to support suppliers and other stakeholders in this process • Explore and promote productive growing and farming practices that are environmentally friendly and climate resilient • Adopt sustainability policies and a circular economy perspective • Work together with the organisations to promote "grow together" practices
Economic & geopolitical	
• Covid-19 impact could involve a short-term declining market • Continuation of import restrictions, tariffs and short-term delays in grocery availability • Formalisation of economy: regulation on meat farming and butcheries, finance, street vendors, etc.	
Industry & environment	
• Climate change will affect production of fruits and vegetables, cattle feed, etc. • Carbon footprint reduction including regulations to protect environment and customer demands	

Our strategy

Our purpose

To provide the best value to customers, grow together with our communities and respectfully and sustainably contribute to their wellbeing

Vision

To be the preferred retailer for mass grocery and financial services in the countries in which we operate.

Mission

To be the preferred **one-stop-shop community hub** in the countries in which we operate.

To conduct business in a socially and environmentally responsible manner and continuously seek to maximise returns to all our stakeholders through:

- Being a strong responsible provider of consumer goods and services, that empowers communities to grow together under a win-win approach
- Bringing products and essential services to semi-urban and rural areas
- Giving customers the best total value for their money
- Generating sustainable economic development by supporting local businesses and farmers and core value creation in the society
- Creating new jobs and developing employees to their highest potential
- Instilling continuous improvement practices thereby providing superior, sustainable financial returns to our shareholders

Driven by the concepts of shared value and conscious capitalism, Choppies has set a purpose which underpins its strategic objectives and interactions with all stakeholders. It is predicated on Choppies' commitment to providing the best value to the man on the street. Choppies' success and growth is directly linked to the success and growth of all its stakeholders. We want to be recognised as a company that genuinely cares and contributes to the communities in which we operate. By living this purpose and building partnerships with our communities, suppliers and employees we can not only achieve our goals as a company but have a positive impact on all our stakeholders.

Our strategy continued

How we live our purpose through three main pillars is set out below:

Access with best service	Cares and empowers	Works for and with you
Choppies provides its communities with consistent access to a variety of goods and services, employment and buying capacity with excellent interaction and the **best total value**	A retailer that cares for and empowers its communities to improve their **wellbeing** with its responsible behaviour	Choppies is continuously improving with and for its stakeholders to **grow together** and generate shared value
• Access to large bouquet of products and services • One stop shop format • New opportunities for local producers to reach new markets • Vast footprint reaching rural and urban communities • Best total value – fair and transparent deals • Improves inclusion in communities • Efficient services – saving time for customers	• Long-lasting commitment to stakeholders providing support in difficult times • Respect for local culture embedded in offering • Health and safety • Committed to reducing carbon footprint • Empowers stakeholders to grow	• Listens to stakeholders to customise offering • Takes informed decisions • Efficient value chain • Constantly evaluating opportunities, technologies and innovations to improve progress and efficiency • Working in partnership with local communities, suppliers, entrepreneurs and employees • Leverages capabilities and experience of various territories to improve Group-wide operations

Core values

Our core values are derived from the concept of *Botho*, a Tswana word encapsulating the concept of *Ubuntu* or humanity and caring for the community.

- We listen to our stakeholders
- We provide the best total value to our customers and communities
- We care for the wellbeing of our customers and communities
- We work in partnership with our communities
- We are always on the lookout for opportunities, technologies and innovations
- We take pride in what we do and show respect and honesty in all our dealings
- We always act in the most ethical way
- We empower, recognise and reward our people

Shared value

Our commitment to *Botho* and shared value permeates everything we do and translates into our strategic objectives. It is driven by our commitment to being a good corporate citizen and making a difference in the communities in which we operate by ensuring mutual prosperity.

Our commitment	What we do
Develop local businesses	• Support farmers' growth and quality by providing platforms and knowledge offering the necessary financial and technical expertise • Use Choppies' idle transportation capacity to help small producers reach new markets and at the same time provide the population with access to better products
Population upskilling	• Train the population throughout the country in both basic skills and crafts that can be used to accelerate the productivity of Choppies' employees • Partner with universities to provide advanced courses on critical areas for retail such as information technology and retail management
Care for the environment	• Develop distributed energy facilities using the stores' roofs and waste that provide energy directly to Choppies and to the community as well as the grid • Collect, separate and recycle own waste generated from food, packaging and others as well as collect from the population and farmers to transport to own or third-party recycling plants or feed local biomass plants
Population access	• Provide points for medicine collection and basic health diagnostics and care in collaboration with private clinics in underserved areas • Further develop the financial services provided at Choppies stores, broadening its variety (insurance, personal loans) and improve convenience and introduce pension distribution in store in Botswana

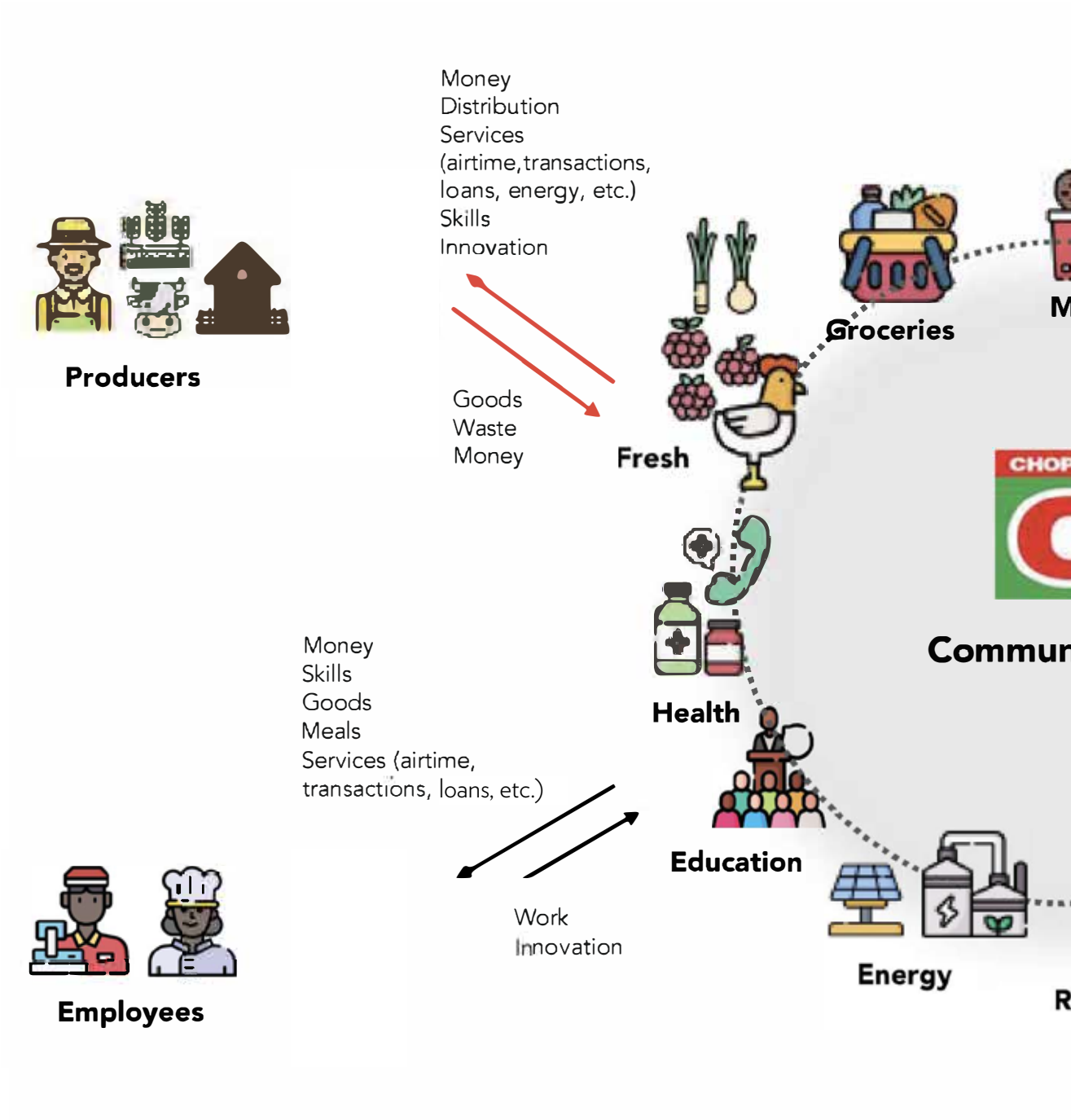
Choppies three-year strategy

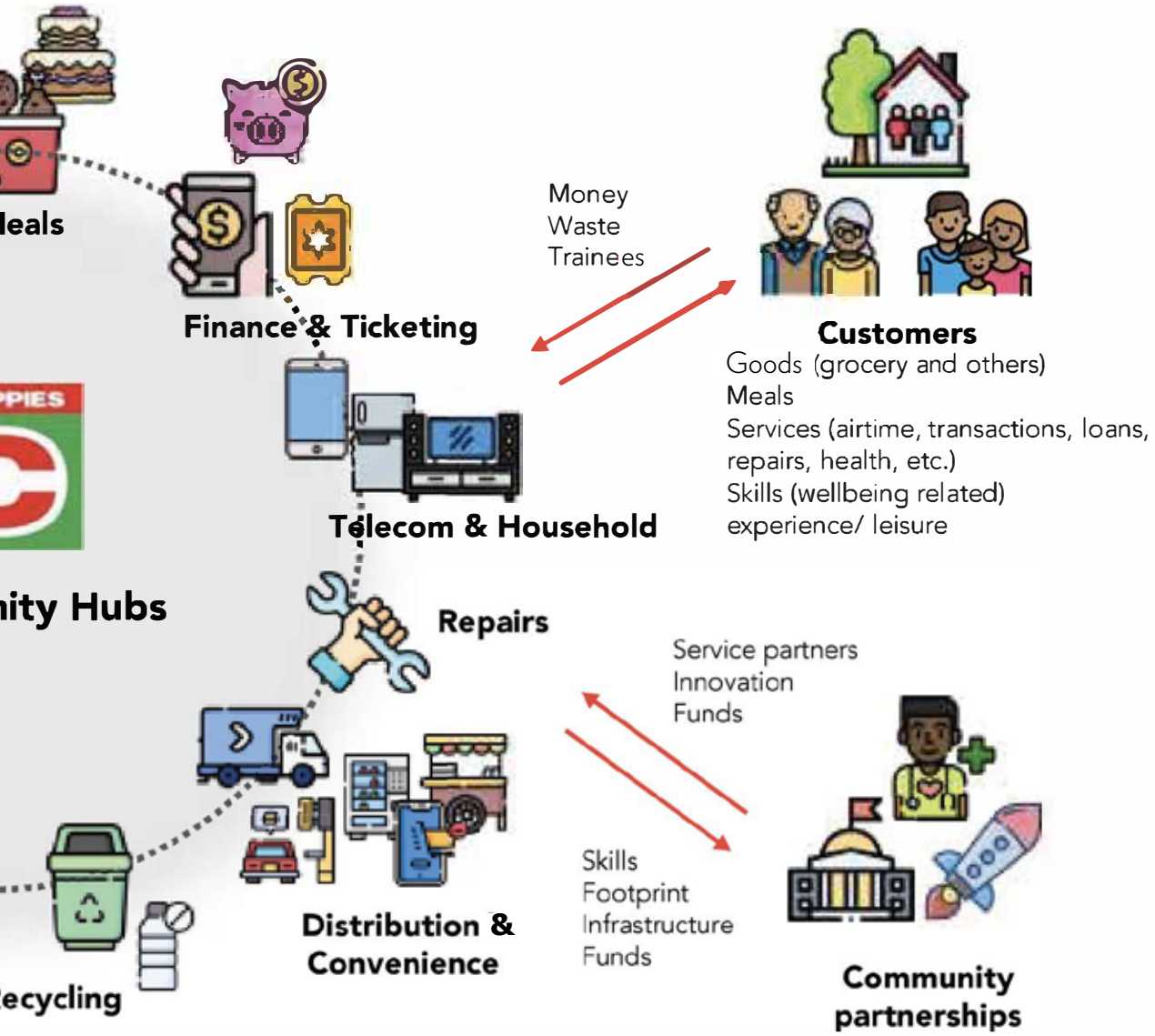
- Divest from loss-making regions
- Slow and managed expansion in profitable regions
- Debt restructure and reduction
- Improve corporate governance
- Improve stakeholder relationships

Our strategy continued

One-stop-shop

Choppies has positioned itself as a one-stop-shop within the communities in which it operates. This means it not only transacts with stakeholders with goods and services but also with intangibles such as skills and innovation, thereby fostering mutual prosperity. Our aim is to eventually transform the communities in which we operate, while at the same time growing a profitable business.




Money
Waste
Trainees
Customers
Goods (grocery and others)
Meals
Services (airtime, transactions, loans, repairs, health, etc.)
Skills (wellbeing related)
experience/ leisure
Finance & Ticketing
Telecom & Household
Repairs
Distribution & Convenience
Service partners
Innovation
Funds
Skills
Footprint
Infrastructure
Funds
Community partnerships

Our strategy continued

Translating our purpose into our six strategic objectives

Our purpose	Access with best service	Cares and empowers	Works for and with you
Main strategic objectives	Revenue	Loyalty	Margin

Key front-end strategy

1 Expand and improve non-traditional offering

Position Choppies as a one-stop-shop by expanding fresh, healthy and non-traditional grocery offering, broaden the range of financial services products, bundle goods and services relevant to them and enhance the value of home brands	• Expand the underserved non-grocery lines (range of home appliances, personal grooming products, household equipment repair) • Boost meals business	• Improve fresh and healthy offering (high protein and organic products) • Local produce • Add new bundle services	• Own brand development

2 Store formats that people will use

Rethink the touchpoints with the consumer to improve customer experience and convenience, use online services to provide a seamless omni-channel experience, re-consider store formats to widen customer reach and focus on customer-centric design to help customers make informed choices	• Rethink physical store formats • Expand profitability of convenience offering	• Seamless omni-channel experience (advance online ordering, home delivery, click and collect, drive-through and self-checkout) • Improve display of fresh produce and meat (promote consumption of healthy options) • Generate pride around local products	• Human-centric design

3 Become a genuine local community player

Embrace shared-value strategies by genuinely caring and contributing to local communities, building partnerships with relevant stakeholders, facilitating banking inclusion of small and medium-sized suppliers and fostering sustainability practices as a norm throughout the supply chain	• Local products • Leisure	• Local sustainability: energy and recycling • Health support • Banking inclusions • Loyalty programme to encourage healthy consumption habits • Highlight local producers (farmers markets)	• Partnerships with social enterprises

Our purpose	Access with best service	Cares and empowers	Works for and with you
Main strategic objectives	**Revenue**	**Loyalty**	**Margin**

Key back-end strategy

4 Efficient and sustainable value chain

Develop a modular platform mentality supporting different divisions including grocery, fresh produce and services, allowing for easy scalability. Use data analytics and automation to drive store efficiency, integrate own and third-party services to give a complete solution and embrace innovation as a core function	• Enhance fresh distribution • Improve store productivity • Improve distribution and packaging – specialised distribution centres and better cold chain logistics	• Data analytics • Circular economy • Recycling stations • Warehouse management systems • Electronic data interchange • Improved data gathering	• Modular platform backbone

5 Improve and develop stronger local supply chains

Reduce dependence on external suppliers by supporting local entrepreneurs with local knowledge, helping them to build capacity, adopt backward integration in key sectors, support innovative practices of suppliers and aid quality enhancement and sustainability practices of all supply chain participants	• Foster local support • Technical and financial support to farmers	• Quality and sustainability • Support local entrepreneurs	• Innovative partnerships (improve private label offering) • Leverage on local knowledge

6 Instil continuous improvement Company-wide

Involve the entire Company in the lookout for opportunities and make continuous improvement as a routine function of all employees by providing capabilities, establishing structures, simplifying processes to make them lean and agile and explicitly giving autonomy to implement ideas, instil purpose, sense of ownership and pride of being a part of a leading retailer who is also a key community player	• Continuous improvement systems (use data collection and analysis) • Improve quality and lower costs • Improve efficiency of supply chain • Adopt more resilient and sustainable farming systems • Circular economy approach	• Employee pride and empowerment • Seamless training on objectives	• Lookout for opportunities • Partnerships with academia • Lean/agile systems approach

Our business model

Our business model describes how we create long-term sustainable value for our stakeholders – through the effective and balanced use of our capitals as defined in the International Integrated Reporting Council's International Framework – while keeping the customer at the centre of everything we do. Our business model is underpinned by strong corporate and social governance, with our unique values at its core.

Inputs into our business model	Capital inputs	
Financial Funding received from providers of capital and debt and the financial resources available to the Group	• P636 million of borrowings	• P700 million of unsecured, interest free current liabilities
Human Employee skills, capabilities, development and experience	• 9 385 employees • Management expertise and skills	• Well trained employees
Intellectual Skills and knowledge within the organisation and the enabling systems and processes	• Strong brand equity • Growing own brand offer and product development: private label items are available in just about every food and non-food category – fresh, frozen, canned, dry foods,	snacks, ethnic specialities, health and beauty care, household as well as laundry products • Sophisticated IT systems
Manufactured We use physical infrastructure within our operations that includes our store estate, distribution capacity, and information technology platforms	• 150 stores • Four support offices • Eight distribution centres • In-house supply chain with regionalised distribution centres	• Valued partnerships with transport logistics providers and own transport fleet
Natural Environmental resources used in our direct operations and in our supply chain which impact on our prosperity and sustainability	• Restrained, appropriate carbon footprint • Prudent consumption of resources: water, electricity	• Eco-friendly refrigeration • Conscious focus on use of recyclable material • Minimising food wastage
Social and relationship The relationships we have with our stakeholders, including our customers, suppliers, business partners, communities, and other stakeholders	• Customer-led long-term strategy with market research • Meaningful corporate social investment programme • Strong platforms for stakeholder engagement	• Strong relationships with customers, suppliers, funders, communities and government • 90% local suppliers and service providers, from whom we procure goods and services

Advancing our business model during the year:

- Technical and financial support to farmers with the purpose of facilitating their process of adaptation to offer fruits, vegetables and meat that fulfil the requirements of a sophisticated demand
- Improved display of fresh produce and meat, with the intention of promoting the consumption of natural and healthy products and generating pride around the supply of local products
- Improvement in distribution and packing capacity, with actions such as new specialised DCs and better cold chain logistics, as part of circular economy approach to reduce waste and use residues as biomass that can transform into energy
- Innovation concentrated on improving the efficiency of the supply chain, the adoption of more resilient and sustainable farming systems, and changes in processes to increase the options of a circular economy approach
- Introduction of new, clean and sustainable options, such as local produce, organic produce, fresh fruits and locally grown vegetables (using hydroponics, for example), vegan and plant-based alternatives, amongst others
- Highlight the importance of local producers in the food system through activities such as farmers' markets and fruits and vegetables festivals, where customers can have contact with the source of the fresh produce and meat they consume

Business activities	Value added	
Providing the best value for money, convenience and a broad service offering, including bakery, butchery, fresh fruit and vegetables, takeaways and relevant financial services in urban, semi-urban and rural areas and shopping centres, close to residential areas and transport nodes.	• Group EBITDA on a comparable basis, adjusted for IFRS 16 increased by P90 million	• Borrowings reduced by P24 million • Interest paid at P103 million • Market capitalisation at P782 million
	• Job creation across southern Africa • Salaries P385 million	• Economic upliftment • Socio-economic development
	• Affordable groceries in underserviced urban, semi-urban and rural areas	• Value for money for consumers
Providing consistent quality, across all products, supported by our superior in-house distribution and logistics capabilities. Fresh fruit and vegetables are sourced direct from farms.	• Inhouse maintenance services	• Master database management and contracts with technology services providing for systems support
	• Long term alternate solar energy planning • Waste management	• Recycling • Water consumed – 210 megalitres
	• Business support for local suppliers and landlords – 75% of fresh produce in Botswana is distributed through Choppies	• Choppies supports small-scale local manufacturers • Farmers advanced • Food security for the nation

Our market in context

Botswana

Botswana has enjoyed strong and stable growth since independence, with sizable fiscal buffers and prudent policies playing a key role in shielding the economy, despite diamond market weakness and volatility. More recently, the limitations of Botswana's diamond-led development model have become more apparent with slower economic growth, high inequality and limited job opportunities. Although 2019 growth was positive at 3.5%, it is slightly lower than the 4.5% achieved in 2018. The country has been affected by the weakened global demand for diamonds alongside severe droughts in the region.

The global slowdown in demand and increased trade restrictions in light of Covid-19 is expected to have a profound impact on Botswana's economy, particularly on the diamond industry and tourism.

The diamond industry is an important driver of growth, being the single largest contributor to government revenues and accounting for 80% of export earning, the expected reduction in activity is estimated to result in a 1.2% growth contraction at the end of 2020. Pending global recovery, economic growth is predicted to stabilise at just over 4% by 2022 and thus create conditions for a reduction in extreme poverty levels.

The authorities' ability to implement a new growth model focusing on export diversification strategy as outlined in the National Development Plan 11 ("NDP 11") and the much needed business reforms will play a critical role in Botswana's economic performance.

Considerations	Challenges/responses
• Choppies has a strong leadership position in the retail sector in Botswana and is an active participant in the economy as the largest private sector employer • The saturated market has led to more competition and Choppies still has room for more revenue by adding more value to customers that have a relatively high purchasing power and their consumption habits are slowly becoming more sophisticated • Higher efficiencies obtained from technological innovations could also work as differentiators for increasing profits • With a wide network of stores in the country, Choppies is well-positioned to introduce new and profitable services that cater for specific needs in communities (shared-value creation through social technologies for accessing clean water and sanitary services or production of energy from biomass or sunlight)	• Around 80% of the Group's revenue is attributed to Botswana, making it difficult to decentralise certain activities and investments from the central office in Gaborone. Many improvements could be achieved by leveraging on other countries' comparative advantages such as production of certain goods with higher quality at a low cost • Reduction of dependency on South Africa as the key supplier of goods, as recent restrictions due to the Covid-19 pandemic has shown how badly that vulnerability can affect the Group's operations • Going beyond being the largest private employer in the country, to developing interventions aimed at the creation of shared value in different areas, leveraged on the vast network and reach that Choppies has in Botswana • Unleashing the innovation capabilities of the Choppies team, by fostering an environment that embraces diversity and welcomes new ideas to promote pride amongst the workforce and changes that improve the Company's performance

Zambia

After 15 years of significant socio-economic progress and achieving middle-income status in 2011, Zambia's economic performance has stalled in recent years. Between 2000 and 2014, the annual real GDP growth rate averaged 6.8%. The GDP growth rate slowed to 3.1% per annum between 2015 and 2019, mainly attributed to falling copper prices and declines in agricultural output and hydro-electric power generation due to insufficient rains.
In 2019, economic growth declined significantly, from 4% (2018) to 1.4%. The services sector remained the country's key driver of growth, growing by 3.5% in 2019, but primary and secondary sectors decreased significantly.

The Covid-19 pandemic has exacerbated Zambia's macro-economic vulnerabilities. The country is Africa's second largest copper producer and depressed commodity markets have pushed copper prices down by about 14% through May 2020. The supply chain breakdown in major trading partners such as China and South Africa is negatively affecting domestic production and consumption. The Kwacha has depreciated by 30% since the beginning of the year, increasing external debt servicing costs and domestic inflationary pressures. Falling revenues and increased Covid-19-related spending will worsen the 2020 fiscal position, and falling exports and capital inflows will put additional pressure on foreign exchange reserves.

As a result, the economy is projected to contract by about 4.5% in 2020. The mining and services sectors will be impacted by the global commodities demand and price outlook and increased social distancing measures to contain the Covid-19 outbreak. The current account deficit is expected to worsen to 3.4% of GDP, while lower copper export earnings and capital inflows will put pressure on reserves and the Kwacha.

Domestically, increases in the number of Covid-19 cases and related social distancing measures could overwhelm the health system and result in massive business and job losses, especially in the urban informal sector.

Considerations	Challenges/responses
• Currency volatility and depreciation affects margin negatively due to increasing rentals, which are negotiated in US Dollars, and more expensive imports that are paid in foreign currencies • Customers look for low prices, instead of variety in goods but are very proud of their local brands • Telecom and money transfer services are already well established in booths and shopping malls • Relatively easy to find skilled employees • Electricity service is very deficient	• Increase the revenue and footfall • Attracting low and middle income population, which in many cases prefer buying from informal traders • There are some good experiences with differentiated products • Offering local brands in order to improve positioning amongst customers, by creating strong links with local producers and manufacturers • Reducing real estate costs • Attain higher store productivity and improve inventory control • Being able to offer home delivery with poor infrastructure (considering improvements to 5-6 stores in the country). • Developing alternative power sources

Our market in context continued

Zimbabwe

Zimbabwe is facing an economic crisis, further worsened by the Covid-19 pandemic. In 2019 Zimbabwe was hit by severe drought and Cyclone Idai that coupled with shortages of foreign currency led to double-digit contraction of agriculture, electricity, and water production and pushed more than half of the population into food insecurity. Lack of effective fiscal-monetary-forex policy coordination and significant quasi-fiscal activities by the Central Bank undermined the de-dollarisation effort and resulted in a rapid depreciation of the local currency and high inflationary pressures.

High inflation eroded disposable incomes of the population and depressed domestic demand. GDP is estimated to have contracted by 8.1% in 2019 and the recession is projected to continue in 2020 due to persistent climate shocks and domestic vulnerabilities worsened by Covid-19. The pandemic has negatively affected exports, tourism, and manufacturing, deepening the economic crisis and poverty. As uncertainty about the duration and severity of the virus spread remains high, GDP is expected to contract in 2020 between 5% under the baseline scenario and 10% in the low case scenario.

Inflation reached triple digit levels in 2019 and is projected to remain high in 2020 as Covid-19 disrupts production and trade. Inflation surged to 521% year-on-year in December 2019, fuelled by a rapid exchange rate depreciation, poor harvests, and reduction of subsidies on fuel and electricity. Food prices increased by 725%, resulting in a severe loss of purchasing power for the poor. Continued local currency depreciation, disruption of production and trade as a result of Covid-19 are likely to fuel inflationary pressures in 2020.

The government introduced a new inflation rate in June 2020 based on blending USD and ZWLD (local currency) prices. The blended annual inflation rate stood at 457.2% in June 2020 while the unblended (usual) annual inflation rate stood at 737.3% down from 786% in May 2020. With limited access to external financing and growing humanitarian needs due to Covid-19 and persistent climate shocks, the government may resort to monetary financing, stoking further inflation.

Considerations	Challenges/responses
• Highly unstable political and economic conditions that have caused shortage of foreign exchange to pay for imported goods, reduction of buying power of workers paid in local currency and riots from time to time that result in burning of infrastructure and lootings in different parts of the country • Situation is expected to improve in the future and the economy will very likely boom as the country has plenty of natural resources (especially minerals such as gold and platinum) around which the economy could be reactivated • Even though most of the population has lost its buying power very drastically, there are still groups of consumers that receive salaries in USD and are interested in goods and produce of better quality and higher price • Over the years, Choppies' operations in the country have been forced to rely on local suppliers that have emerged to replace foreign suppliers exiting the market. This experience is likely to bring many valuable lessons that could be transformed into win-win opportunities for Choppies and its suppliers in the country	• Remain profitable in a market that has not shown any sign of recovery yet • Adapt to changing conditions (e.g. new auction system for FOREX) and be capable of responding with limited access to resources • Explore partnership opportunities with local suppliers that could be a source of good quality and low price products and can benefit from Choppies' network to have access to raw material and to a greater market in southern Africa • Refit stores and find new locations where access to customers with higher purchase power is possible • Develop and position new additional services such as money transfer system for remittances to local customers with relatives working abroad

Namibia

Namibia's economy continued to face significant headwinds with real output contracting by a further 1.4% in 2019. With an average growth of 5.3% between 2010 and 2015, the country's economy entered a recession in 2016 and has since struggled to grow.

Covid-19 is set to have an unprecedented impact on Namibia's economy. With trade largely concentrated on a few countries and commodities, travel restrictions and lower demand will result in a contraction in exports.

Gross domestic expenditure will also narrow as investment remains muted and the contraction in private consumption, witnessed since the growth slowdown began in 2016, continues. Economic lockdown will also impact tourism, retailers and service sectors, which may result in rising unemployment levels. Taken together, these developments are expected to result in a growth contraction of 4.8% in 2020. The growth outlook is subject to significant uncertainty given the unknown profile of the pandemic and likelihood of further restrictions in activity. Planned investments in mining could create further impetus in the medium term, but significant structural and policy reforms will be required for broader-base growth.

The extreme poverty rate is expected to rise by nearly 2.7 percentage points in 2020, as the pandemic is threatening to widen gaps and increase the already extremely high inequality. The most affected are people living in urban areas, people with secondary education, and those employed in construction, manufacturing, private services, trade or transport sectors.

Considerations	Challenges/responses
• People are moving from rural to urban areas and concentrate on the centre and coastal areas (around Windhoek and Walvis Bay) and on the north by the border with Angola • Customers appreciate local products and brands, however, they are highly influenced by consumption trends in South Africa (for example, number one brand of rice in South Africa is also the preferred one by customers in Namibia) • Import restrictions, mainly in products related to livestock such as dairy and meat • Many competitors are making bold moves towards online trade, as the penetration of internet (both fixed and mobile connections) is the highest out of the four countries • Relatively stable country: sound banks and stable government • Choppies is a member of Team Namibia, a not-for-profit movement aimed at mobilising Namibian consumers to buy local, as well as driving the promotion of the production of quality local products and services • Being the only country with access to the sea out of the Group and considering that important investments have been made to increase Walvis Bay Port's capacity, this could become a logistics hub with advantages for Choppies in the future	• Position Choppies to a broader range of public with express store and mini market formats that have a low CAPEX and offer the opportunity to increase geographic presence in the country very rapidly • Develop a logistics system adequate for the country's needs (i.e. independent from Botswana) • Develop online trade modalities, as the country has a relatively high number of internet users • As plans for improving the capacity of Walvis Bay Port and transforming it into a logistics hub for the SADC are ongoing, this alternative should be assessed in order to reduce dependence on South Africa as the source for many products that are sold at Choppies' stores • With the highest share of electricity in stores' expenses (around 6%, compared to 3% to 4% in other countries) and plenty of sunlight throughout the year, this is a market where a solar energy system pilot could achieve an attractive ROI more easily than in other countries

Source: Worldbank, KPMG, Trading Economics, IMF, Lloyds Bank Trade, Fitch Solutions

CEO's strategic update and operational review

RAMACHANDRAN OTTAPATHU
CEO

FY2020 was undoubtedly the most challenging year in my career with this Company.

The year started with uncertainty looming around the Board battle culminating in the EGM on 4 September 2019. The issues raised have now been resolved and settled on amicable terms.

The other challenge that the Company faced was selling and/or closing the loss-making operations. The long process of selling the South African operations came to an end when we found a buyer in November 2019 and was concluded at the end of February 2020.

Our operations in Mozambique were closed during September 2019 followed by the closure of the operations in Kenya and Tanzania during March 2020.

The new Board, acting CFO and support team put in a lot of effort to publish all the pending results for FY June 2018, H1 June 2019, FY June 2019, H1 June 2020 and FY June 2020. This was a mammoth task and everyone should be appreciated and acknowledged for their selfless efforts.

More pleasing to note is that all the "forensic" investigations and reports came out clean, clearly demonstrating the fundamentals of this organisation and the solid fibre and extreme transparency of this Company, which will continue going forward.

Covid-19 had an impact on all aspects of our business and our business model was to some extent resilient to the effects of the pandemic and we are hoping that going forward the journey will be smoother.

Our vision and strategy

Our overarching strategy for the next two to three years is "back to basics" and our vision is that Choppies will be the preferred choice of retailer for mass grocery and financial services in the four countries in which we now operate.

For the front end of our business, our strategy is to expand and improve the non-traditional offering that people will use and become a genuine local community player. For the back-end our strategy focuses on an efficient and sustainable value chain, improving and developing stronger supply chains and instilling continuous improvement Company-wide. The following objectives have underpinned our strategic goals for the year:

- Consolidation of the portfolio
- Reduce debt levels
- Focus on operational performance
- Build on shared-value concept
- Expand financial services
- Strengthen governance processes
- Restore stakeholder confidence
- Longer-term backward integration to secure key supplies

For the front end of our business, our strategy is to expand and improve the non-traditional offering that people will use and become a genuine local community player

In executing our strategy there are some organisational challenges such as building on a solid foundation that is scalable and provides data for analytics; establishing an innovation system to accelerate improvements, reaching a balance between centralised and local strategies and execution that allows the required agility to respond to opportunities while ensuring the efficiency of centralised operations.

A good corporate citizen

Choppies aims not only to be a one-stop-shop community hub that transacts with its different stakeholders with goods and services but also with intangibles like skills or innovation, fostering prosperity.

This year we donated six houses to the PHA (Presidential Housing Appeal) initiative which provides accommodation for the needy. The PHA programme provides shelter to hundreds of men, women and children.

The Solar Lamp Donation is an initiative created due to the Covid-19 pandemic. Solar lamps were donated in Botswana as a contribution towards underprivileged families, with a strong focus on families with children that are still in school and need the lamps to assist them when studying from home. Choppies donated BWP3.4 million to the Covid-19 relief fund. We donated to a further nine charities, totalling BWP6 239 278.

See pages 36 to 37 for more detail on the CSR activities in the Group including the impressive work our teams have done in Zambia, Zimbabwe and Namibia.

Operational review

Number of stores	June 2019	New stores	June 2020
Botswana	88	**3**	**91**
Zambia	21	**1**	**22**
Zimbabwe	32		**32**
Namibia	4	**1**	**5**

Botswana

Trade in Botswana is becoming overpopulated and we are not an exception to this pressure. We have therefore focused on becoming a leading company with an evolved value proposition comprising higher margin goods and services and being the test-bed for innovation digitisation.

This year we have furthered expansion in the territory with three new stores, and the addition of new value-added products, especially in grocery and the expansion of fresh produce and meat. To increase brand loyalty, we are optimising our store formats to suit the needs of different population groups, by increasing revenue per square metre.

Choppies has partnered with BotswanaPost which has expanded its Smart Partnerships model to offer PosoMoney (payments of social grants and other postal services). BotswanaPost will be able to tap into our branch network of 91 stores countrywide, thus continuing to bring the post ever closer to communities. The Covid-19 era has made the need to decongest post offices paramount, especially during peak periods. The need to comply with the social distancing protocols and guidelines, and putting the health and safety of customers first, necessitated the rolling out of pay points for social grants to both Choppies and PosoMoney.

This year we have actioned and invested in:

- Building a robust back-end digital platform
- Deploying a value creation strategy to improve positioning in the market
- Improving customer experience by innovating
- Upskilling our workforce with internal training programmes

Zambia

In Zambia 80% of the population lives below the poverty line and there is a huge informal sector (80% of grocery sales). This has guided our approach towards a competitive-priced offering.

This year we opened one store in an underserved area with a maximum of 10 000 SKUs, attracted consumers with promotions, local brands and some iconic differentiated products, and supplied wholesale to village stores. We have added services including medical check-ups and insurance, and adapted two stores to target higher LSM customers. We also increased other revenue sources such as commissions, rebates and discounts.

The depreciation of the local currency negatively affected our Group results, but trading was good and continued to grow.

This year we have actioned and invested in:

- Increased local sourcing
- Looking for lower-cost real estate in local currency
- Providing internships and part-time jobs

We are very optimistic about this model as we have already achieved good penetration in a very short period of time.

CEO's strategic update and operational review
continued

In the medium- to long-term we should be able to deliver a very substantial return to all our stakeholders and create shared value in our communities with a newly improved strategy, vision and purpose

Zimbabwe

Choppies entered Zimbabwe in 2013 through an acquisition of existing stores from Spar's network. At that time the market looked promising, but the situation changed very drastically due to political and economic instability that has affected Choppies' operations very badly, with stores being burned and/or looted during riots, deprived buying power in communities because of hyperinflation, and shortage of FOREX that has scared away foreign suppliers not willing to accept long payment periods until US Dollars are available in the economy.

This year we reduced the number of SKUs from 25 000 to 6 000 and focused on essential goods such as millet, rice, milk, oil, salt and sugar, amongst others. We are catering for low income groups of consumers that have lost buying power because of hyperinflation. We rely on a network of local suppliers that source 80% to 85% of products sold at stores.

Hyperinflation and availability of FOREX are the biggest challenges moving forward and we are hoping for a serious turnaround in the situation.

This year we have actioned and invested in:

- Refit of selected stores
- Explored new locations to cater for consumers with higher purchasing power
- Prepared for the awakening of the "sleeping giant" when Zimbabwe's economy starts growing rapidly

Namibia

Even though there is a strong dependence on South Africa as a source of different products, Namibia is a very similar market to Botswana in many aspects that can be summarised as two relatively large countries with small populations, stable political systems and economies. Choppies' operations in the country started in 2017 and only five stores have been opened since then.

We opened a new store during the financial year and the intention is to add more stores in a phased expansion drive.

This year we have actioned:

- Investigating a new distribution centre
- Improved trading terms with suppliers
- Focused on solar and alternate energy

Looking ahead and our priorities for the next financial year

We expect challenging economic conditions to persist in the short to medium term owing mainly to Covid-19. Our short-term objectives are mainly debt reduction and phased, managed expansion. In the medium- to long-term we should be able to deliver a very substantial return to all our stakeholders and create shared value in our communities with a newly improved strategy, vision and purpose.

Appreciation

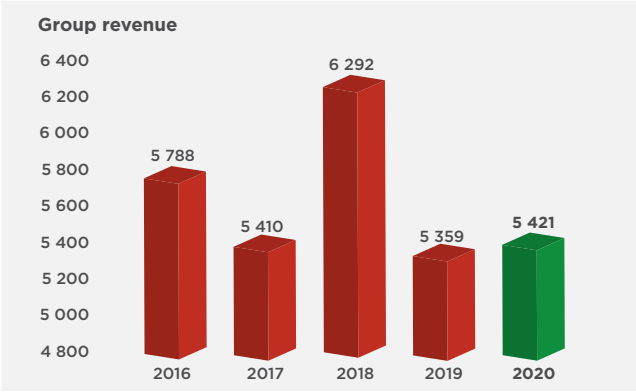
I thank all our Choppies colleagues in all regions, from the shop floor to head office, and our management teams at head office as well as in the regions for their tenacity in trying conditions, unflagging optimism and commitment. I also thank our Chairman and the Board for their wise counsel during the year. Finally, I must express my appreciation to our loyal customers, business partners and shareholders without whose support we would be nowhere.

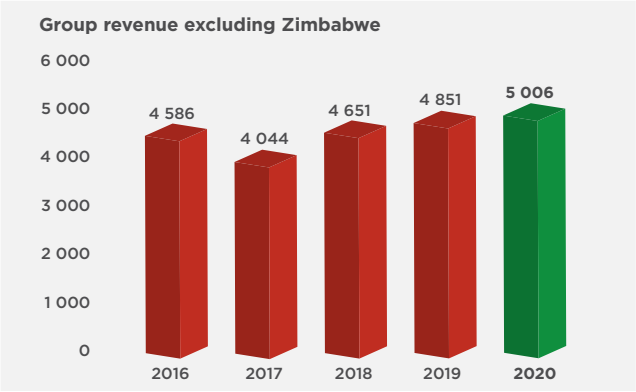
Ramachandran Ottapathu
CEO
21 October 2020

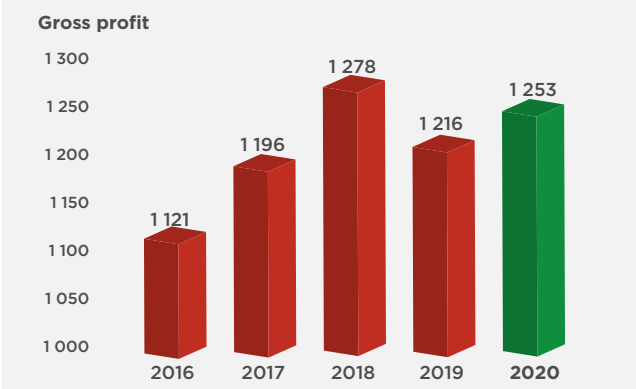
Five-year review

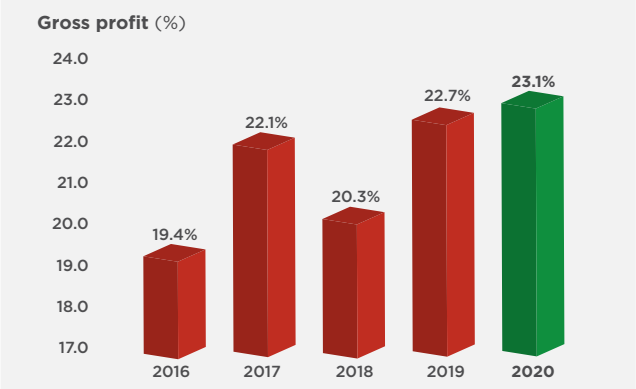
Continuing businesses only

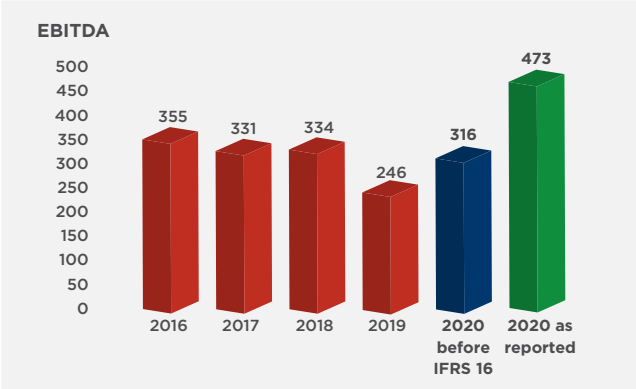
Group revenue is affected by hyperinflation in Zimbabwe and as a consequence we show Group revenue excluding Zimbabwe.

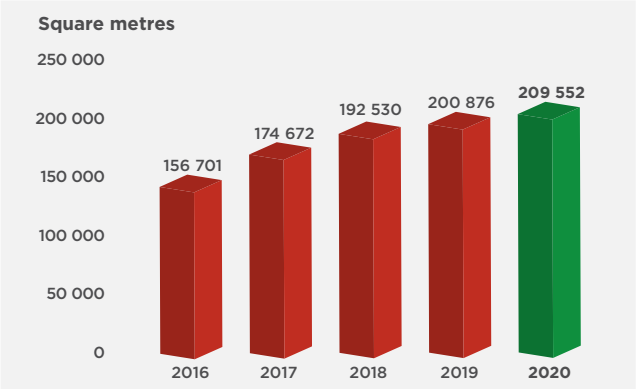


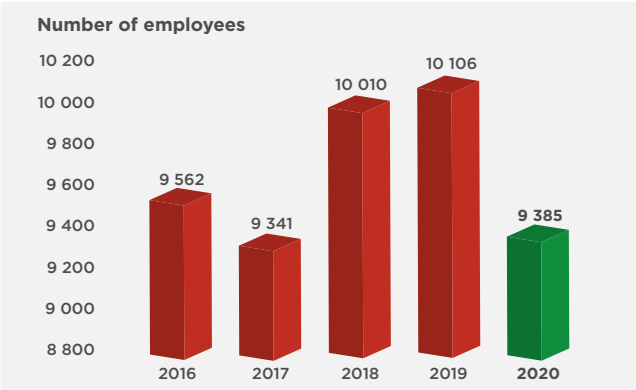












Directorate

Executive directors

RAMACHANDRAN "RAM" OTTAPATHU (56)
CHIEF EXECUTIVE OFFICER
BCom, CA (ICAI), FBICA
Appointed: 2004

Ramachandran joined Choppies in 1992 and has been heading operations since 2000. He has been instrumental in growth in Botswana and in other countries in which we operate. Ramachandran has over 28 years' experience in the retail industry in finance and operations, and in other industries such as manufacturing, packaging, milling, real estate development and medical distribution. He is a fellow member of the Institute of Chartered Accountants of India and fellow member of the Botswana Institute of Chartered Accountants.

Non-executive director

FAROUK ISMAIL (67)
DEPUTY CHAIRMAN
Appointed: 2004

Co-founder of Choppies. Opened the first store in Lobatse in 1986 under the name of Wayside Supermarket, has been instrumental in the group's growth.

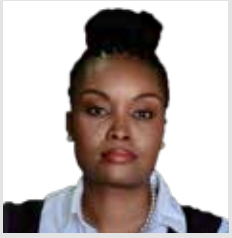
Independent non-executive directors

UTTUM COREA (73)
CHAIRMAN
FCA (SL), FCA (BICA), PIAM (Harvard)
Appointed: 11 September 2019

Uttum joined Coopers & Lybrand, Botswana in 1973 and became a partner in 1982. He concluded the merger of Coopers & Lybrand and Pricewaterhouse in Botswana and was appointed as the first Senior Partner of PricewaterhouseCoopers in Botswana in 1998. Uttum retired from PwC to take up an appointment in 2008 in the Office of the President and was appointed Director General of the National Strategy Office of Botswana reporting directly to the Presidency in 2010 and served until 2019.

Uttum is a Past President of the Botswana Institute of Chartered Accountants; a former board member of the Bank of Botswana; served as the first Chairman of the Botswana Export Development and Investment Authority; served as a founder member of the University of Botswana Foundation; served as a founder member of the Mokolodi Wildlife Foundation; a former board member of Botswana Insurance Holdings.

He was honoured by Rotary International with the Paul Harris Fellowship and a special Rotary Centennial Service Award for Professional Excellence, in recognition of professional achievement, demonstrated by high ethical standards, community and vocational service and dedication to the concept of service above self.



CAROL-JEAN HARWARD (34)
BFIN, MBA, CIIA®
Appointed: 6 September 2019

Carol-Jean is an investment professional with over 12 years' experience across equities, credit opportunities (structuring) and fixed income, having worked at the World Bank (IFC), Barclays Bank, African Alliance Asset Management and Investec Asset Management. She is the founder of Anandi Capital – a women owned and led alternative investment firm focusing on funding women-led businesses and/or projects in Southern Africa.

She is the Chairperson and founder of Women First Fund, an initiative with close to 100 members aimed at empowering small, Botswana women-owned businesses financially and otherwise. She also served as the vice Chairperson of the Botswana Bond Market Association.

TOM PRITCHARD (65)
BCom (Hons), CA(SA)
Appointed: 6 September 2019

Tom's career spans over a period of 37 years in the FMCG (fast moving consumer goods) industry. His executive positions included financial director and CFO of JSE-listed companies ICS Holdings, the largest perishable food manufacturer and distributor in SA, Astral Foods and Famous Brands. Tom was also financial director of the Consumer Brands division of Tiger Brands.

He served as non-executive director of another five JSE listed companies and in most instances, chair of the audit committees. Tom retired in 2017 as chairman of JSE listed Sovereign Foods.

Management team

JACO DE SWARDT (57)
RETAIL AND FMCG ADVISER
BCompt (Hons)
Appointed: 1 April 2020

Jaco has eight years' financial experience, 12 years' operational management experience and seven years' executive food buying experience. Previous work experience includes Shoprite Checkers Head office-setting up an international food buying department with the focus on private labels, global imports, negotiating trade term contracts, training and development of food buyers, managing a department of 10 senior managers each responsible for their own area of expertise, taking responsibility for the Group's margin, liaising with suppliers and their subsequent trading on the rest of the continent. He is currently performing the role of deputy CEO.

VIDYA SANOOJ (37)
INTERIM CHIEF FINANCIAL OFFICER & INVESTOR RELATIONS
BCom, CA (ICAI), FBICA
Appointed: 11 September 2019

Vidya has 15 years' experience in accounting, finance, corporate restructuring and mergers and acquisitions. Her experience has involved working with the CEO of a multinational merchandise retailer and its related entities. She is a fellow of the Institute of Chartered Accountants of India and of the Botswana Institute of Chartered Accountants.

MINNESH RAJCOOMAR (55)
CHIEF FINANCIAL OFFICER
BCom (Hons), CA(SA)
Appointed: 1 May 2020

Minnesh has 32 years' of experience in accounting, finance, corporate restructuring and mergers and acquisitions. His experience has involved working for Nampak, the largest packaging manufacturer in Africa and Edcon, owner of clothing retailers Edgars and Jet. Minnesh was the CFO for the Edgars division and has held other senior finance positions at Nampak and Edcon. He is a fellow of the South African Institute of Chartered Accountants and of the Botswana Institute of Chartered Accountants.

Sustainability report

Stakeholder engagement

We are committed to communicating openly, transparently and in a timely manner with all our stakeholders. Our stakeholder engagement helps us to better define our business strategy, sharpen our decision-making and enhance our Company's economic, environmental and social performance. Accordingly, we seek to understand the perspectives and needs of our stakeholders, set expectations for areas of mutual concern, act upon these expectations and ensure our stakeholders remain informed about our progress. We communicate with our stakeholders through various means including our website, release of results bi-annually, Integrated Annual Report, BSE and JSE regulatory announcements, one-on-one meetings, customer surveys and ongoing informal discussions.

We continue to focus on improving our engagement strategies and view communication and relationship management with our stakeholders as integral to our sustainability and a critical part of our business strategy.

Engagement enables us to:

- Identify and act on issues affecting our stakeholders and our business
- Improve our understanding of stakeholders' expectations, aspirations and interests
- Strengthen the transparency and accountability through which we have established valued relationships
- Consider the concerns and interests of stakeholders when determining our material issues and strategic response

Our key stakeholders and the issues that concern them are highlighted below:

	Financiers
Key interests	• Effective debt reduction and management • Regular discussions with funders • Compliance with various loan covenants and undertakings • Liquidity management for solvency • Sustainable growth
Main issues in FY20	• Timely reporting and covenant compliance
Engagement	• Regular meetings • Agreed a new debt restructuring plan (see note 44.3 of the annual financial statements) • Regular tracking of finance covenants • Repayment of loans in terms of agreed timelines

	Suppliers
Key interests	• Building relationships to ensure business continuity • Honouring agreed terms of payment • Honouring agreed terms of service • Clear communication of expectations
Main issues in FY20	• Our suppliers seek sustainable relationships and efficient, effective access to our markets through our supply chain. They want to expand their businesses with our support
Engagement	• Regular contact with suppliers • Maintaining close relationships with suppliers • Implementing enterprise and supplier development initiatives • Implementation and monitoring of service level agreements • Sound commercial contracts

	Customers
Key interests	• High product quality as value for money • Convenience of location of stores and trading hours • Competitive pricing structures • High service levels • Availability and variety of products • Extensive relationship building
Main issues in FY20	• Our customers want value for their money and we strive to provide this • Clean hygiene and environmentally friendly products and other customer concerns
Engagement	• Customer-centric business model • Feedback from customers informs enhancement of products • Conscious effort to meet expectations where applicable • Continual product and service quality monitoring • Facilitation of promotions • Online delivery

	Shareholders
Key interests	• Board and management stability • Earnings and sustainable growth • Share price performance • Risk and mitigation strategies • Payment of dividends • Diversified footprint and segments • Strong management team • Restructuring or selling failing businesses • Sound governance
Main issues in FY20	• Restoration of breakdown in corporate governance • Succession plan for CEO • Discontinuance of loss-making operations • Appointment of a CFO and Deputy CEO • Catch-up of outstanding financial results • Restore listing on BSE
Engagement	• Results releases for 2018, 2019 and 2020 • Extraordinary general meeting • Two circulars to shareholders • Regularly updated through XNews/SENS • Integrated report • Trading updates • Website updates

	Employees
Key interests	• Job security and fair treatment • Learning and development • Safe workplace • Competitive remuneration • Recognition of performance • Transparent and regular communication
Main issues in FY20	• Protection measures against Covid-19 • Our employees want to develop their skills and careers in a safe and healthy working environment with opportunities for growth and empowerment
Engagement	• Regular staff engagement and communication, both at group and segmental levels • Training facilitated, based on individual goals and Company-specific requirements • Staff development initiatives • Annual appraisals • Code of ethics • Covid-19 protection and training

	Regulators and government
Key interests	• Compliance with all relevant laws and regulations timeously • Transparent reporting • Giving back to society
Main issues in FY20	• Regulators want to ensure that we comply with regulations and that we are creating jobs and economic opportunities in the countries where we operate • Non-compliance with outstanding financial reporting • Suspension from trading on BSE and JSE • Appointment of legal advisor
Engagement	• Regular contact with regulator, registrar, BSE and JSE around outstanding financials and re-listing of company shares

Sustainability report continued

	Communities
Key interests	• Social licence to operate • Employment opportunities • Environmental sustainability • Donating to local upliftment projects • Shared value initiatives
Main issues in FY20	• Many of the communities where we operate are characterised by high unemployment and relatively low income levels. In general, communities want upliftment through access to jobs and the formal economy. They seek opportunities for better lives through companies like ours. In addition, communities want assurance that we will not operate exploitatively and will be there for them • Introduction of the shared value concept as a key strategic issue
Engagement	• Regular review and assessment of CSI projects • Monitoring of the implementation of the Group's CSI strategy and projects • Corporate social responsibility initiatives

	Media
Key interests	• Understanding the Choppies business • Integrity of communications and reporting
Main issues in FY20	• Transparency regarding governance
Engagement	• Circulation of press releases • Media alerts through SENS announcements • Specific direct engagements

	Employee respresentation
Key interests	• Advancing matters of mutual interest • Change management programmes • Partnering to effect workplace transformation
Main issues in FY20	• Unions are concerned about wages, work scheduling practices for full-time and part-time employees, transportation, and late trading hours. These are common features of the retail industry
Engagement	• Regular consultation on reward and employment conditions • Consultation on transformation • Local economic development and corporate social investment • Skills development • Covid-19 training

We continue to focus on improving our engagement strategies and view communication and relationship management with our stakeholders as integral to our sustainability and a critical part of our business strategy.

Our people

The success of our business is directly linked to our human capital resources and our people are critical to the delivery of shareholder value. Our workforce currently stands at 9 385 people across four countries.

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

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

We believe in recognising and rewarding high performers who are committed to their work, our organisation and the community. Annual appraisals are conducted based on performance indicators and are used to assess increases and incentives. A long-term incentive plan is being put in place for senior executive employees.

Skills development

The aim is to provide at least 10 hours of relevant training to 50% of employees every year across all categories. Our chief operating officer is responsible for skills development and training throughout the Group and our total training spend came to BWP7 million.

Training empowers our employees, develops their skills and keeps our entire workforce abreast of changing industry trends. This is especially important as technology catalyses quicker change and disruption in the retail industry.

Our training encompasses two types:

1. External training – Provided by the Human Resource Development Council accredited trainers
2. Internal training – On-the-job training and training conducted by suppliers

Training, wherever applicable also intends to formalise and fast-track skills transfer within the ranks of the organisation.

During the year, the following training programmes took place:

9 385
employees

2 672
employees trained

4
countries

Single largest private sector employer in Botswana

Headcount

Botswana	**6 272**
Zambia	**1 170**
Zimbabwe	**1 617**
Namibia	**326**

Courses	Trainee numbers	Major course elements
Customer service	**1 515**	Behavioural and practical skills of customer service
Disciplinary	**49**	To conduct disciplinary hearings, relevant labour laws and documentation
Excel	**38**	Basic Excel including basic math and text formula for retail store managers
Finance and non-finance	**49**	Basic financial skills including reading and interpreting financial statements for retail managers
Fire	**131**	Handling of different types of firefighting equipment and maintaining them
First Aid	**55**	Handling emergency situations and assessing incidents
Forklift – Expert	**247**	Expert course for drivers including advanced technical knowhow and maintenance plans
Forklift – Intermediate	**142**	Intermediate course for drivers including basic technical knowhow and maintenance plans
HR management	**107**	Handling various human resources related needs and situations specific to workplace.
Merchandising	**144**	Improving merchandising skills for specific types of traded products. Covers displays, pricing and store layouts
Supervisory	**195**	Apply effective supervisory skills, Plan and organise subordinates

Sustainability report continued

Safety and health

Our employees and customers regard us as the custodians of their health and safety in our operations and trust us to provide them with quality products and safe workplaces. We implement effective quality control measures to prioritise the safety and security of our employees and customers.

Safety, health and environment

Choppies has a safety, health and environment ("SHE") policy and standards and a SHE programme to implement the policy. During the year, a third party, SHE Group, was engaged to assist with the assessment of the programme which included training of SHE representatives, implementation and performance measurements. Performance measurements are ongoing with biannual occupational health and safety audits for all stores in Botswana.

The Company has received no significant fines for non-compliance with environmental laws and regulations this year. Our environmental policy is being made more comprehensive as a part of the new strategic outlook for 2020-23.

Safety

The safety of our employees is a top priority. Choppies subscribes to a zero-harm policy and we are committed to preventing accidents that may affect our employees, equipment, facilities or customers. The Choppies Health and Safety Manual is a comprehensive Group-wide policy and adherence to the manual is monitored by regular audits.

This year four worker-related injuries were reported and all of them were reported from the butchery. This is being addressed by educating employees to strictly use protective clothing and equipment.

Covid-19

As an essential service provider Choppies continued operating throughout the lockdown. We implemented additional training for staff and as they are frontline staff we ensured that they were kept safe and healthy at all times. We bussed staff to work during lockdown periods to avoid the use of public transport. Additional hygiene protocols were put in place in all operations. In addition Choppies contributed to Botswana's Covid-19 initiatives as well as the initiatives in the other countries in which we operate.

Food safety

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

Key findings and corrections:

1. Improvement required in processing and storage of food due to some of the temperature parameters being redesigned and equipment upgraded
2. Improvement in personal hygiene – addressed by stricter implementation of standard operating procedures
3. There has been no change in the procedures regarding food safety but frequencies are being amended and will be made more scientific going forward

Suppliers and procurement

The following are embodied in our supplier relationship policies:

- All relationships should be transparent and conflicts should be declared upfront
- Local suppliers will get priority in each country of operation
- No product should have any element of unethical business practice such as duty evasions, sanctioned suppliers, child labour, etc.
- All health certification and standards clearance are required and a record is maintained by the Company
- Random audits should be done and cleared
- National interests such as import substitutes, food security, employment generation, anti-dumping regulations and women and citizen empowerment should be given priority in selecting the suppliers

Environment

During the year, the Company continued with its focus on water and energy efficiency and re-using and recycling waste material where possible. Food waste has a direct impact on our operations and margins. We have efficient systems that keep food fresh in our stores and distribution centres. Plans are in place to move to green renewable energy including the use of solar energy.

Recycling of water from purifiers for ablution have been implemented in three stores in Botswana. Sewage waste water particles are tested to ensure no chemical waste is discharged. We have reduced the use of water by changing taps and showers. A pilot scheme was implemented in the maintenance department which has reduced water consumption by about 40% in the pilot areas. We consumed approximately 210 megalitres of water during the year.

A change to LED lights saves 20KW power in an average store, which will reduce our lighting load by about 50%. We have also installed energy-efficient freezers in some stores which brings the consumption down to about 30% of the existing open freezers. All refrigerators are environmentally friendly.

Our carbon footprint strategy and recycling targets are part of the strategy under the consideration of the Board.

Dry waste is separated into biodegradable and other waste and disposed of accordingly.

We are also enforcing the use of renewable shopping bags to reduce the reliance on plastic bags.

Corporate social investment

Choppies has an effective corporate social investment CSI policy in line with the Company's commitment to the upliftment of communities in which we operate. As at 30 June 2020 the total CSI contributions amounted to BWP6.2 million compared to BWP4.3 million during the same period last year. The improved expenditure is a result of contributions towards the government's Covid-19 relief fund.

The Group's CSI policies aim to ensure that we properly maintain our social licence to operate by considering human rights as well as the social, economic and environmental impacts of what we do as a business. Choppies is committed to ensuring that any business undertakings are conducted as ethically as possible.

The Presidential Housing Appeal ("PHA") programme provides shelter to hundreds of men, women and children in need of accommodation. Choppies is the biggest contributor in this programme ever since it was launched in 2010. Through PHA's efforts, individuals, companies, societies, schools and the public partnered with the Botswana government to provide shelter and donations to the fund in order to build houses for the less privileged members of society. During the year Choppies donated houses in various districts and sub-districts including Tonota, Folley East, Shashe Mooke, Serule, Khumaga and Xhumo.

The solar lamp donation initiative was created in response to the impact of the Covid-19 pandemic in Botswana. The countrywide initiative provided solar lamps to underprivileged and disadvantaged families, which had no access to electricity. The focus was on families with school attending children who need the lamps to assist them in their studies while having to study from home. Solar lamp donations worth BWP1 million were officially made to five District Councils.

With sports and recreation regarded as key drivers for promoting social change and healthy living in Botswana. Choppies donates soccer kits, food and water to the annual Matlolapata soccer tournament, an initiative aimed at exposing the best talent from the village. As a sign of national pride, the Company further donated towards Botswana's Tokyo 2020 Olympic team, an event that has been subsequently postponed due to Covid-19. Choppies is also an official sponsor to Botswana's young track and field athlete Baboloki Thebe who participates in various elite competitions.

Details of donations during the past year are set out below:

CSI event	Donated amount BWP
Covid-19 Presidential Relief Fund Donation	**3 400 000**
Solar Lamp Donations in villages	**1 000 000**
Botswana Football Association	**790 407**
Presidential Housing Appeal (housing donations) in Tonota, Folley East, Shashe Mooke & Serule, Khumaga and Xhumo	**392 500**
Ghanzi District Council Covid-19 Food Relief	**342 650**
Baboloki Thebe's Annual Sponsorship	**120 000**
Business Botswana – Conversations with Africa Conference Donation	**100 000**
Matlolapata Soccer Donation	**50 000**
Other	**12 721**
Christmas Celebrations for Destitute Houses	**10 000**
Botswana National Olympic Committee	**10 000**
University of Botswana	**10 000**
Lentsweletau Tribal Admin	**1 000**
Grand total	**6 239 278**

Choppies CSR in 2020

1

Covid-19 Botswana donation event by Choppies

Choppies supported the Botswana government's Covid-19 relief fund with a donation of BWP3 400 00 to help fight the pandemic. Pictured is the Chairman and CEO handing over the cheque to His Excellency President Mokgweetsi Masisi.

Choppies donates to the annual Matlolapata soccer tournament

Choppies CEO and Group CFO spent the second day of the year with soccer enthusiasts at the Matlolapata Soccer Tournament. Choppies donated P50 000 worth of water, food and soccer kits.

Date: January 2020
Value: P50 000.00

2

3

Birthday bonanza celebrated by Choppies Botswana

Mr Farouk Ismail (director of Choppies) handing over a cheque for BWP1 000 000 while Choppies celebrated its 50 big birthday bash winners.

Value: BWP1 000 000

4

Solar Lamp donation

Central District, Kgalagadi District, Chobe District and Kweneg District, Botswana

Date: 18, 19 and 21 June 2020

5

Presidents' Housing appeal

Khumaga and Xhumo Villages in Boteti, near Maun, Botswana

Date: 13 July 2019

6

Choppies Zambia CSR donation

The donation by Choppies was live on national television and addressed by the Minister of Health; Dr Chitalu Chilufya and Religious Affairs Minister; Godfredah Sumaili at the Covid-19 National Response and Alert Communication centre.

Value: K150 000

7

Choppies Namibia CSR donation

Handing over of PPE to Namibian ministry of Home Affairs, Immigration, Safety and Security.

Ethical leadership

We are committed to being a good corporate citizen and acting with the highest standards of ethical behaviour at all times. We regard sound corporate governance as imperative to ensuring a sustainable business. The Board is ultimately responsible for the ethical behaviour of the business and endorses the principles of fairness, responsibility, transparency and accountability as advocated by King III. Each director is further expected to adhere to the five moral duties as outlined in King III of conscience, inclusivity of stakeholders, competence, commitment and courage. Going forward the Board will annually assess the ethical performance of the Company.

An ethical culture builds support structures that underpin our core purpose, values and strategy. To ensure that we maintain an ethical culture, governance structures are reviewed regularly to align with best practice and reflect regulatory changes.

Central to ethical leadership is the commitment to ensuring Choppies operates as a responsible corporate citizen. This is evident in our strategy of shared value which is underpinned by the concept of *Botho* (see page 13 for further detail on our approach to shared value). A direct outcome of our shared value is our comprehensive CSI programme (see page 35). Part of being a good corporate citizen is engagement with our stakeholders which we ensure is timely, frequent and transparent (see pages 30 to 32 for more detail on our stakeholder engagement). We further ensure that all elements of Economic, Social and Governance (ESG) are incorporated in our strategy and addressed in our operations including a commitment to ensuring environmentally friendly practices (see pages 34 to 35). In doing so we are committed to reporting equally on all three elements of ESG and are continuously improving our reporting process to achieve this.

We further ensure that sound governance structures and internal controls are in place to provide assurance of sound governance practices (see our corporate governance report on pages 39 to 47 for further detail).

Our approach to ethics is woven into our strategy and vision and mission (see pages 10 to 17) and adherence to an ethical culture is fostered through the governance structures which include relevant policies to ensure fair dealing and integrity in all business dealings. The polices are based on the belief that the business should be conducted honestly, fairly and legally. This is achieved through the code of ethics checklist:

- Compliance with laws and regulations
- Conflicts of interest
- Relationships with clients, customers and suppliers
- Gifts, hospitality and favours
- Insider trading
- Political activities
- Usage of company property
- Company records
- The Choppies employee confidentiality and non-disclosure agreement prohibits relevant employees from disclosing confidential company information to which they may become party to
- The Choppies whistleblowing policy ensures a safe mechanism is in place for employees to report any unethical behaviour anonymously

A whistle-blowing function is in place and all complaints are accepted by a third-party agency and the tip-off is reported directly to the CEO. The Board receives quarterly and annual summaries of all reported cases and any remedial action taken.

Alongside these policies we ensure ethical standards are adhered to through regular training for all employees including whistleblowing with an efficient report back mechanism from regional operations and ensuring any violations are dealt with quickly and in accordance with the process. We prominently display the whistleblowers' toll-free number at all stores. For further detail on staff training please see page 33.

During the year all issues were rectified and action taken against any unethical behaviour.

We have a single employee code of conduct across all regions to ensure uniform practices across the organisation. This forms part of our standard employment agreement and requires all employees to conduct themselves with the utmost respect, integrity and accountability at all times. Management and supervisory structures monitor compliance with the code at both corporate and retail level. Part of the monitoring is conducted through the whistleblowing centre. In addition, compliance monitoring at Group level is carried out through human resources and finance.

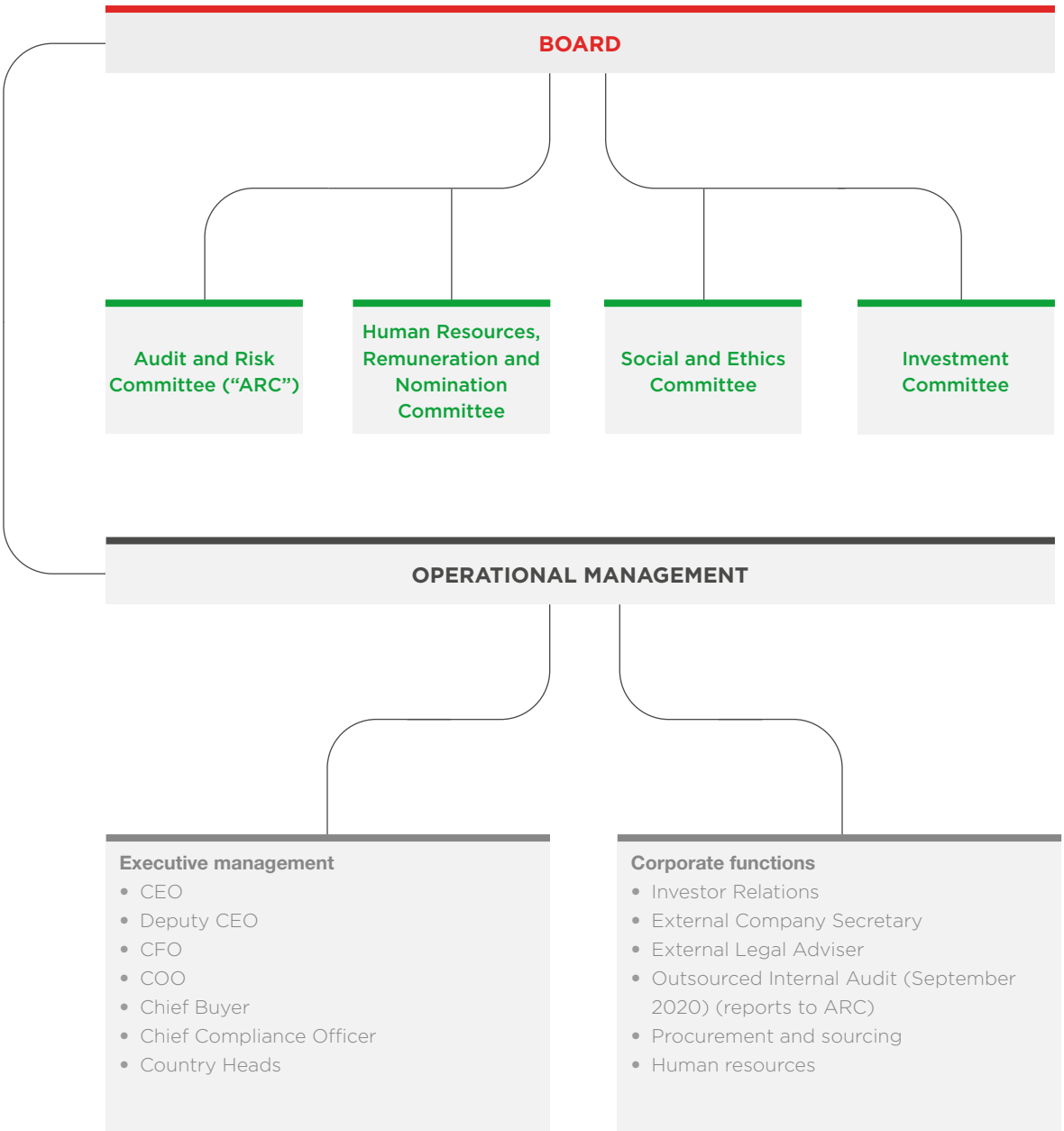
In the year, the whistleblowers' centre and human resources conducted a series of training workshops for Botswana-based staff on the various policies above, with an emphasis on ethical behaviour. The whistleblowing mechanism has worked well in Botswana with more staff making use of it following the training.

We do not have formal whistleblower centres in the other countries. However, we do display the Botswana contacts in Zambian stores including the email address. In Namibia we have created an email address for raising such issues, but this is managed within the organisation. We continuously raise awareness of fraud in staff meetings across all countries. In addition human rights violations or related unethical behaviour is reported to the Board for remedial action.

Corporate governance report

Introduction

Governance structure



Corporate governance report continued

Sound corporate governance principles are the foundation upon which the trust of investors is built, and King IV endorses the primary characteristics of corporate governance from global standards. These principles are critical to growing the reputation of an organisation dedicated to excellence in performance and integrity. Corporate governance facilitates fairness, accountability, responsibility and transparency across organisations, such as Choppies. Corporate governance processes protect executives and employees in fulfilling their duties, and good governance instils stakeholder confidence in the organisation.

Choppies is a BSE and JSE-listed entity and committed to implementing and maintaining sound corporate governance practices, as set out in the Botswana Companies Act, BSE Listings Requirements, JSE Listings Requirements (secondary listing), South African Companies Act and the King codes on corporate governance. The Board of Directors recognises that corporate governance practices must be appropriate and relevant to the size, nature and complexity of its operations, while promoting robust practices within the context of economic performance. Choppies is committed to maintaining the highest standards of governance and adopt stringent compliance practices.

The Choppies Board of Directors' always acts in the best interests of the Company and takes ultimate responsibility for the Company. The Board is supported by the four Board committees as indicated in the above organogram. These committees have delegated responsibility to assist in specific matters and report to the Board. The delegated responsibility and the powers, limits and authorities attached to Board Committees are approved by the Choppies Board, and such powers, limits and authorities are limited as determined by the Board from time to time. Each committee has its own charter which sets forth its purpose, composition and duties.

Breakdown in governance structures

The breakdown in good corporate governance in Choppies during 2018/2019 has been widely reported on and reached a pinnacle during September 2019 when the then independent non-executive directors were replaced by new members at an extraordinary general meeting ("EGM") of shareholders. A new independent chairman was appointed in the same month by the newly constituted Board.

One of the first tasks of the newly constituted Board was to address the breakdowns in the corporate governance structures. This task was delegated by the Board to the Audit and Risk Committee ("ARC") who made the following recommendations which were approved by the Board:

Approvals framework

A fundamental part of any form of good governance is a clear definition of the levels of authority of the various decision makers in an organisation. The absence of such a policy was at the centre of the breakdown in governance at the Company as pointed out in reports presented at the September 2019 EGM.

An Approvals Framework has now been introduced into the Company. This policy document has been embraced by management and today is distributed throughout the Group. It identifies all the important decision-making functions in the business and next to these the authority level required for decisions. The report not only gives a clear definition between the authority levels of the Board and the CEO, but also the different levels of management below the CEO. The ARC has been stringent in drafting this framework given the breakdown in governance. As an example, every store acquisition now must be authorised by the Board following a recommendation from the Investment Committee.

Code of Business Conduct and Ethics

This "code" is also a first for the Group. The code was drawn up from best practices in the corporate world. It is intended to nurture a culture of integrity, responsibility, accountability, transparency and fairness, and to sustain the confidence and trust of all the Company's stakeholders. Compliance with the code is mandatory by all employees and stakeholders of the Company. Amongst others, the code covers the following:

- Compliance with laws and regulations
- Policy on human rights
- Conflict of interest
  - Outside activities, employment and directorships
  - Nepotism
  - Relationships with clients, customers and suppliers
  - Gifts, hospitality and favours
  - Solicitation of gifts, sponsorships and money
  - Personal investments
- Safety, health and environmental responsibility
- Political support and government relations
- Protecting company funds and assets
- Accurate and timeous record keeping
- Dealing with outside persons and organisations
- Privacy and confidentiality of information
- Contravention of the code – implications
- Tip-off anonymous

The Board accepts overall responsibility for the adherence to the Code of Ethics and has no reason to believe that there has been any material non-adherence to the Code of Ethics during the year under review.

Board charter

The Board charter was changed to comply with King IV requirements.

The ARC charter

The ARC charter was fundamentally changed to comply with the requirements of King IV.

Investment Committee

This is a new, long overdue committee of the Board. It operates under its charter and its responsibilities include:

- To make recommendations to the Board in respect of proposed new investments and capital expenditure as well as disposals in terms of the Company's Approvals Framework;
- To monitor the progress of major capital investments by way of the investment progress schedule together with post-implementation reviews;
- To approve internal processes relating to capital expenditure and investment proposals, including all documentation required to be completed;
- To review the funding mechanisms of investments or capital expenditure.

Social and Ethics Committee

This committee was established under its own charter and with the purpose that the Group's South African subsidiaries conduct business in an ethical and properly governed manner in compliance with SA requirements. The Board has reconfirmed this committee as relevant to all its operations and not only those in South Africa and will continue with this committee.

Human Resources/Remuneration and Nominations Committee

The mandate of this committee is currently under review. This applies mainly to remuneration where the principles of King IV need to be considered and the impact on the Group determined.

The King Codes

Following the appointment of new independent directors referred to above, the Board assured shareholders that they will introduce the best available governance structures. It is for this reason that the Board decided to adopt King IV as it is more stringent than its predecessor, King III which code was applied by the Company at that time.

King III is, however, the preferred code by the BSE and BAOA (Botswana Accountancy Oversight Authority) in Botswana. Although the Company follows the principles of King IV wherever it can, the Company is not yet able to adopt this code in all principles like for example remuneration of executives and pre-approval of director emoluments. Work still needs to be done in these areas before the Company can fully convert to King IV, including the appointment of an experienced and competent Independent NED with relevant human resource and remuneration experience in order to assist the Board in these areas.

The Company therefore finds itself in a "transition" phase in applying all the principles of King IV. For this reason, a compliance checklist based on King III will be published in the Integrated Report. See pages 52 to 57.

The Board

The Board operates in terms of a formally approved charter which set out its role and responsibilities, the main elements of which are:

- the Chairman of the Board must be an independent non-executive director;
- a formal orientation programme for new directors must be followed;
- specific policies, in line with the King IV code, must exist regarding conflicts of interest and the maintenance of a register of directors' interests;
- the Board must conduct an annual self-evaluation;
- directors must have access to staff, records and outside professional advice where necessary;
- succession planning for executive management must be in place and must be updated regularly;
- strategic plans and an approvals framework must be in place and reviewed regularly;
- policies to ensure the integrity of internal controls and risk management must be in place; and
- ethics, safety, health, human capital, and environmental management policies and practices must be monitored and reported on regularly.

Corporate governance report continued

The Board presently comprises five directors, including three independent non-executive directors ("INED"), one non-executive ("NED") and the chief executive officer ("CEO"). The roles of Chairman and CEO are separate and distinct. The composition of the Board ensures a balance of power and authority and negates individual dominance in decision-making processes.

The Board recognises that its composition is not ideal at present and identified the appointment of more INEDs as a key strategic issue. These appointments were held back until the forensic investigations that were hanging over the Company have been resolved and all outstanding financials have been attended to. This has now happened, and the Board is currently looking at individuals who can add value and create the appropriate mix of knowledge, skills, experience, diversity and independence to the Board.

An independent non-executive Chairman leads the Board. No director is disqualified in terms of the criteria for independence as laid down by the BSE and JSE Listings Requirements or by King IV. The Chairman presides over meetings of the Board, guiding the integrity and effectiveness of the Board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decisions.

The Company actively solicits on an ongoing basis from its directors details regarding their external shareholdings and directorships which potentially could create conflicts of interest while they serve as directors on the Board. The declarations received are closely scrutinised and are tabled at the beginning of each Board meeting. When applicable, directors are requested to table their interests in material contracts and, if necessary, are requested to recuse themselves from discussions in meetings. No interests in material contracts were reported in the 2020 financial year.

Operational management is the responsibility of the CEO. His responsibilities include, amongst others, developing and recommending to the Board a long-term strategy and vision that will generate satisfactory stakeholder value, developing and recommending to the Board annual business plans and budgets that support the long-term strategy, and managing the affairs of the Group in accordance with its values and objectives, as well as the general policies and specific decisions of the Board. There is a formal succession plan in place for the CEO and his employment contract has been reviewed during the year to amongst other, align his remuneration to the performance of the Company.

A complete list of Board members and their CVs are disclosed in this Integrated Report. See pages 28 to 29. In terms of the Company's constitution all new NEDs appointed during the year, as well as one-third of the existing NEDs, must retire on a rotational basis each year but may offer themselves for re-election. Directors are required to undergo an induction programme including store visits to familiarise themselves with all aspects of the business. The Board is accountable for the actions of management and has retained full and effective control of the organisation over the past year. The Board defines levels of materiality, reserving specific powers to itself, and delegates other matters to management. The Board is satisfied that the delegation of authority framework contributes to role clarity and effective exercise of authority. The Board meets at least quarterly to review strategy, planning, operational performance risks, acquisitions, disposals, shareholder communications and other material aspects pertaining to the achievement of the Group's objectives. During the past year it was necessary to meet more often due to the approval of the delayed financial results, the sale of the South African business and negotiations with lenders on a new funding structure.

Procedures for appointment to the Board are formal and transparent and are vested in the Board and include detailed screening of nominees to ensure that they meet the eligibility requirements as laid down in the Companies Act, the BSE and the JSE Listings Requirements. The Board will conduct assessments of each director annually based on several factors including expertise, objectivity, judgement, understanding the Group's business, willingness to devote the time needed to prepare for and participate in committee deliberations.

Strategic planning meetings take place at least every second year, and progress on strategic objectives are reviewed at Board meetings. Directors have access to the advice of the Company Secretary and may seek independent and professional advice about the affairs of the Company at the Company's expense.

Attendance at Board meetings was as follows:

Name of director	02 Jul 19	18 Jul 19	22 Jul 19	08 Aug 19	20 Aug 19	09 Sept 19	12 Sept 19	25 Sept 19	22 Oct 19	04 Nov 19
Uttum Corea							✓	✓	✓	✓
Carol-Jean Harward						✓	✓	✓	✓	✓
Farouk Ismail	✓	✓	✓	✓	✓	✓	✓	✓		
Tom Pritchard						✓	✓	✓	✓	✓
Ramachandran Ottapathu	✓	✓	✓	✓		✓	✓	✓	✓	
HE Festus Mogae	✓	✓	✓	✓	✓					
Dorcas Kgosietsile	✓	✓	✓	✓	✓					
Ronald Tamale	✓	✓	✓	✓	✓					
Heinrich Stander	✓	✓	✓	✓	✓					
Wilfred Mpai	✓	✓	✓	✓	✓					

Name of director	05 Nov 19	18 Nov 19	10 Dec 19	28 Jan 20	17 Feb 20	17 Mar 20	30 Mar 20	21 Apr 20	26 May 20	Total
Uttum Corea	✓	✓	✓	✓	✓	✓	✓	✓	✓	13/19
Carol-Jean Harward	✓	✓	✓	✓	✓	✓	✓	✓	✓	14/19
Farouk Ismail		✓	✓	✓		✓	✓	✓	✓	15/19
Tom Pritchard	✓	✓	✓	✓	✓	✓	✓	✓	✓	14/19
Ramachandran Ottapathu	✓	✓	✓	✓	✓	✓	✓	✓	✓	17/19
HE Festus Mogae#										5/19
Dorcas Kgosietsile#										5/19
Ronald Tamale#										5/19
Heinrich Stander#										5/19
Wilfred Mpai#										5/19

✓ *Present*
Resigned 4 September 2019

As mentioned above, during the past year it was necessary to meet more often due to the approval of the delayed financial results, the sale of the SA business and negotiations with lenders on a new funding structure. The regularity of meetings will normalise during 2021.

Corporate governance report continued

The Board believes that the Group has applied all significant governance principles and is compliant with all significant Listings Requirements of the BSE and JSE Limited. The Group has not breached any regulatory requirements and has complied with all its statutory obligations.

Remuneration of non-executive directors

Non-executive directors received the following fees during the year:

		Fixed fee per annum BWP	Sitting fee per meeting BWP
Chairman of the Board	Pula	600 000	33 333
Member of the Board (RSA)	Rand	500 000	33 333
Member of the Board (Botswana)	Pula	300 000	33 333
Member of a Board committee	Pula	300 000	33 333

The remuneration is payable monthly.

Restrictions on share dealings

Directors and employees are prohibited from dealing in Choppies shares during price-sensitive periods. Closed periods extend from 31 December and 30 June, being the commencement of the interim and year-end reporting dates, up to the date of announcement of interim and year-end results, and include any other period during which the Company is trading under a cautionary announcement. All directors are required to obtain written permission from the Chairman before dealing in any Choppies shares to protect them against possible and unintentional contravention of the insider trading laws and stock exchange regulations.

The Board committees

To enable the Board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to the following Board committees:

Audit and Risk Committee ("ARC")

The main functions of the ARC as per its charter, King IV and legislation are:

- Recommend the appointment of the external auditor and overseeing the external audit process
- Determine the fees to be paid to the auditor and the auditor's terms of engagement
- Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Company
- Oversees integrated reporting
- Review the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents

- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- Review the expertise, resources and experience of the Company's finance function
- Considers and satisfies itself annually of the appropriateness of the expertise and experience of the Company's CFO
- Oversee the internal audit function, including the approval of the internal audit plan
- Oversee the risk management function and review the risk areas of the Company's operations
- Review the technology governance and ensure that prudent steps are taken to ensure the integrity of the Company's information and information technology systems
- Prepare a report, to be included in the Annual Financial Statements for the financial year: (i) describing how the Audit Committee carried out its functions, (ii) stating whether the Audit Committee is satisfied that the auditor was independent of the Company, and (iii) commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Company
- Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to: (i) the accounting practices and internal audit of the Company, (ii) the content or auditing of the Company's financial statements, (iii) the internal financial controls of the Company, or (iv) any related matter
- Make submissions to the Board on any matters concerning the accounting policies, financial controls, accounting records and reporting
- Perform any other oversight functions required by the Board

The report of the ARC on the 2020 financial results is disclosed on pages 63 to 67.

Investment Committee

The background to this committee and its responsibilities are covered in the sections above.

The report of the Investment Committee is disclosed on page 58.

Human Resources/Remuneration and Nominations Committee

As mentioned in the introductory section of this governance report, the mandate of this committee is under review. The Company is in the process of recruiting a suitable INED that can oversee and guide this important process.

Corporate governance report continued

The idea is that this committee consists of the following sub-committees:

Human resources

Key areas on which this committee will focus include, *inter alia*:

Employment equity and skills retention matters

- Enhance business performance through progressive and innovative human resource management
- Create an environment where individuals that demonstrate the qualities of initiative, enterprise, ability, effort and loyalty can develop rewarding careers at all levels, irrespective of their backgrounds
- Ensure that all employees have the right to work in an environment that is free from discrimination and harassment
- Ensure equitable access to opportunity
- Maintain an environment where employment and progression are based on merit
- Provide meaningful support and appropriate education and training to those from disadvantaged backgrounds
- Enhance diversity through the development of a culture that values and optimises the benefits of diversity

Succession planning

- Once a year the committee will receive an updated document which spells out the succession planning of key management positions within the Group. Specific reference will be made to the positions of the CEO and top management
- The philosophy of appointing the best available persons in vacancies, the remuneration of employees according to market-related trends and proper succession planning will contribute to the retention of skills

Remuneration

A charter on remuneration does exist for this committee but needs to be reviewed and updated to comply with the principles of remuneration and disclosure, including shareholder approval, as set out in the King IV report. This change will be a mindset shift in the Company and therefore needs to be managed very carefully.

The Board started the process by reviewing the CEO's remuneration in moving away from a fixed base remuneration to the introduction of short-term incentives aligned to the interest of shareholders. Long-term incentives will be considered in the future when the shares of the Company are re-listed on the JSE exchange.

It is envisaged that this committee (as with the other sub-committees) will be fully functioning and report to shareholders in the 2021 Integrated Report.

Nomination

The Board currently fulfils the role of a nominations committee and, due to its small size, sees no need in creating a sub-committee at this stage.

Social and Ethics

The charter of this committee set out its responsibilities. These include compliance with the 10 principles set out in the United Nations Global Compact Principles, being the following:

Principle number	Description
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights
Principle 2	Businesses should make sure that they are not complicit in human rights abuses
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour
Principle 5	Businesses should uphold the effective abolition of child labour
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation
Principle 7	Businesses should support a precautionary approach to environmental challenges
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

Further responsibilities include:

- The promotion of the responsibilities outlined in the Constitutions of Botswana, the Republic of South Africa and any other jurisdiction where the Group has established operations
- Promotion of equality, prevention of unfair discrimination, and reduction of corruption
- Contribution to development of communities in which its activities are predominantly conducted or within which its products or service are predominantly marketed
- Record of sponsorships, donations and charitable giving
- The environment, health and public safety, including the impact of the Group's activities and of its products or services
- Labour and employment, including:
  - the Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions and
  - the Group's employment relationships, and its contribution towards the educational development of its employees
- To report annually, through one of its members, to the shareholders of the Company on matters within its mandate
- To review any statements on ethical standards for the Group

This committee will be enacted during 2020/2021 and report to shareholders in its 2021 Integrated Report.

The Company Secretary

The Company has appointed DPS Consulting Services (Pty) Ltd as its company secretaries. Their main duties are to take minutes at Board meetings and to attend to administrative matters. As far as advice to the Board and individual directors regarding legal matters including compliance with fiduciary duties are concerned, the services of its legal adviser, Neill Armstrong, is used.

Compliance

Details on the internal audit function, systems of internal control, the external audit function, compliance, combined assurance and risk management are outlined in the ARC report.

Investor Relations

The Group is committed to ensuring compliance with all legislation, regulation and voluntary codes in relation to disclosure, communication and dissemination of information, while limiting reputational risk for management and the Group. Management is committed to engaging with analysts and fund managers to enable informed decisions to be made about investing in Choppies. The CEO is the designated investor spokespersons and all investor meetings are attended by at least two people.

Ethics

The Group subscribes to the highest standards of business practice. The Group has implemented documented policies which set stringent standards relating to the acceptance of gifts from suppliers and other third parties, confidentiality of information, protection of information, trademarks and intellectual property, declarations of potential conflicts of interest, as well as zero tolerance policies on racism, discrimination, sexual harassment and bullying. More details of this policy are included in the introductory section of this governance report.

Risk management

Effective risk management supports the delivery of our strategic objectives. The Board of Directors, through the Audit and Risk Committee, is responsible for monitoring risk management, including identifying areas of risk which may impact the Group and suggesting appropriate controls for mitigation.

Risks are recorded in a risk register along with the relevant mitigations. The risk register is a working document which is updated regularly and presented to the Audit and Risk Committee and the Board.

Our current key identified risks and their respective mitigations are set out below:

Nature	Risks	Description	Mitigation	Impact	Likelihood	Rating
R1: Strategic	Foreign exchange, interest rates and commodity prices	Most markets where Choppies operates remain highly exposed to fluctuations in foreign exchange rates, interest rates and commodity prices	• Centralised buying and pricing to ensure competitive prices for fast-moving essential lines • Forward-buying contracts to hedge risk of fluctuation	4.0	3.8	15.2
R2: Strategic	Cash flow and liquidity risks	Lack of required funding for business growth	• Generation of profits/ cash for further investment • Raising funding through appropriate institutions • Equity finance	4.0	3.5	14.0
R3: Strategic	Dependence on key executives and skilled employees	Continuity of key executive and skilled employees is critical in geographies with low availability of skilled resources	• Succession planning for all key positions • Competitive/attractive remuneration and incentives • Entrenching a culture of rewards and recognition • Investment in skills through internal and external training and workshops • Sponsoring studies for selected resources	4.0	3.3	13.2
R4: Strategic	Information technology (IT) risks	IT system is key to ensuring availability of accurate, reliable and timely information for informed decision making	• New ERP system in roll-out overseen by a cross-functional team of experts • Involvement of consultants with expertise to evaluate IT-related controls on a periodic basis • Involvement of local experts	3.8	2.9	11.0

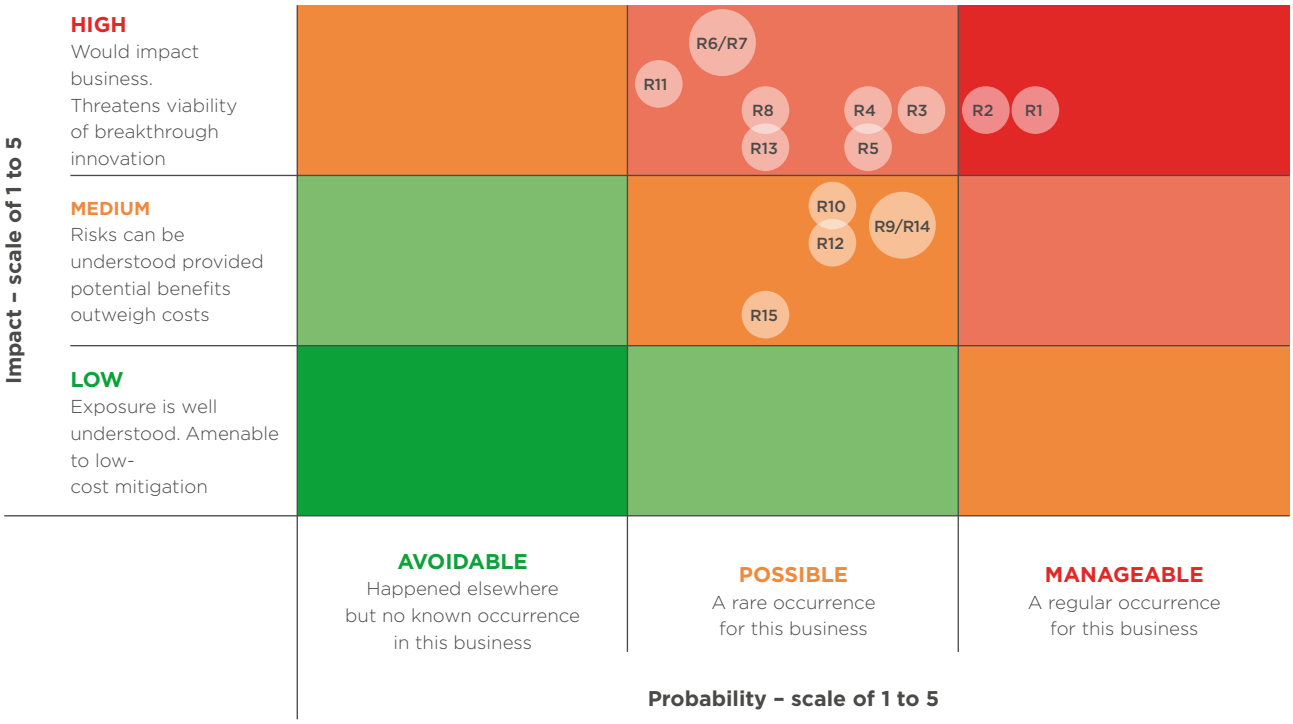
Nature	Risks	Description	Mitigation	Impact	Likelihood	Rating
R5: Operational	Working capital	Poor working capital management will impact cash flow and margin	Budget and monthly monitoring	3.4	3.1	10.5
R6: Operational	Food safety and quality	Food safety and quality are integral to maintaining customer trust and brand equity	• Strict quality control systems through recipe management and standard operating procedures • Uniformity in product offering and quality across regions • Regular monitoring by executive management by heads appointed to manage each category • Ongoing food safety audits	4.6	2.2	10.1
R7: Strategic	Meeting customers' quality and value expectations	Choppies is committed to providing quality products at competitive and affordable prices	• Price benchmarking with competitors • Ensuring price competitiveness on private label and third-party brands by focusing on centralised buying • Centralised pricing and logistics support	4.6	2.2	10.1
R8: Operational	Negative publicity	Negative publicity in print/ social media can damage brand reputation	• Quality control and standard operating procedures • Dedicated team to coordinate media interaction • Quick and complete remediation of all issues highlighted • Work with professional PR firm	3.6	2.6	9.4
R9: Strategic	Macro-economic conditions in particular countries	Some economies remain volatile due to a stressed socio-political situation	• Continually assess investment in all countries • High degree of localisation in each geography • Entrusting selected management staff to oversee operations of each geography for quick decision making • Disaster management plan	3.0	3.0	9.0

Risk management continued

Nature	Risks	Description	Mitigation	Impact	Likelihood	Rating
R10: Operational	Dependence on key suppliers	Ensuring consistent and timely supply from a defined group of suppliers	• Central monitoring of all transactions with key suppliers • Using distribution centres to mitigate supplier dependence • Keeping number of suppliers within each category within stipulated levels	3.3	2.7	8.9
R11: Operational	Fraud/theft risk	Risk of fraud in receipting and payment processes and risk of theft of assets	• Segregates duties between cashiers and financial controllers for cash receipts • Segregates duties between the approval and the payment of expenses • Whistleblowing hotline in place for reporting on unethical practices • Training implemented in every store to sensitise employees • Continuous oversight by internal audit team	4.3	2.0	8.6
R12: Strategic	Non-compliance in various geographies	Non-compliance with local laws, rules and regulations may result in penalties or suspension/ closure of operations	• Involvement of local experts • Continuous oversight by internal audit team • Modifying standard operating procedures to include compliance requirements for each geography	3.0	2.8	8.4
R13: Strategic	Accurately anticipating customer demand and preference	Target customers are lower to middle-income group who desire quality value products	• Continually adapt to meet customer preferences • Develop value for money products • Track purchasing patterns • Customer surveys • Store profiling to cater to specific customer needs depending on location, target customer group, store formats • Competitive landscape monitoring	3.5	2.4	8.4

Nature	Risks	Description	Mitigation	Impact	Likelihood	Rating
R14: Operational	Supply chain risks	Operations are dependent on effective and efficient management of distribution and logistics	• Operating geographically dispersed distribution centres to optimise operational efficiency • Managing own fleet of vehicles in each geography • Setting delivery schedules based on historical data for each store to ensure efficient stock reordering levels	2.9	2.9	8.4
R15: Strategic	Business continuity	Black swan events such as natural disasters, geopolitical events, utility disruptions and pandemics	• Ability to import product from nearby countries with minimal cost • Back up generators in place	2.2	2.4	5.3

Risk management heat map



King III checklist

The Listings Requirements of the BSE require listed companies to report on the extent to which they comply with the principles incorporated in King III.

The Board of Directors believes the Group is compliant with King III and the BSE's Listings Requirements, except as listed below.

Chapter 2	Principle 2.14	The board and its directors should act in the best interests of the company	Applied	Directors are permitted to take independent advice in connection with their duties at Company cost following a Board-approved procedure. Real or perceived conflicts of interest are disclosed to the Board and managed appropriately. The Company has a policy regarding dealing in securities by directors, officers and selected employees
Chapter 2	Principle 2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company has been/may be financially distressed	Applied	The Board as well as the Audit and Risk Committee ("ARC") monitor the Company's going-concern status twice a year and have positively concluded that the Company will continue as a going concern for at least the next 12 months to 30 June 2021
Chapter 2	Principle 2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company does not also fulfil the role of chairman of the board	Applied	The roles of Chairman and CEO are separate and distinct. The Chairman is an independent director
Chapter 2	Principle 2.17	The board should establish a framework for the delegation of authority	Applied	The delegation of authority is encapsulated in an approvals framework that sets out the respective responsibilities of the Board and the CEO/ management
Chapter 2	Principle 2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	The Board comprises five directors, including three independent non-executive directors, one non-executive and the chief executive officer. The composition of the Board ensures a balance of power and authority and negates individual dominance in decision-making processes
Chapter 2	Principle 2.19	Directors should be appointed through a formal process	Applied	Except for the Chairman who was appointed by the Board, all directors were appointed by shareholders in a formal and transparent process. Formal letters of appointment exist for director appointments. Short CVs are given in the Integrated Annual Report
Chapter 2	Principle 2.20	The induction of and ongoing training, as well as the development of directors should be conducted through a formal process	Partly applied	Directors are required to undergo an induction programme including store visits to familiarise themselves with all aspects of the business This process, as well as ongoing training needs to be formalised

Chapter 2	Principle 2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	The Company has appointed DPS Consulting Services (Pty) Ltd as its company secretaries. Their main duties are to take minutes at Board meetings and to attend to administrative matters. As far as advice to the Board and individual directors regarding legal matters including compliance with fiduciary duties are concerned, the services of its legal adviser, Neill Armstrong, is used
Chapter 2	Principle 2.22	The evaluation of the board, its committees and individual directors should be performed every year	Not applied	This evaluation exercises have been provided for in the new Board charter and will be conducted during the next financial year, 2021
Chapter 2	Principle 2.23	The board should delegate certain functions to well-structured committees without abdicating from its own responsibilities	Partly applied	As per the governance approach section of the Integrated Annual Report, the Board has established the appropriate committees with clear mandates. The HR and Remuneration Committee needs to be enacted
Chapter 2	Principle 2.25	The company should remunerate its directors and executives fairly	Partly applied	The Remuneration Committee has not been active during the past year. Remuneration structures and policies will be reviewed during the new financial year. Non-executive fees comprise a base fee and attendance fee per meeting
Chapter 2	Principle 2.26	The company should disclose the remuneration of each individual director and prescribed officer	Partly applied	Due to the Remuneration Committee that has not met during the past year, there is no remuneration report in the Integrated Annual Report. Individual director's remuneration is, however, disclosed
Chapter 2	Principle 2.27	The shareholders should approve the company's remuneration policy	Not applied	Refer above comments. The Company's remuneration policies will be reviewed by the Remuneration Committee and reported on in the 2021 Integrated Annual Report
Chapter 3	Principle 3.1	The board should ensure that the company has an effective and independent audit committee	Applied	An effective and independent Audit and Risk Committee ("ARC") is in place with its own charter
Chapter 3	Principle 3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	Partly applied	The ARC's members' qualifications and experience as disclosed in the Integrated Annual Report, are suitable and adequate. There are however only two members, but this did not affect the working of the committee during the past year
Chapter 3	Principle 3.3	The audit committee should be chaired by an independent non-executive director	Applied	The ARC is chaired by Mr Tom Pritchard, who is an independent non-executive director

King III checklist continued

Chapter 3	Principle 3.4	The audit committee should oversee integrated reporting	Applied	As disclosed in ARC report, the Integrated Annual Report process was overseen by the committee and the Integrated Annual Report was specifically approved
Chapter 3	Principle 3.5	The audit committee should ensure that a combined assurance model has been applied which provides a coordinated approach to all assurance activities	Applied	Full details of the combined assurance model are disclosed in the ARC report section of the Integrated Annual Report
Chapter 3	Principle 3.6	The audit committee should satisfy itself with the expertise, resources and experience of the company's finance function	Applied	The results of the review of the finance function by the ARC are disclosed in the ARC report
Chapter 3	Principle 3.7	The audit committee should be responsible for overseeing internal audit	Applied	The ARC oversees the internal audit function. Full details are disclosed in the ARC report
Chapter 3	Principle 3.8	The audit committee should be an integral component of the risk management process	Applied	The ARC has oversight of the Company's risk management. Full details are disclosed in the ARC report
Chapter 3	Principle 3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	The ARC approves the external auditors' terms of engagement and remuneration. Full details are disclosed in the ARC report
Chapter 3	Principle 3.10	The audit committee should report to the board and the shareholders as to how it has discharged its duties	Applied	The ARC reports internally to the Board on its statutory duties and duties assigned to it by the Board and externally via the ARC report
Chapter 4	Principle 4.1	The board should be responsible for the governance of risk	Not applied	The Board has assigned the oversight of the governance of risk to the ARC. A risk and compliance officer has been appointed to formulate a risk management policy and plan, which is not currently in place
Chapter 4	Principle 4.2	The board should determine the levels of risk tolerance	Applied	The Board monitors that risks taken are within the tolerance and appetite levels. The ARC reviews and assesses the Company's top risks at least once per year
Chapter 4	Principle 4.3	The risk committee and/or audit committee should assist the board in carrying out its risk responsibilities	Applied	The ARC oversees risk management on behalf of the Board. Full details are disclosed in the ARC report

Chapter 4	Principle 4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	As disclosed in the ARC report, a risk and compliance officer has been appointed to oversee the risk and compliance functions
Chapter 4	Principle 4.5	The board should ensure that risk assessments are performed on a continual basis	Applied	The ARC reviews and assesses the Company's top risks on a regular basis
Chapter 4	Principle 4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	The ARC reviews and assesses the Company's top risks on a regular basis
Chapter 4	Principle 4.7	The board should ensure that management has considered and has implemented appropriate risk responses	Applied	The ARC reviews and assesses the Company's top risks on a regular basis. A risk register is kept up to date by management
Chapter 4	Principle 4.8	The board should ensure the continual risk monitoring by management	Applied	The ARC reviews and assesses the Company's top risks on a regular basis as well as the process followed to identify, evaluate, record and report identified risks
Chapter 4	Principle 4.9	The board should receive assurance regarding the effectiveness of the risk management process	Not applied	These assurances will be in place following the appointment of the CRO in 2021
Chapter 4	Principle 4.10	The board should ensure that there are processes in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	As disclosed in the Integrated Annual Report
Chapter 5	Principle 5.1	The board should be responsible for information technology (IT) governance	Applied	An IT charter is in place and progress reported at the ARC meetings during the year
Chapter 5	Principle 5.2	IT should be aligned with the performance and sustainability objectives of the company	Applied	IT is aligned with the Company's objectives and is monitored by the ARC

King III checklist continued

Chapter 5	Principle 5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	A chief information officer is in place and presents regular reports to the ARC for oversight
Chapter 5	Principle 5.4	The board should monitor and evaluate significant IT investments and expenditure	Applied	IT projects form part of the Company's normal capital evaluation practices. All major capital expenditure is specifically approved by the Board. Minor expenditure is tracked against the approved budget
Chapter 5	Principle 5.5	IT should form an integral part of the company's risk management plan	Applied	IT risks form an integral part of the Company's risk management activities
Chapter 5	Principle 5.6	The board should ensure that information assets are managed effectively	Applied	The Board, through the ARC, monitors the IT function and receives regular reports on the management of strategic information assets
Chapter 5	Principle 5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied	The ARC assists the Board in carrying out its IT governance responsibilities by ensuring that IT risks are adequately addressed through its risk management and monitoring processes as well as through the appropriate policies
Chapter 6	Principle 6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The Company has appointed a compliance officer that ensures that all laws and regulations are adhered to. The Company is in the process of formalising a comprehensive legal and compliance framework to further enhance the governance in the organisation
Chapter 6	Principle 6.2	The board and each individual director should have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business	Applied	The compliance officer submits details of applicable laws and regulations on a continuous basis to the Board and ARC. The legal adviser to the Board further alerts the directors of any new developments and changes to laws and regulations applicable to the Company
Chapter 6	Principle 6.3	Compliance risk should form an integral part of the company's risk management process	Applied	The compliance officer and legal adviser report to the ARC and Board on areas of non-compliance or breaches
Chapter 6	Principle 6.4	The board should delegate to management the implementation of an effective compliance framework and processes	Applied	Management has established the applicable frameworks, structures and processes to ensure effective compliance and to monitor the risk of non-compliance

Chapter 7	Principle 7.1	The board should ensure that there is an effective risk-based internal audit	Applied	The internal audit function has been outsourced to audit firm, BDO, as more fully set out in the ARC report. The ARC does review the audit plan to ensure that efforts are aimed at the appropriate risks
Chapter 7	Principle 7.2	Internal audit should follow a risk-based approach to its plan	Applied	Internal audit has a charter and its annual plan is approved by the ARC. A risk-based plan is followed
Chapter 7	Principle 7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Applied	Internal controls are established over not only financial matters, but also operational, compliance and sustainability issues Internal audit will provide written assessments of the system of internal controls and risk management to the ARC and Board
Chapter 7	Principle 7.4	The audit committee should be responsible for overseeing internal audit	Applied	The ARC approves the annual internal audit plan and monitors the performance and function of the internal audit function
Chapter 7	Principle 7.5	Internal audit should be strategically positioned to achieve its objectives	Applied	The internal audit function is independent and objective
Chapter 8	Principle 8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	The gap between stakeholder perceptions and the performance of the Company is managed and measured to enhance or protect the Company's reputation
Chapter 8	Principle 8.2	The board should delegate to management to proactively deal with stakeholder relationships	Applied	Meetings are held between the executive directors and key stakeholders around the external results announcements as well as other matters of interest to the stakeholders. Information obtained from stakeholders is considered by the Board in the evaluation of strategy and performance
Chapter 8	Principle 8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied	The Board takes account of the legitimate interests and expectations of its stakeholders in its decision making in the best interests of the Company. The Board is sufficiently independent to protect the interests of all shareholders
Chapter 8	Principle 8.4	Companies should ensure the equitable treatment of shareholders	Applied	There is equitable treatment of all holders of the same class of shares issued which ensures that the minority shareholders are protected. The Board is sufficiently independent to protect the interests of all shareholders
Chapter 8	Principle 8.6	The board should ensure that disputes are resolved effectively and expeditiously as possible	Applied	This is a key responsibility of the Chairman No disputes were reported during 2020
Chapter 9	Principle 9.1	The board should ensure the integrity of the company's integrated report	Applied	The ARC reviews the Integrated Annual Report
Chapter 9	Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	The information is disclosed in the Integrated Annual Report as well as the audited annual financial statements
Chapter 9	Principle 9.3	Sustainability reporting and disclosure should be independently assured	Applied	The ARC reviews the Integrated Annual Report

Investment Committee report

Introduction

The Investment Committee comprises two independent non-executive directors who act independently and are appointed by the Board. The chairperson of the committee is Ms CJ Harward (BFin, MBA, Certified International Investment Analyst "CIIA"), with Mr T Pritchard (BCom (Hons), CA(SA) as a member. Even though the charter of the IC makes provision for three independent non-executive directors as members, we currently only have two members and thus, the IC is not compliant with its own charter. With the expansion of the Board, a third member with the required experience and qualifications will be appointed to fill the vacancy. The Chairman of the Board and other directors attend the meetings by invitation but do not have voting rights. Furthermore, the CEO, CFO and the Company legal representative attend meetings by invitation. Other executives may be requested to attend some sections of meetings as required.

The Investment Committee assists the Board to evaluate opportunities that present themselves to the Group, to advise the Board on such investment opportunities in a transparent manner and to ensure that sufficient consideration has been afforded to such opportunities. However, the Board is responsible for the final decision on all such investments.

Prior to the conclusion of any new opportunities the Investment Committee ensures that negotiations:

- Are transparent
- Risks and risk appetite are evaluated
- A formal due diligence is conducted in terms of legal, technical and the financial aspect
- Agreements are reviewed by the legal team and
- The Board is appraised of any developments prior to conclusion

Attendance at the Investment Committee meetings is set out below:

Independent NED	12 Sept 2019	18 Sept 2019	26 Sept 2019	11 Oct 2019	22 Oct 2019	5 Nov 2019
CJ Harward	✓	✓	✓	✓	✓	✓
T Pritchard		✓	✓	✓	✓	✓

✓ *Present*

Period under review

The period under review, which was the first year for all the members of the committee, was one in which the Company was streamlining its operations and exited or discontinued operations in the markets that were loss-making and eating into the profits of the Group.

1. The first divestment was from South Africa where the Company worked with Redford Capital who were appointed to assess and manage the disposal of the operations. The Committee and Redford Capital met on a weekly basis to discuss progress and the way forward until the initial agreements were signed. Choppies Enterprises Limited and Kind Investment Proprietary Limited concluded a suite of transaction agreements on 23 November 2019, pursuant to which, Kind Investment would acquire all of the shares in each of Motopi Holdings SA Proprietary Limited, Choppies Logistics Services Proprietary Limited, Choppies Warehousing Services Proprietary Limited and Choppies South Africa Proprietary Limited (Choppies SA Group) from CEL for ZAR1 plus assuming all creditors of Choppies SA. Meetings, discussions and negotiations between CEL and the buyer took place until 21 April 2020 when the Board approved the transaction and the shares were transferred to Kind Investment on 22 April 2020, the closing date.
2. The Tanzania operations are closed but the Company could not finalise the Carrefour deal for one store (Aura Mall) due to Covid-19.
3. All operations in Kenya have been discontinued, and management have disposed of all the stores except one, (Kiambu). Management is in advanced negotiations with the landlord to take over the store.
4. The operation in Mozambique was also closed and the equipment transferred to the Zambian operation. The Company is still in the process of selling the property which is expected to be done in the next financial year.
5. The committee has also been working with lenders to restructure the Company debt, an exercise that was concluded in September 2020. The new terms are more lenient and provides the Company much more headroom than the previous structure.

The committee is satisfied that is has fulfilled all its statutory duties assigned by the Board for the period under review. The Chairman of the Investment Committee reports to the Board on the activities of the Committee at Board meetings.

Carol-Jean Harward
Investment Committee Chairperson
23 September 2020

Statement of directors' responsibility

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Choppies Enterprises Limited, comprising the statements of financial position as at 30 June 2020 and the statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year ended 30 June 2020, the accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards ("IFRS").

The directors are also responsible for such internal controls they deem 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. In addition, the directors are responsible for the preparation and presentation of the other information accompanying the financial statements.

The directors have assessed the ability of the Company and its subsidiaries to continue as going concerns (refer to note 43) and the impact of Covid-19 pandemic on its business and have no reason to believe these businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with the International Financial Reporting Standards ("IFRS").

Approval of the consolidated and separate financial statements
Having considered the qualified audit opinion of the auditors as set out on pages 68 to 73, for the year ended 30 June 2020, the Board of Directors approved the consolidated and separate financial statements of Choppies Enterprises Limited, as identified in the first paragraph, on 23 September 2020 and these are signed on their behalf by:

Ramachandran Ottapathu
CEO

Farouk Essop Ismail
Director

Certificate of the Company Secretary

for the year ended 30 June 2020

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

DPS Consulting Services (Proprietary) Limited
Company Secretaries
23 September 2020

Directors' report

for the year ended 30 June 2020

The Board of Directors ("directors") is pleased to submit their report on the financial statements of Choppies Enterprises Limited ("the Company") for the year ended 30 June 2020.

1. LISTING INFORMATION

Choppies Enterprises Limited is a company registered and domiciled in the Republic of Botswana and listed on the Botswana Stock Exchange ("BSE"). The Company has a secondary listing on the Johannesburg Stock Exchange ("JSE"). The Company registration number is BW00001142508.

2. NATURE OF BUSINESS

The business of the Group is concentrated in the retail supermarket industry. The Group operates in Botswana, Zimbabwe, Zambia, and Namibia. During the June 2020 year-end the Board decided to discontinue or dispose of its operations in South Africa, Kenya, Tanzania, and Mozambique. The Company operates as an investment holding company.

3. REVIEW OF FINANCIAL RESULTS

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana.

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these financial statements, pages 76 to 79.

4. SHARE CAPITAL

Issued	**2020 BWP**	2019 BWP	**2020 Number of shares**	2019 Number of shares
Ordinary shares	**906 196 000**	906 196 000	**1 303 628 341**	1 303 628 341

There have been no changes to the stated capital during the year under review.

5. DIVIDENDS

No dividends were declared during the period under review.

6. DIRECTORATE

Details of directors and movements during the year is given on page 154 of the Integrated Annual Report.

7. DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, the directors held direct and indirect beneficial interests in 34.9% (2019: 34.9%) of its issued ordinary shares.

8. SHAREHOLDERS

Details of shareholders are set out on page 154 of the Integrated Annual Report.

9. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, except for those stated in Note 44 of the Integrated Annual Financial Statements, which occurred after the reporting date and up to the date of this report.

Directors' report continued

for the year ended 30 June 2020

10. GOING CONCERN

The directors believe that the Company and Group will continue as going concerns for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis. More details about the going concern assessment have been provided in Note 43 of the Annual Financial Statements.

11. SECRETARY

DPS Consulting Services (Pty) Ltd (appointed on 29 November 2019)
PO Box 1453
Gaborone, Botswana

Corporate Services (Pty) Ltd (resigned on 29 November 2019)
PO Box 406
Kgale Mews
Gaborone, Botswana

12. INDEPENDENT AUDITORS

Mazars (appointed on 17 February 2020)
Plot 139, Finance Park
Gaborone, Botswana

PricewaterhouseCoopers (resigned on 25 September 2019)
Plot 50371, Fairground Office Park
Gaborone, Botswana

16. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 74 to 151, were approved by the Board on 23 September 2020.

Report of the Audit and Risk Committee

for the year ended 30 June 2020

This report has been prepared by the Audit and Risk Committee ("ARC" or "the committee") of Choppies Enterprises Limited ("the Company") in respect of the 2020 financial year. It is not a legal requirement in Botswana to provide such a report but in the spirit of good governance and in terms of the King IV code, as well as the listing of the Company on the JSE Stock Exchange in South Africa, it has been considered appropriate to issue this report.

INTRODUCTION

Although the current members of the ARC were appointed merely a year ago, the main focus of the committee was on the finalisation and completion of the delayed 2018 and 2019 financials followed by the 2020 (the current) financials. The reasons for the delayed past financials are comprehensively covered in previous Annual Reports.

The work of the committee was seriously hampered by the resignation of the CFO at the same date of the current members appointment to the Board. The lack of continuity of four CFOs in the last few years, prior to the current members' appointments, was not helpful. The resignation of PwC coupled with the forensic investigations into alleged fraudulent transactions presented another challenge to the ARC. Mazars, as the incoming auditors, also had to familiarise themselves with the challenges facing the Company. Adding to this "perfect storm" was the disrupting effect of the Covid-19 pandemic and the interruptions it caused in attending to all the functions under the review of the ARC and not least of all, the fact that the appointed CFO arrived in Botswana only during October 2020.

One of the first tasks of the ARC was to review the corporate governance structures in the Company/Group at the request of the Board. This follows on the widely published break-down in good governance especially during 2018/2019. As detailed in the 2018/2019 ARC reports, the committee identified the following gaps in the governance structure i) lack of levels of authority (approvals framework); ii) lack of a committee of the Board to act as a mechanism to evaluate and monitor business acquisitions and disposals; iii) the absence of a code of ethics and business practices; and iv) the re-assessment of the various Board committees including their charters as a point of departure.

This report of the ARC, which will only concentrate on the 2020 financials and not repeat what happened in the past year as this is comprehensively covered in the 2018 and 2019 reports, should be seen within the background of the above developments. The ARC would have liked to do more as there are areas that need urgent attention, for example, the lack of an integrated risk management programme, more focus on information technology and, not least of all, a more comprehensive Integrated Report. These are areas that the ARC will focus on during the next year.

ROLE AND RESPONSIBILITIES OF THE ARC

The ARC has an independent role with accountability to both the Board and the shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The responsibilities of the committee are spelt out in its charter that is fully compliant with relevant legislation and King IV and includes:

- Overseeing the internal and external audit functions
- Assisting the Board in the discharge of its duties relating to the safeguarding of assets and operation of adequate systems and internal controls
- Ensuring the preparation of accurate financial reporting in compliance with all applicable legal requirements, corporate governance and accounting standards
- Providing support to the Board on evaluating the risk profile and risk management of the Group
- Providing support to the Board on information technology governance and risk.
- Review and confirms the independence of the external audit function;
- Review the competence of the chief financial officer and the finance function of the Company; and
- Review the Integrated Report.

The ARC exercised its duties in the past year in accordance with the above responsibilities and as more fully set out in the rest of the report.

COMPOSITION OF THE COMMITTEE

The committee comprises the following members, appointed on 9 September 2019, and still members at the date of this report:

- T Pritchard BCom (Hons), CA(SA).
- CJ Harward BFin, MBA(Finance), CIIA (Certified International Investment Analyst)

The charter of the ARC makes provision for three independent non-executive directors as members. Currently, with only two members, the ARC is not compliant with its own charter. With the expansion of the Board, a third member with the required experience and qualifications will be appointed to fill the vacancy. The Chairman of the Board and other directors attend the meetings by invitation but do not have voting rights. Furthermore, the CEO, CFO and auditors attend meetings of the ARC by invitation. Other executives may be requested to attend some sections of meetings as required.

Report of the Audit and Risk Committee continued

for the year ended 30 June 2020

Attendance by members at meetings during the 2020 financial year were as follows.

Independent NED	27 Aug 19	9 Dec 19	17 Feb 20	6 May 20
T Pritchard		✓	✓	✓
CJ Harward		✓	✓	✓
W Mpai#	✓			
DA Kgosietsile#	✓			

✓ Present
 # Resigned 4 September 2019

IMPORTANT MATTERS CONSIDERED

The following important matters were discussed and reviewed with management and the auditors as to their impact on and disclosure in the Annual Financial Statements of the Company/Group during the year:

Going concern

In its 2019 Audited Annual Financial Statements, the Group reported a negative equity of P80 million. During 2020 the negative equity worsened to P467 million mainly due to trading losses of P470 million caused by regions that were closed/discontinued namely South Africa P329 million, Kenya P118 million, Tanzania P17 million and Mozambique P6 million.

In assessing whether the Group and Company will be a going concern for at least the following twelve months, the ARC considered the following work that has been done by management:

- The Company and Botswana operations monthly cash flow forecast stress tested.
- An update, with amongst others, the budgeted numbers of a 5-year forecast model.
- The positive future impact on the Group/Company following the exit from the above-mentioned loss-making countries.
- A new debt restructuring agreement with the lenders allowing the Company/Group much more headroom.
- The possible impact of the Covid-19 pandemic on the ongoing results of the Group.
- All the factors as disclosed in note 43 of the Audited Annual Financial Statements for 2020.

The ARC concluded to recommend to the Board that the Company and Group can operate as going concerns for at least the next year to July 2021 subject to the founder shareholders first assuming the Kenya partner loan of P72 million and then arranging affordable repayment terms with the Company.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

During the current financial year, the Board decided to discontinue the above-mentioned loss-making operations. In South Africa the entire issued shares were sold on 22 April 2020 for each of its wholly owned subsidiaries. In Kenya and Tanzania, the operations were closed, and the Group will exit these countries during the 2021 financial year. The Mozambique operations were closed, and the assets transferred to Choppies Zambia.

The ARC reviewed the accounting treatment of these transactions and is satisfied that it has been done correctly in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

IFRS 16 Leases

In the current year, the Group has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 July 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

Details of these new requirements and the financial impact thereof on the Group results are described in the accounting policy for leases (note 2).

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated.

The ARC is satisfied that the IFRS statement has been correctly applied.

Key audit matters

After discussions with management and the auditors, the committee concurred with the key audit matters as set out in Mazars report on the audit of the 2020 Annual Financial Statements and the areas of significant judgement, and were comfortable that the matters were correctly represented.

SPECIAL INVESTIGATION

In terms of the ARC charter, underpinned by the requirements of King IV, the ARC must report on specific responsibilities assigned to it by the Board.

On 18 August 2020, Counsel who investigated allegations of fraud in respect of stock losses and bulk sales issued his final report. This report brought to an end the drawn-out and costly investigations of alleged fraudulent accounting transactions by management, which on hindsight, were nothing more than speculation and allegations with no impact on the present or past reported financial results of the Company/Group. Counsel, however, recommended that certain allegations of backdating commercial documents be further investigated.

The independent NEDs considered it appropriate that the investigation be conducted by the ARC as the members have the necessary understanding of any accounting or audit implications which may or may not arise from this matter. It was further agreed that Counsel be either co-opted to the Audit Committee for this purpose or as a consultant to the Audit Committee, in whichever role Counsel was comfortable with.

This process was concluded, and the ARC issued its report to the Board on 17 September 2020. In the report the ARC concluded that:

- The only confirmed backdating action was done by the CEO who signed above the backdated date on the proposal document for Grant Thornton.
- Even if all the documents were backdated, the ARC was of the view that this was not done with ill-intent but simply to comply with perceived audit requirements.
- The ARC could not find any evidence that any party was prejudiced in the process.

The ARC's recommendation to the Board was to bring to management's attention the dangers of backdating commercial documents and to make it clear that going forward, there will be zero tolerance in the Company on backdating anything.

EXTERNAL AUDITORS AND AUDIT REPORT

Mazars audit report for 2020 contains a qualification due to:

- The opening retained earnings in the Balance Sheet not being able to be verified due to the disclaimer of opinion in 2019 following on the disclaimer on the 2018 financials by PwC.
- The cost of sales in the Income Statement and Cash Flow Statement could not be verified due to Mazars not attending the June 2019 stock counts and were unable to rely on the counts done by PwC.

Though the modified audit opinion was disappointing, it was noted that it entirely relates to events prior to the current period and that it was always anticipated that it will take at least till 2021 to clear the disclaimer and qualification of the prior years.

The ARC noted with disappointment the inclusion of the going concern in the auditor's opinion as a "material uncertainty". It was noted that the Group and Company are in a far better position currently because of, amongst others, the discontinuance of loss-making operations and the new terms negotiated with lenders.

It was further noted that there was no disagreement with the auditors and management. Regular meetings between ARC members and the auditors with and without management has taken place.

The ARC accepts the presentations by the auditors on their independence.

EXTERNAL AUDIT FEES

Fees non-audit services

The external auditors, Mazars, were not tasked with any non-audit services.

Report of the Audit and Risk Committee continued

for the year ended 30 June 2020

Fees – audit services

Fees for audit services that were approved by the ARC and Board for the respective years below, can be summarised as follows:

Financial year	2020	2019
Botswana		
• PwC (2019 – attend June 2019 stock counts)		BWP2 269 996
• Mazars	**BWP6 985 220**	BWP8 055 300
South Africa		
• PwC (2019 – attend June 2019 stock counts)		R3 232 008
• Mazars	**R2 783 200**	R7 357 280
Zimbabwe	**$127 050**	$125 159
Zambia	**ZMK668 505**	ZMK680 634
Namibia	**NAD345 650**	NAD322 924
Kenya	**KSH1 596 363**	KSH2 150 000
Tanzania	**TZ15 214 132**	TZ22 895 000
Mozambique	**MZN543 518**	MZN658 550

The bulk of the audit fees are expensed in Botswana and South Africa.

A reduction in these fees can be expected in future years as the Group work through the troubles of the past two years and dispose or close unprofitable operations.

The above fees require a confirmatory vote by shareholders.

INTERNAL AUDIT

It was previously reported that the Company currently does not have a functional internal audit department. There are only three staff members of the 2018 internal audit department left and are being used in trouble-shooting roles by management. The head of internal audit function has been vacant since September 2018. This situation causes a major weakness in assisting the ARC, Board and shareholders with the necessarily comfort of checks and balances. There is simply no combined assurance model in the Group and relying on external audit to perform this function is insufficient.

The ARC has reached out to audit firm BDO to outsource the internal audit function to them. An agreement has been reached whereby BDO will perform this function in all the countries in which the Group operates. All stores will be visited at least once a year and a provisional audit plan has been approved by the ARC. The internal audit function will be rolled out in phases starting in September 2020 and will be fully implemented by mid-2021.

This function will operate independent from management, who designs and implement the controls that are in place and will report to the Audit Committee on the duties and functions that relate to internal audit. On other duties and administrative matters, internal audit will report to a member of executive management.

RISK MANAGEMENT

The Company does not currently have a formal Risk Management Framework nor a fully integrated enterprise risk management plan. A chief risk officer ("CRO") has recently been appointed to formulate such a plan and risk management policy for approval by the ARC and Board during the next year.

The Company does however maintain a register of all identified areas of risk that may impact the Group and suggested appropriate controls for mitigation. This register has recently been updated through an internal process following the cancellation of outside facilitated workshops due to outbreak of the Covid-19 pandemic and lockdowns in the countries in which the Group operates.

The updated register and mitigation proposals have been reviewed by the ARC and approved by the Board and are reported on in the Integrated Report.

FINANCE FUNCTION AND CFO

As mentioned above, the Company changed CFOs four times in the past four years. With the resignation of the previous CFO during September 2019, an acting CFO was appointed whilst the search for a replacement commenced. The unfortunate situation had a ripple effect throughout a mostly leaderless finance department. Key regional finance heads resigned as well during 2018, further disrupting continuity.

Since the resignation of the previous CFO the finance department's narrow focus was to produce the outstanding statutory financial statements with a view to comply with legislation and stock exchange requirements for the Company's share suspension to be lifted.

The new CFO, with extensive hands-on experience from blue chip JSE listed companies, including retail, was appointed with effect from 01 May 2020 relocated to Botswana during October 2020.

One of the first duties of the new CFO will be to assess and, where necessary, make key appointments to bolster the finance department and in particular, to ensure the necessary knowledge of IFRS is embedded into the Company. There is also a necessity to continuously strengthen the accounting systems and procedures as the Company evolves, including internal controls which also need to be done and documented. The issuance of proper, accurate and timely monthly management accounts is a priority going forward.

The committee is satisfied that the Acting CFO, Vidya Sanooj, has done an outstanding job in this position.

COMPLIANCE

During the past year, management made excellent progress in compiling a compliance model that lists and analyses all applicable laws and regulations that has an impact on the Group's activities. The ARC reviewed this model and are satisfied that this will play an important part in building a combined assurance framework under the supervision of the CRO.

The ARC also take comfort in the appointment of a competent company lawyer with good knowledge of the law and regulations, especially as it applies to Botswana.

KEY FOCUS AREAS

In executing its compliance duties during the 2020 financial year, the ARC, in addition to the above, also:

- nominated to re-appoint Mazars as external auditors for the 2020 financial year;
- confirmed that Mazars and the designated auditor, Shashi Velambath, are accredited by the BSE;
- approved the audit plan and audit strategy memorandum;
- reviewed the audit report to management on identified areas of internal control weaknesses;
- reviewed the audit conclusion report to the ARC;
- met with the external auditors in the absence of management: no matters of concern were raised;
- determined the fees to be paid to Mazars as disclosed above and their terms of engagement;
- received no complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group, or other related matters;
- reviewed the draft audited financial statements and integrated report, the preliminary profit announcement and interim statements;
- met with the external auditors to discuss the Annual Financial Statements prior to their approval by the Board;
- approved the outsourcing of the internal audit to BDO and also approved their audit plan;
- made submissions to the Board on matters concerning the Group's accounting policies, financial controls, records and reporting;
- reviewed the information technology strategy and monitored progress of current ERP implementation and integration;
- reviewed the compliance checklist regarding the King codes;
- concurred that the adoption of a going concern premise in the preparation of the annual financial statements was appropriate; and
- recommended to the Board not to declare a dividend.

CONCLUSION

The past year has been an incredibly challenging period for the newly appointed Audit Committee members as detailed in the introductory remarks of this report. The ARC members have acted independently and with due regard to their duties as directors and members of the ARC, which was taken seriously. We trust that this report allowed shareholders an insight into the Company in terms of our charter.

The ARC acknowledged in its previous reports that the Company seriously lacks the governance and financial hygiene standards expected from a listed public company. We can report that much progress has been made in restoring good governance, but a lot still needs to be done to improve the financial systems and timeously reporting requirements.

Tom Pritchard
Audit and Risk Committee Chairperson

Independent auditor's report

for the year ended 30 June 2020

TO THE SHAREHOLDERS OF CHOPPIES ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the consolidated and separate annual financial statements of Choppies Enterprises Limited and its subsidiaries ("Choppies Group") set out on pages 74 to 151 which comprise the consolidated and separate statement of financial position as at 30 June 2020, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated and separate financial performance and consolidated and separate cash flows of the Choppies Group for the year ended 30 June 2019. Because of the significance of the matters described in the Basis for Qualified Opinion paragraph of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated and separate financial performance and consolidated and separate cash flows for the year ended 30 June 2019.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Choppies Group as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

We were not appointed as auditors of the Choppies Group in the 2018 year. The predecessor auditor expressed a disclaimer of opinion. The disclaimer of opinion was based on the inability by the predecessor auditor to formulate an opinion on the consolidated and separate financial statements.

Comparatives presented in these financial statements are those figures reported in the previous year's financial statements. In the audit report dated 24 July 2020, a disclaimer of opinion was issued on the financial performance and cash flows and a qualified opinion was issued on the financial position of those financial statements. We were unable to obtain sufficient appropriate audit evidence through alternative means to satisfy ourselves as to the reliability of the accumulated surplus balance included in the statement of financial position as at 30 June 2019, or whether adjustments might have been necessary in respect of the movements in the statement of profit or loss and other comprehensive income, the net cash flows from operating activities reported in the statement of cash flows and the changes in equity reported in the statement of changes in equity for the year then ended.

In addition, we were appointed as auditors of the Choppies Group on 17 February 2020, and we were thus unable to observe the counting of physical inventories in certain locations, and we were unable to satisfy ourselves by alternative means concerning the existence and completeness of inventory quantities in certain locations held 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 year ended 30 June 2020.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion.

Material Uncertainty Related to Going Concern

Management prepared these consolidated and separate financial statements on the basis that the Group and the Company is a going concern. Management included their assessment, and the associated uncertainties they have identified, in basis of preparation. We draw attention to note 43 on the financial statements, which indicates that the Group incurred a net loss of BWP371 million (2019: BWP429 million) during the year ended 30 June 2020, had accumulated losses of BWP1 billion (2019: BWP676 million), and as at that date, Group's total liabilities exceeded its total assets by BWP467 million (2019: BWP80 million) and the total current liabilities exceed its total current assets by BWP777 million (2019: BWP494 million). As stated in note 43 of the financial statements, 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 opinion is not further modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MATTER#01	ACCOUNTING FOR SUPPLIER REBATE INCOME
Description of Key Audit Matter	The Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. As such, the Group recognises other income or a reduction in cost of sales as a result of amounts receivable from suppliers. We regarded the recognition of supplier rebates to be a matter of most significance to the audit as there is a risk that rebates may be materially misstated due to the significant magnitude thereof, the varying terms with the suppliers and also the judgements made in accruing for rebates as at year end in relation to the nature and level of fulfilment of the Group's obligation under the supplier agreements. Such agreements typically allow for various adjustments to the original selling price of goods subsequent to delivery of the goods, including (but not limited to) trade rebates, volume discounts (often measured using purchases over an extended period of time), early settlement discounts, advertising and other allowances (collectively, "rebate income"). The disclosure associated with supplier rebates is set out in the financial statements on the following note: • Note 1.30 – Rebates from suppliers
How we addressed the Key Audit Matter	We assessed the systems used to calculate rebates as well as the controls implemented by management over the accuracy of the calculation of rebates. We have tested the inputs used in calculating the supplier rebates by performing, among other, the following procedures for a sample of rebates: • We reviewed the major supplier agreements to understand their terms; • We assessed management's conclusion as to whether or not the rebate relates to a specific and genuine service, and consequently the treatment of the rebate in relation to the measurement of the cost of inventory at year end, through comparison to prior year treatment and evaluation of the types and terms of rebates received with reference to contractual terms; • We recalculated and assessed the rebate amounts recognised and the period in which they were recognised. This was based on the review of contractual performance obligations on a sample of contracts with suppliers to assess the conditions required for supplier rebates to be recognised and whether or not these had been met; • We assessed the recognition and classification of the rebates and other income and related costs in terms of the requirements of IAS 2, Inventories. • We have assessed and evaluated the presentation and disclosure of the above matter, as set out in the note 1.30 of the financial statements (Rebates from suppliers).

Independent auditor's report continued

for the year ended 30 June 2020

MATTER#02	ACCURACY AND COMPLETENESS OF RELATED PARTY TRANSACTIONS
Description of Key Audit Matter	The Group has undertaken transactions with numerous related parties. These include sales of goods to related parties, as well as purchase of goods from related parties. We have identified accuracy and completeness of the related party transactions as a key audit matter due to the significance of related party transactions; the risk that transactions are entered into on a non-arm's length basis, and the risk that such transactions remain undisclosed. The disclosure associated with related parties is set out in the financial statements on the following notes: • Note 1.27 – Financial Instruments (IFRS 9) – Amounts due from related parties • Note 38 – Related Parties
How we addressed the Key Audit Matter	Our procedures relating to related party relationships, transactions and balances included, amongst others: • Inquired from management and those charged with governance, and performed other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, established to identify, account for, and disclose related party relationships and transactions in the financial statements; • We maintained alertness for related party information when reviewing records and other supporting documents during the fieldwork phase of the audit; • We reviewed an extensive list of business documents and compiled a list of related parties and related party transactions independently; • Where management asserted that the transactions are in fact at arm's length, assessed this assertion by: – Comparing the terms of the related party transactions to those of an identical or similar transaction with one or more non-related parties; – Comparing the terms of the transaction to known market terms for broadly similar transactions on an open market; – Considering the appropriateness of management's process for supporting the assertion; – Verifying the source of the internal or external data supporting the assertion, and testing the data to determine their accuracy, completeness and relevance; and – Evaluating the reasonableness of any significant assumptions on which the assertion is based. We have assessed and evaluated the presentation and disclosure of the above matter, as set out in the note 1.27 (Financial Instruments (IFRS 9) – Amounts due from related parties) and note 38 (Related Parties) of the financial statements.

MATTER#03	IMPACT OF THE OUTBREAK OF COVID-19 ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
Description of Key Audit Matter	In December 2019, a novel strain of coronavirus (Covid-19) was reported in Wuhan, China. The World Health Organisation has declared the outbreak to constitute a "Public Health Emergency of International Concern." The potential impact of Covid-19 is causing widespread disruption to normal patterns of business activity across the world. Governments of various countries the Group is operating in declared a "State of Emergency" where most non-essential businesses were closed to curb the spread of Covid-19 and in some instances, re-opened. As a result of this, numerous sectors of the economy are suffering damage and the long-term economic and business consequences remain unknown. Impacts such as sales and production disruptions, supply-chain interruptions, negative impacts on customers, volatility in the equity and debt markets, reduced revenue and cash flows, cash out flow through donations to the State Covid-19 fund and other economic consequences have been observed. While the situation is still ongoing, based on the information available at this point in time, the directors have assessed the impact of Covid-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate. The disclosure associated with Covid-19 is set out in the financial statements on the following notes: • Note 43 – Going concern Due to the impact of Covid-19 and the uncertainty surrounding the final impact of Covid-19 on the Group, it was judged to be a key audit matter.
How we addressed the Key Audit Matter	As part of the audit work performed, we have evaluated the impact Covid-19 has had on the Group's business operations, as well as its ability to continue as a going concern in the foreseeable future. Our audit procedures included the following: • We obtained an understanding of the impact of Covid-19 on the Choppies Group including any current and potential future disruption to operations, forced closures by government and impact on demand, through discussions with the client, the review of budget forecasts for the next 12 months as well as staying abreast of notable events announced by the media and the government. • We evaluated Choppies' relationship with its banks and whether the Group had any difficulty renewing or extending its available facilities by inspecting correspondence between Choppies and its financial services provider and reviewing the existing debt structure and facilities currently available. • We evaluated further mitigating actions that management has adopted and could extend further to maintain sufficient levels of liquidity such as making use of relief options made available to the Group companies by their respective governments. • We examined management's assessment, which included, inter alia the following: – Made enquiries of management to understand the period of assessment considered by them on Covid-19; – Evaluated the key assumptions in the assessment prepared by management and assessed the reasonableness of the assumptions used given the information existing at the date of the audit procedures; – Examined the cash flow forecasts and evaluated whether management's conclusion regarding going concern is appropriate; and finally, evaluated the adequacy and appropriateness of management's disclosure in respect of Covid-19 implications, disclosures within principal risks and uncertainties and going concern. We have assessed and evaluated the presentation and disclosure of the above matter, as set out in note 43 (Going concern) of the financial statements.

Independent auditor's report continued

for the year ended 30 June 2020

MATTER#04	INITIAL APPLICATION OF IFRS 16 – LEASES ACCOUNTING STANDARD
Description of Key Audit Matter	As of 30 June 2020, right-of-use assets in the amount of BWP772 million (note 13) and lease liabilities in the amount of BWP753 million (note 32) were recognised in Choppies Enterprises Limited's consolidated financial statements. Right-of use assets accounts for 42% of total assets with an associated lease liability approximating 33% of total liabilities and thus have a material impact on the Company's net assets and financial position. The initial application of IFRS 16 – Leases accounting standard led to material effects on the opening balance for the fiscal year and their development as of the year-end date. The Choppies Group applies the new standard in accordance with the modified retrospective method. The calculation of the lease term and the incremental borrowing rates used as discount rates can be discretionary and based on estimates. In addition, extensive data from the leases must be recorded to calculate the initial effects of IFRS 16 and the development of lease liabilities and right-of-use assets in accordance with the standard. This data is the basis for the measurement and recognition of the lease liabilities and right-of-use assets. There is risk that the lease liabilities and right-of-use assets are not recognised in full in the consolidated statement of financial position. Furthermore, there is risk that the lease liabilities and right-of-use assets have not been measured correctly.
How we addressed the Key Audit Matter	Due to the significance of the estimates and judgements involved which could result in a material misstatement this has been deemed a key audit matter. We critically evaluated the implementation process for the new IFRS accounting standard. Our evaluation included the following procedures: • We analysed the accounting instructions underlying the implementation for completeness and conformity with IFRS 16; • We performed detailed testing on a sample basis, which was chosen in part on a representative and in part on a risk-oriented basis, and reviewed the accuracy and completeness of the lease contracts and that the correct inputs have been applied; • To the extent that discretionary decisions were made regarding the lease term, we reviewed whether, in light of the market conditions and risks in the industry, the underlying assumptions are plausible and consistent with other assumptions made in the consolidated financial statements; • We reproduced the Choppies Group's calculations of the carrying amounts of the lease liabilities and right-of-use assets. To this end, we evaluated the measurement and recognition of lease liabilities and right-of-use assets for selected leases, chosen in part on a representative and in part on a risk-oriented basis. The risk-based assessment included an evaluation of proper measurement in the case of changes to or reassessments of the underlying contract; • We assessed the appropriateness of the Group's disclosures of the impact of the new standard and the retrospective application in the notes to the consolidated financial statements (note 2 on Accounting policies and note 13 on Property, Plant and Equipment).

Other Information

The directors are responsible for other information. The other information comprises the Group's annual report and does not include the consolidated and separate annual financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated and separate annual financial statements

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

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the consolidated and separate annual financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the latter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars

Mazars
Certified Auditors
Practising member: Shashikumar Velambath
Membership number: 19980076
Date: 24 September 2020
Gaborone

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

Figures in Pula thousand	Note	Group 2020	Group 2019*	Company 2020	Company 2019
Continuing operations					
Revenue	4	**5 420 596**	5 358 993	**–**	–
Cost of sales	5	**(4 167 850)**	(4 142 713)	**–**	–
Gross profit		**1 252 746**	1 216 280	**–**	–
Other operating income	6	**52 617**	57 501	**–**	–
Loss on disposal of plant and equipment/business	7	**(656)**	(855)	**(107 885)**	–
Impairment (losses)/reversal	8	**(11 280)**	(19 925)	**14 103**	(226 534)
Administrative expenses	8	**(901 870)**	(924 434)	**–**	(806)
Selling and distribution expenses	8	**(63 200)**	(72 430)	**–**	–
Other operating expenses	8	**(140 741)**	(163 400)	**(8 481)**	–
Net monetary gain/(loss) on translating Zimbabwean entities		**20 366**	(354)	**–**	–
Operating profit/(loss)	8	**207 982**	92 383	**(102 263)**	(227 340)
Finance income	9	**110**	257	**–**	–
Finance costs	10	**(103 087)**	(63 059)	**–**	–
Profit/(loss) before taxation		**105 005**	29 581	**(102 263)**	(227 340)
Taxation	11	**(6 076)**	(22 597)	**–**	–
Profit/(loss) from continuing operations		**98 929**	6 984	**(102 263)**	(227 340)
Discontinued operations					
Loss from discontinued operations	25	**(469 563)**	(435 676)	**–**	–
Loss for the year		**(370 634)**	(428 692)	**(102 263)**	(227 340)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations in hyperinflationary economies	28	**87 528**	71 392	**–**	–
Exchange differences on translating foreign operations	29	**(103 801)**	(299 111)	**–**	–
Other comprehensive loss for the year net of taxation		**(16 273)**	(227 719)	**–**	–
Total comprehensive loss for the year		**(386 907)**	(656 411)	**(102 263)**	(227 340)
Loss attributable to:					
Owners of the parent		**(330 359)**	(393 662)	**(102 263)**	(227 340)
Non-controlling interest	15	**(40 275)**	(35 030)	**–**	–
		(370 634)	(428 692)	**(102 263)**	(227 340)
Loss attributable to:					
Owners of the parent:					
From continuing operations		**105 052**	12 081	**(102 263)**	(227 340)
From discontinued operations		**(435 411)**	(405 743)	**–**	–
		(330 359)	(393 662)	**(102 263)**	(227 340)
Non-controlling interest:					
From continuing operations		**(6 123)**	(5 097)	**–**	–
From discontinued operations		**(34 152)**	(29 933)	**–**	–
	15	**(40 275)**	(35 030)	**–**	–

** Income statement for 2019 regrouped to comply with the presentation requirement of IFRS 5 with regard to discontinuing operations.*

Figures in Pula thousand	Note	Group 2020	Group 2019	Company 2020	Company 2019
Total comprehensive loss attributable to:					
Owners of the parent		**(344 394)**	(623 118)	**(102 263)**	(227 340)
Non-controlling interest		**(42 513)**	(33 293)	**–**	–
		(386 907)	(656 411)	**(102 263)**	(227 340)
Earnings per share					
Basic earnings per share					
Basic (loss) earnings per share (thebe) – continuing operations	12	**8.06**	0.93		
Basic (loss) earnings per share (thebe) – discontinuing operations	12	**(33.40)**	(31.13)		
		(25.34)	(30.20)		
Diluted earnings per share					
Diluted (loss) earnings per share (thebe) – continuing operations	12	**8.06**	0.93	**–**	–
Diluted (loss) earnings per share (thebe) – discontinuing operations	12	**(33.40)**	(31.13)	**–**	–
		(25.34)	(30.20)	**–**	–

Statements of Financial Position

as at 30 June 2020

Figures in Pula thousand	Note	Group 2020	Group 2019	Company 2020	Company 2019
Non-current assets					
Property, plant and equipment	13	**1 218 626**	1 056 020	**–**	–
Goodwill and intangible asset	14	**65 735**	86 414	**–**	–
Investments in subsidiaries	15	**–**	–	**104 073**	104 075
Investments in new projects	17	**10 270**	27 018	**–**	–
		1 294 631	1 169 452	**104 073**	104 075
Current assets					
Inventories	19	**305 476**	574 069	**–**	–
Amounts due from related entities	18	**5 414**	14 956	**233 695**	269 413
Other financial assets	20	**3**	3	**–**	–
Advances and deposits	21	**39 092**	82 502	**–**	–
Trade and other receivables	22	**63 645**	96 449	**2 433**	–
Current tax receivable		**9 887**	16 676	**–**	–
Restricted cash	23	**12 845**	26 300	**–**	–
Cash and cash equivalents	24	**60 727**	206 715	**465**	474
		497 089	1 017 670	**236 593**	269 887
Assets of disposal groups	25	**49 081**	–	**–**	–
Total assets		**1 840 801**	2 187 122	**340 666**	373 962
Equity and liabilities					
Stated capital	26	**906 196**	906 196	**906 196**	906 196
Treasury shares	27	**(29 616)**	(29 616)	**–**	–
Hyperinflationary reserve	28	**158 920**	71 392	**–**	–
Foreign currency translation reserve	29	**(389 555)**	(294 849)	**–**	–
Foreign currency translation reserve – discontinued operations	29	**(6 857)**	–	**–**	–
Retained loss		**(1 006 538)**	(676 179)	**(634 982)**	(532 719)
Equity attributable to equity holders of parent		**(367 450)**	(23 056)	**271 214**	373 477
Non-controlling interest	15	**(99 604)**	(57 091)	**–**	–
		(467 054)	(80 147)	**271 214**	373 477
Non-current liabilities					
Long-term borrowings	31	**355 665**	572 754	**–**	–
Lease liabilities	32	**599 869**	31 688	**–**	–
Straight-lining lease obligation	34	**–**	119 110	**–**	–
Deferred taxation liabilities	16	**29 062**	32 262	**–**	–
		984 596	755 814	**–**	–
Current liabilities					
Trade and other payables	35	**571 225**	1 055 225	**65 001**	485
Amounts due to related entities	18	**82 794**	118 002	**–**	–
Current portion of long-term borrowings	31	**192 289**	46 117	**–**	–
Lease liabilities	32	**153 116**	22 265	**–**	–
Current portion of straight-lining lease obligation	34	**–**	16 303	**–**	–
Current tax payable		**7 248**	5 388	**4 451**	–
Bank overdraft	24	**148 788**	248 155	**–**	–
		1 155 460	1 511 455	**69 452**	485
Liabilities of disposal groups	25	**167 799**	–	**–**	–
Total liabilities		**2 307 855**	2 267 269	**69 452**	485
Total equity and liabilities		**1 840 801**	2 187 122	**340 666**	373 962

Statements of Changes in Equity

for the year ended 30 June 2020

Figures in Pula thousand	Stated capital	Foreign currency translation reserve	Hyper-inflationary translation reserve	Treasury shares	Retained loss	Total attributable to equity holders of the Group/ Company	Non-controlling interest	Total equity
Note	26	29	28					
Group								
Balance at 01 July 2018	**906 196**	**5 999**	**–**	**(29 616)**	**(280 257)**	**602 322**	**(26 058)**	**576 264**
Loss for the year	–	–	–	–	(393 662)	(393 662)	(35 030)	(428 692)
Other comprehensive (loss)/income	–	(300 848)	71 392	–	–	(229 456)	1 737	(227 719)
Total comprehensive loss for the year	**–**	**(300 848)**	**71 392**	**–**	**(393 662)**	**(623 118)**	**(33 293)**	**(656 411)**
Changes in ownership interest – control not lost	–	–	–	–	(2 260)	(2 260)	2 260	–
Total distributions to owners of Company recognised directly in equity	–	–	–	–	(2 260)	(2 260)	2 260	–
Balance at 30 June 2019	**906 196**	**(294 849)**	**71 392**	**(29 616)**	**(676 179)**	**(23 056)**	**(57 091)**	**(80 147)**
Group								
Balance at 01 July 2019	**906 196**	**(294 849)**	**71 392**	**(29 616)**	**(676 179)**	**(23 056)**	**(57 091)**	**(80 147)**
Loss for the year	–	–	–	–	(330 359)	(330 359)	(40 275)	(370 634)
Other comprehensive (loss)/income	–	(101 563)	87 528	–	–	(14 035)	(2 238)	(16 273)
Total comprehensive loss for the year	**–**	**(101 563)**	**87 528**	**–**	**(330 359)**	**(344 394)**	**(42 513)**	**(386 907)**
Balance at 30 June 2020	**906 196**	**(396 412)**	**158 920**	**(29 616)**	**(1 006 538)**	**(367 450)**	**(99 604)**	**(467 054)**

Figures in Pula thousand	Stated capital	Retained loss	Total equity
Company			
Balance at 01 July 2018	**906 196**	**(305 379)**	**600 817**
Loss for the year	–	(227 340)	(227 340)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(227 340)**	**(227 340)**
Balance at 01 July 2019	**906 196**	**(532 719)**	**373 477**
Loss for the year	–	(102 263)	(102 263)
Other comprehensive loss	–	–	–
Total comprehensive loss for the year	**–**	**(102 263)**	**(102 263)**
Balance at 30 June 2020	**906 196**	**(634 982)**	**271 214**

Statements of Cash Flows

for the year ended 30 June 2020

Figures in Pula thousand	Note	Group 2020	Group 2019	Company 2020	Company 2019
Cash flows from operating activities					
Profit (loss) before taxation		**105 005**	29 581	**(102 263)**	(227 340)
Adjustments for:					
Depreciation, write-off and amortisation		**253 592**	113 566	**–**	–
Losses/(gains) on disposals plant and equipment		**656**	855	**–**	–
Finance income		**(110)**	(257)	**–**	–
Finance costs		**103 087**	63 059	**–**	–
Movement in investments in new projects expensed during the year	17	**302**	1 775	**–**	–
Impairment losses net of reversals		**11 280**	19 925	**(14 103)**	226 534
Movements in straight-lining lease obligation		**–**	29 784	**–**	–
Movement in deposits		**–**	(2 272)	**–**	–
Purchase consideration		**–**	–	**52 851**	–
Restricted cash movements		**13 455**	15 075	**–**	–
Other financial assets		**–**	2 187	**–**	–
Changes in working capital:					
Movement in inventories		**55 922**	382 435	**–**	–
Movement in trade and other receivables		**1 692**	98 149	**(2 433)**	–
Movement in advances and deposits		**33 709**	(2 829)	**–**	–
Movement in amount due from related entities		**8 487**	11 145	**54 272**	(3 681)
Movement in trade and other payables		**44 219**	(257 064)	**64 516**	283
Movement in amount due to related entities		**(13 521)**	75 326	**–**	4 201
Cash generated from operations		**617 775**	580 440	**52 840**	(3)
Interest received	9	**110**	257	**–**	–
Taxation paid		**1 263**	(29 316)	**–**	–
Cash flows of discontinued operations	25	**(457 255)**	(268 981)	**–**	–
Net cash generated from operating activities		**161 893**	282 400	**52 840**	(3)
Cash flows from investing activities					
Purchase of property, plant and equipment	13	**(48 329)**	(151 498)	**–**	–
Proceeds on disposal of property, plant and equipment		**78 086**	70 501	**–**	–
Purchase of intangible assets	14	**(565)**	–	**–**	–
Cash consideration paid	37	**(52 849)**	–	**(52 849)**	–
Sale of business	37	**30 128**	–	**–**	–
Investment in new projects		**(10 468)**	(39 542)	**–**	–
Discontinued operations	25	**26 465**	–	**–**	–
Net cash used in investing activities		**22 468**	(120 539)	**(52 849)**	–

Figures in Pula thousand	Note	Group 2020	Group 2019*	Company 2020	Company 2019
Cash flows from financing activities					
Financing obtained from third parties		**100 000**	35 155	**–**	–
Capital payments of long-term liabilities		**(103 156)**	(139 373)	**–**	–
Lease payments		**(162 910)**	(38 442)	**–**	–
Discontinued operations	25	**18 087**	(17 051)	**–**	–
Interest paid	10	**(103 087)**	(63 059)	**–**	–
Net cash (used in)/generated from financing activities		**(251 066)**	(222 770)	**–**	–
Net movement in cash and cash equivalents		**(66 705)**	(60 909)	**(9)**	(3)
Cash and cash equivalents at beginning of the year		**(41 440)**	14 928	**474**	477
Cash balances from discontinued operations		**6 102**	–	**–**	–
Effect of translation of foreign entities		**13 982**	4 541	**–**	–
Cash and cash equivalents at end of the year	24	**(88 061)**	(41 440)	**465**	474

** Statement of cash flows for 2019 regrouped to comply with the presentation requirement of IFRS 5 with regard to discontinuing operations.*

Accounting policies

for the year ended 30 June 2020

CORPORATE INFORMATION

Choppies Enterprises Limited (CEL, the Group or the Company) is a public limited company incorporated and domiciled in the Republic of Botswana and listed on the Botswana Stock Exchange. The Company has a secondary listing on the Johannesburg Stock Exchange and is currently suspended. The Company registration number is BW00001142508. The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as "the Group").

The business of the Group is concentrated in the retail supermarket industry.

1. ACCOUNTING POLICIES

The consolidated and separate financial statements ("the financial statements") are prepared in accordance with the International Financial Reporting Standards ("IFRS") and the Johannesburg Stock Exchange requirements and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The financial statements were approved by the Board of Directors on 23 September 2020.

1.1 Basis of preparation

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

Certain individual companies in the Group have different functional currencies and are translated on consolidation.

The financial statements are prepared on the historical cost basis, except for certain financial instruments which are measured at fair value and Zimbabwean operations translated on a current cost basis as required by IAS 29 – Financial Reporting in a Hyperinflationary Economies. The financial statements incorporate the following accounting policies which are consistent with those applied in the previous year, except for the changes set out in note 2.

Judgements made by the Board in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in significant judgements and sources of estimation uncertainty in note 1.34.

1.2 Consolidation

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. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Transaction costs are expressed as incurred except if it refers to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment (refer to notes 8 and 14).

Goodwill

All goodwill is acquired through business combinations and initially measured at fair value of the consideration transferred. The goodwill consists of the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to the individual cash-generating units and is tested annually for impairment. An impairment loss is recognised if the present value of the estimated future cash flows arising from the identified units is exceeded by the carrying amount of the assets and liabilities of the unit including goodwill or the fair value less the cost of disposal of the cash-generating unit exceeds the carrying amount of goodwill. An impairment loss is recognised in profit or loss in the year in which it is identified. An impairment loss in respect of goodwill is not reversed.

Investments in subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Investments in subsidiaries are measured at cost less accumulated impairment losses in the Company financial statements.

1. ACCOUNTING POLICIES (continued)

1.2 Consolidation (continued)

Transactions eliminated on consolidation

Intragroup balances, and income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interest ("NCI")

NCIs are disclosed separately in the Group statement of financial position and statement of profit or loss and other comprehensive income. NCIs are viewed as equity participants of the Group and all transactions with NCIs are therefore accounted for as equity transactions and included in the Group statement of changes in equity.

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

Loss of control

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

Changes in Group's interests in subsidiaries

Changes in the Group's interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

1.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

1.4 Property, plant and equipment

Property, plant and equipment items are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairment.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of property, plant and equipment. The items of property, plant and equipment (except freehold land) are depreciated by applying the following useful lives:

Item	Average useful life
Buildings	14 years
Plant and machinery	
• Bakery equipment	4 – 20 years
• Butchery and takeaway equipment	5 – 17 years
• Refrigeration equipment	7 – 14 years
• Cold-room and compressors, generators	7 – 20 years
• Electrical and fittings	6 – 14 years
• Others	6 – 7 years
Office equipment, furniture and fixtures	
• Shelving	7 – 14 years
• Check out tills	6 – 14 years
• Drop safes	20 – 29 years
• Others	10 years

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.4 Property, plant and equipment (continued)

Motor vehicles	4 – 10 years
IT equipment	3 – 10 years
Leasehold improvements	Over the lease term
Aircraft	20 years

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

The residual value of each part of property, plant and equipment, if not insignificant, is reassessed annually. The expected useful lives are determined by a combination of comparison to industry, assessment of operational plans and strategies, actual experience and taking cognisance of advice from external experts.

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amounts and are recognised in profit or loss.

Repairs and maintenance costs are recognised in profit or loss during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits will flow to the Group. Major renovations are depreciated over the period until the next major renovation is required, which may be shorter than the remaining life of the related asset.

Subsequent expenditures are capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

1.5 Financial guarantee contracts

The Company has issued corporate guarantees to banks for banking facilities granted by them to certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms. Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with IFRS 15 – Revenue from contracts with customers.

With reference to Note 36, the Company provides financial guarantees to certain banks in respect of bank facilities granted to certain subsidiaries. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

1.6 Investments in new projects

Investments in new projects relates to capital expenditure incurred with regard to new stores to be opened in the following financial year. Investments in new projects is stated at cost. The amounts are transferred to respective asset classes when the assets are available for their intended use. Depreciation commences when the assets are ready for their intended use.

1.7 Impairment of assets

Non-financial assets

The carrying values of non-financial assets (except for deferred tax assets and inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

1. ACCOUNTING POLICIES (continued)

1.7 Impairment of assets (continued)

Non-financial assets (continued)

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

For non-financial assets, such as goodwill, which have indefinite useful lives and are not subject to depreciation or amortisation, or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

1.8 Leased assets

As described in Note 2, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets (BWP5 000) using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.9 Leases (IFRS 16) – Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15, using relative standalone selling prices for the different components.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 6).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.10 Leases (Comparatives under IAS 17)

Finance leases – lessee

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of the asset are transferred from the lessor to the Group as a lessee.

Assets acquired in terms of finance leases are capitalised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

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

Finance lease assets are carried at the initial recognised amounts less accumulated depreciation and impairment losses.

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

Finance lease liabilities are classified as non-current liabilities, with the exception of the portion with a maturity date less than 12 months from the reporting date which is classified as a current liability.

Finance lease assets are depreciated over the useful life of the asset.

1. ACCOUNTING POLICIES (continued)

1.10 Leases (Comparatives under IAS 17) (continued)

Operating leases – lessee

Leases where the lessor retains risk and rewards of ownership of the underlying asset are classified as operating leases. The Group acts as a lessee. Payments made under an operating lease are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

Operating lease liabilities are classified as non-current liabilities with the exception of the portion with a maturity date of less than 12 months from the reporting date which is disclosed as a current liability.

Any contingent rent is recognised as and when it is determined and recognised in profit or loss.

1.11 Inventories

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

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

1.12 Tax and deferred taxation

Deferred tax assets and liabilities

Deferred taxation is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; or
- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred taxation is recognised in profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improve. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.12 Tax and deferred taxation (continued)

Tax expenses

Taxation comprises current and deferred taxation. Taxation is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, after taking account of income and expenditure which is not subject to taxation, and any adjustment to tax payable/refundable in respect of previous years.

Dividends withholding tax

Dividends withholding tax is a tax on shareholders and is applicable on all dividends declared. Withholding tax applicable in Botswana for both residents and non-residents is 7.5%. Dividends payable to non-exempt shareholders registered on the Johannesburg Stock Exchange are subject to 20% withholding tax in accordance with the South African Income Tax Act 58 of 1962, unless varied in accordance with any relevant Double Tax Agreement.

1.13 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. Employee entitlements to annual leave, bonuses, medical aid and housing benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date.

Severance benefits

Employees who are not members of an approved pension scheme or entitled to gratuities per their employee contracts, are entitled to severance benefits as regulated by the Botswana Labour Laws. An accrual is recognised for the estimated liability for services rendered by the employees up to reporting date, this is related to other long-term employee benefits.

Gratuities

The Group operates a gratuity scheme for expatriates in terms of employment contracts and a gratuity is not considered to be a retirement benefit plan as the benefits are payable on completion of employment contract period of continuous employment or on termination of employment at the option of the employee. The expected gratuity liability is provided in full by way of accrual.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to approved defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which the related services were rendered.

1.14 Share incentive scheme

Share incentive scheme

The Group introduced an employee share incentive scheme. The shares are held in a trust, Choppies Group Share Incentive Trust until they are granted to employees. The shares are held in and remain under the control of the trust until such shares are vested to employees.

On the grant date, fair value of the equity-settled share-incentive scheme arrangements granted to employees is recognised as an expense, with a corresponding increase in equity (by reducing from the value of Treasury shares) over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

1.15 Revenue

Revenue arises mainly from the sale of goods. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or good to a customer, generally upon customer collecting the goods.

1. ACCOUNTING POLICIES (continued)

1.15 Revenue (continued)

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Company's products and goods, for example for the sale of consumer goods. In all cases, the total transaction price for a contract is allocated among the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised at a point in time, when (or as) the Group satisfies performance obligations by transferring the promised goods to its customers. The Group does not consider the financing component since the transfer of goods and related payments are not more than 12 months apart.

1.16 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

1.17 Interest income

Interest income is recognised as it accrues in profit or loss using the effective interest method.

1.18 Interest costs

Interest cost is recognised in profit or loss in the period in which these expenses are incurred using the effective interest method.

1.19 Earnings and headline earnings per share

The Group presents basic and diluted earnings per share ("EPS") and headline earnings per share ("HEPS") information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss after taxation attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS 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. Headline earnings are calculated in accordance with Circular 1/2019 issued by the South African Institute of Chartered Accountants as required by the Johannesburg Stock Exchange Listings Requirements.

1.20 Dividend per share

Dividends per share are calculated based on the dividends declared during the year compared to the number of ordinary shares in issue at the time of declaration.

1.21 Stated capital, hyperinflation reserve, foreign currency translation reserve and retained (loss) profit

Stated capital

Ordinary shares (with no par value) are classified as stated capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as financial liabilities.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Botswana Pula.
- Retained (loss) profit – includes all current and prior period retained (loss) profits.
- Treasury shares – refer to accounting policy 1.22.
- Hyperinflationary reserve – this is the effect of all components of shareholders equity that are restated by applying a general price index from the beginning period or dates on which those items arose.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.22 Treasury shares

The Group operates a share incentive scheme classified as treasury shares and are presented as a deduction from equity. Dividend income on treasury shares are eliminated on consolidation.

1.23 Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This is on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares.

1.24 Dividends distributed to shareholders

Dividends are recorded in the period in which they have been declared and are recognised directly in equity. Dividends declared after the reporting date are not recognised as a liability in the statements of financial position.

1.25 Operating segments

The Group discloses segmental financial information which is being used internally by the entity's chief executive officer ("CEO") 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 CEO and for which discrete financial information is available. Operating segments, per geographical regions, are aggregated for reporting purposes. The aggregated business in each region have similar economic characteristics. They engaged in similar activities of retail trade.

1.26 Translation of foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated to Botswana Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities designated in foreign currencies are subsequently translated to Pula at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities are consistently translated at rates of exchange ruling at acquisition dates. Foreign exchange differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, which are not entities operating in a hyperinflationary economy, 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 weighted average rate of exchange for the year, except to the extent that the translation differences are allocated to NCI. Profits or losses arising on the translation of assets and liabilities of foreign entities are recognised in other comprehensive income and presented within equity and shown separately in a foreign currency translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Translation of foreign operations in hyperinflationary economies

The fiscal and monetary policy pronouncements made in October 2018 led to the directors' reassessment of the functional currency of the Group's Zimbabwe operations and a justification to conclude that, under IAS 21 – Effects of Changes in Foreign Exchange Rates, there was a change in the functional currency from the United States Dollar to the Zimbabwe Dollar.

The results of Zimbabwe operations is translated at the closing rate on 30 June 2020 as per IAS 21 paragraph 42(a).

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9)

Recognition and derecognition

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 – Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

- Financial assets which are equity instruments:
  - Mandatorily at fair value through profit or loss; or
  - Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).
- Financial assets which are debt instruments:
  - Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
  - Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
  - Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
  - Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).
- Derivatives which are not part of a hedging relationship:
  - Mandatorily at fair value through profit or loss.
- Financial liabilities:
  - Amortised cost; or
  - Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
  - Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a Group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Risk management presents the financial instruments held by the Group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Amounts due from related entities at amortised cost

Classification

Amounts due from related entities (note 18) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these amounts due from related parties give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these amounts.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9) (continued)

Recognition and measurement

Amounts due from related parties are recognised when the Group becomes a party to the contractual provisions of the amounts due. Amounts due from related parties are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the amounts due from related parties initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

A loss allowance is recognised for all amounts due from related entities, in accordance with IFRS 9 – Financial Instruments by applying the simplified approach, and is monitored at the end of each reporting period. Amounts due from related entities are written off when there is no reasonable expectation of recovery, for example, when a related entity is placed or has been placed under liquidation. Amounts due from related entities which have been written off are not subject to enforcement activities.

Significant increase in credit risk

In assessing whether the credit risk on amounts due from related parties has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on amounts due from related parties is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. amounts due from related parties written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries/reversals made are recognised in profit or loss in impairment (note 8).

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9) (continued)

Measurement and recognition of expected credit losses ("ECL")

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Amounts due from related parties are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and vice-versa.

An ECL gain or loss is recognised for all amounts due from related parties in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The ECL loss is included in material operating items requiring separate disclosure in profit or loss as a movement in credit loss allowance (note 8).

Credit risk

Details of credit risk related to amounts due from related parties are included in the specific notes (Refer to note 18).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in impairment.

Trade and other receivables

Classification

Trade and other receivables, excluding, where applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9) (continued)

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss under investment income (note 9).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in selling and distribution expenses (note 8).

Details of foreign currency risk exposure and the management thereof are provided in the risk management (note 40).

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 22.

An ECL gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in material operating items requiring separate disclosure in profit or loss as a movement in credit loss allowance (note 8).

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries are recognised in profit or loss in impairment (note 8).

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9) (continued)

Credit risk

Details of credit risk are included in the trade and other receivables note (note 22) and the risk management (note 40).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss.

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 20. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income. To date this election has not been made.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss. Details of the valuation policies and processes are presented in note 20.

Fair value gains or losses recognised on investments at fair value through profit or loss.

Dividends received on equity investments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in other income (note 6).

Impairment

Investments in equity instruments are not subject to impairment provisions.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Borrowings and amounts due to related entities

Classification

Amounts due to related entities (note 18) and borrowings (note 31) are classified as financial liabilities subsequently measured at amortised cost.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9) (continued)

Recognition and measurement

Borrowings and amounts due to related entities are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 10.)

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Amounts denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the amount is determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the selling and distribution expenses (note 8).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the risk management (note 40).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification

Trade and other payables (note 35), excluding VAT payable and amounts received in advance, are classified as financial liabilities and subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a material financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Group to liquidity risk. Refer to risk management (note 40).

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9) (continued)

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the closing rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the selling and distribution expenses (note 8)

Details of foreign currency risk exposure and the management thereof are provided in the risk management (note 40).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost which is deemed to approximate fair value.

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

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.27 Financial instruments (IFRS 9) (continued)

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.28 Agency fees and commissions

Commission from rendering of agency services is recognised as the services are provided in accordance with the terms of the agency agreement and is included in other income.

1.29 Share-incentive scheme

The Group operates a share incentive scheme classified as treasury shares and are presented as a deduction from equity. Dividend income on treasury shares are eliminated on consolidation.

1.30 Rebates from suppliers

Consistent with standard industry practice, the Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. Most of the income received from suppliers relates to adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product. Sometimes receipt of the income is conditional on the Group performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These include achieving agreed purchases or sales volume targets and providing promotional or marketing materials and activities or promotional product positioning.

Rebates from suppliers is recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories.

Amounts due relating to rebates from suppliers are recognised within trade and other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued rebates are recognised within accrued income when rebates earned have not been invoiced at reporting date.

1.31 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also note 25).

1. ACCOUNTING POLICIES (continued)

1.32 Non-current assets and liabilities classified as held for sale and discontinued operations

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see also note 25).

1.33 Determination of functional currency in Zimbabwe

To ease the pressure of a notable foreign currency shortage in that country, the Reserve Bank of Zimbabwe issued a monetary policy document on 1 October 2018 requiring banks to separate bank accounts into a foreign currency United States Dollar ("USD") bank account and a local currency USD bank account. The local currency USD bank account is made up of Real Time Gross Settlement ("RTGS") and bond notes and does not trade on a 1:1 basis to the USD.

The shortage of foreign currency creates uncertainty on the amount and timing of amounts that can be repatriated from Zimbabwe. IAS 21 – Foreign currency transactions ("IAS 21") requires the use of a spot rate. The global foreign currency USD rate does not meet the conditions of a spot rate in IAS 21. Accordingly, with effect from 1 October 2018, the Group applied an unadjusted parallel legal mechanism to translate the results and financial position of its Zimbabwean subsidiary. On 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ ") Governor announced a new Monetary Policy Statement whose highlights were denomination of RTGS system balances, bond notes and coins collectively as RTGS $. RTGS became part of a multi-currency system. RTGS $ to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions. The monetary policy statement was followed by the publication of Statutory Instrument ("S.I.") 33 of 2019 on 22 February 2019, which gave effect to the introduction of the RTGS $ as legal tender and prescribed that "for accounting and other purposes "certain assets and liabilities on the effective date would be deemed to be RTGS $ at a rate of 1:1 to US$ and would become opening RTGS $ values from effective date. In particular, the promulgation of RTGS $ as currency in the opinion of the directors, it was a response to the market perceptions which had come to regard RTGS balances and transactions as representing an underlying de facto currency. The monetary policy statement also established an interbank foreign exchange market were the exchange rate would be determined by market forces. The interbank market opened trading at a rate of USD $ 1 to RTGS $ 2.5. The Company already adopted hyper-inflation accounting in the previous year, for the year ended 30 June 2019. During the 2020 financial year a currency auction system was implemented by the RBZ. This did not impact the functional currency assessment of the Zimbabwean operations.

Accounting for hyperinflationary subsidiary

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date and the corresponding figures for the previous periods be stated in the same terms to the latest reporting date. The restatement has been calculated by means of conversion factors derived from month on month consumer price index (CPI) prepared by the Zimbabwe Statistical Agency. The indices and conversion factors used to restate the financial statements as at 30 June 2020 are as follows;

Date	Indices	Conversion factor
30 June 2020	**1 445.21**	**1.00**
30 June 2019	172.61	1.00

The main procedures applied for the above mentioned restatement are as follows:

Monetary assets and liabilities that are carried at amounts current at the reporting date are not restated because they are already expressed in terms of the monetary unit current at the reporting date.

Plant and equipment

The original cost of plant and equipment is restated from the date of purchase of each item to the reporting date using the applicable general price index. The depreciation charge for the current period is calculated on the basis of the restated plant and equipment. Opening accumulated depreciation is also calculated on the basis of the restated plant and equipment.

Additions to plant and equipment are restated using the relevant conversion factors from the date of the transaction to the reporting date. For disposals, the original date of purchase and the historical cost is determined and the restated balance is deducted from the plant and equipment. There was no plant and equipment purchased prior to 2009.

The restated plant and equipment is assessed for impairment in accordance with IAS 36.

Accounting policies continued

for the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

1.33 Determination of functional currency in Zimbabwe (continued)

Inventories

Inventories are restated based on the ageing of the items using the increase in the general price index for the period from purchase dates to the reporting date.

All items in the statement of other comprehensive income are restated by applying the relevant monthly conversion factors.

Shareholders' equity

All components of shareholders equity are restated by applying a general price index from the beginning period or dates on which those items arose. Current year restated net income is added to the balance of restated opening retained earnings.

Comparative financial statements are restated by applying the general price index in terms of the measuring unit at the reporting date.

The effect of inflation on the net monetary position is included in the statement of other comprehensive income as a monetary gain or loss on the monetary position

All items in the statement of cash flow are expressed in terms of the measuring unit current at the reporting date.

1.34 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate annual financial statements in conformity with IFRS requires the Company, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 period in which the estimates are revised and in any future periods affected.

Impairment of trade receivables

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (refer to note 22).

Allowance for slow moving, damaged and obsolete inventory

The Group assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

Fair value estimation

Several assets and liabilities of the Group are either measured at fair value or disclosure is made of their fair values.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 41.

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, the Company determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash-generating unit to which the asset belongs.

1. ACCOUNTING POLICIES (continued)

1.34 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

The Group assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of buildings, plant and equipment, office equipment, furniture and fixtures, motor vehicles, IT equipment, leasehold improvements and aircraft are determined based on Group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful lives of property, plant and equipment is assessed annually based on a combination of comparison to industry, assessment of operational plans and strategies, actual experience and taking cognisance of advice from external experts.

Change in estimate – aircraft

The useful life of aircraft estimated in December 2015 was four years. In the current period management have revised their estimate to 20 years based on flying hours. The effect of this revision has decreased the depreciation charges for the current and future periods by BWP4 553 879.

This impacted deferred tax charge of BWP1 001 853 for the current year.

Determination of a functional currency of a foreign subsidiary

Entities in Zimbabwe have been operating in a multi-currency regime since its adoption by the Zimbabwean Government in February 2009. The United States Dollar was predominantly used in the economy and was designated as the functional and presentation currency of businesses in Zimbabwe. Due to severe foreign currency constrains experienced in Zimbabwean economy, some entities have left foreign obligations unsettled for long periods of time. This position therefore led to the constrained exchangeability between the Real Time Gross Settlement ("RTGS") FCA and the United States Dollar ("US$") FCA for some entities. A lack of or constrained exchangeability arises if an entity is unable to readily exchange a currency for another currency through the legal exchange mechanism within a reasonably short period of time.

This led to the creation of a three (3) tier pricing structure within the Zimbabwe economy where one product was being charged at different prices namely United States Dollar cash, electronic payment, mobile money or bond notes. The pricing structure indicated that the majority of transactions in the economy were now largely being conducted in electronic money and bond notes at a premium to the United States Dollar with effect from October 2018.

During the year 2018, the following pronouncements were made by the Zimbabwean authorities;

- In February 2018, the Reserve Bank of Zimbabwe instructed banks to ring fence foreign currency deposits by foreign exchange earners;
- In October 2018, banks were instructed to separate and create distinct (separate) bank accounts for depositors, namely; RTGS FCA and Nostro FCA accounts effective 15 October 2018. The exchange rate remained fixed at 1:1 and the balances in the two types of accounts continued to be referred to as the United States Dollar ("US$").
- The requirement by the Zimbabwe Revenue Authority ("ZIMRA") through public Notice Number 45 of 2018 that businesses should remit taxes in the specific currencies in which they collected them without conversion to RTGS, bond notes, local point of sale and mobile money.

These pronouncements led to a market consensus among market participants that the economic reality was different. In light of the industry consensus on the matter and industry discussion that followed led to directors to change the functional currency of our business in Zimbabwe to the RTGS Dollar with effect from 1 October 2018. The vast majority of our revenue was received and settled in RTGS and Bond notes.

On 20 February 2019, the Reserve Bank of Zimbabwe announced in a monetary policy statement that the RTGS would be recognised as a currency and Exchange Control Directive (RU 28 of 2019) formalised trading of the RTGS balances with other currencies. The Reserve Bank of Zimbabwe further issued Statutory Instrument 142 of 2019 on 24 June 2019 resulting in the renaming of the RTGS Dollar to the Zimbabwe Dollar ("ZWL$") and the Zimbabwe Dollar became the only legal tender in Zimbabwe. With this change being made prior to year-end, we have referenced the currency for the Zimbabwe operations as Zimbabwe Dollar ("ZW$").

Restricted cash

Restricted cash deposits include an amount of BWP12.4 million (2016: BWP26.3 million) relating to the Zimbabwe operations. This is due to exchange control regulations as well as a shortage of physical currency. The rate used for conversion was the quoted ZWL bank rate (2018: USD bank rate). Refer to note 23. The Company did not have the necessary clearance from the Reserve Bank of Zimbabwe to externalise funds at 30 June 2019.

Business combinations

The Group uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquiree's future profitability.

Notes to the Consolidated and Separate Annual Financial Statements

for the year ended 30 June 2020

2. CHANGES IN ACCOUNTING POLICY

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 – Leases

In the current year, the Company has adopted IFRS 16 – Leases (as issued by the IASB in January 2016) with the date of initial application being 01 July 2019. IFRS 16 replaces IAS 17 – Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Group's consolidated and separate annual financial statements is described below.

The Group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated.

Leases where group is lessee

Leases previously classified as operating leases

The Group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- Recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the date of initial application.
- Recognised right-of-use assets measured on a lease-by-lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The Group applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying assets are of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease-by-lease basis:

- When a portfolio of leases contained reasonably similar characteristics, the Group applied a single discount rate to that portfolio;
- Leases which were expiring within 12 months of 01 July 2019 were treated as short-term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- Initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- Hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Impact on financial statements

On transition to IFRS 16, the recognised additional BWP850 963 777 of right-of-use assets (after adjusting straight-line lease obligation of BWP75 564 295) and BWP908 702 217 of lease liabilities.

When measuring lease liabilities, Group discounted lease payments using its incremental borrowing rate at 01 July 2019. The weighted average rate applied was 8.50%.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16 (BWP'000)

	01 July 2019
Operating lease commitment at 30 June 2019 as previously disclosed	1 585 718
Discounted using the incremental borrowing rate at 01 July 2019	(686 712)
Add finance lease liabilities recognised as at 30 June 2019	53 953
Operating lease commitment derecognised due to discontinued operations	(18 532)
Lease liabilities recognised at 01 July 2019	934 427

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
• Prepayment Features with Negative Compensation – Amendment to IFRS 9	01 January 2019	The impact of the amendments are not material.
• Amendments to IFRS 3 – Business Combinations: Annual Improvements to IFRS 2015 – 2017 cycle	01 January 2019	The impact of the amendments are not material.
• Amendments to IAS 12 – Income Taxes: Annual Improvements to IFRS 2015 – 2017 cycle	01 January 2019	The impact of the amendments are not material.
• Amendments to IAS 23 – Borrowing Costs: Annual Improvements to IFRS 2015 – 2017 cycle	01 January 2019	The impact of the amendments are not material.
• Uncertainty over Income Tax Treatments	01 January 2019	The impact of the amendments are not material.
• IFRS 16 Leases	01 January 2019	The impact of the standard is set out in note 2 – Changes in accounting policy.

3.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
• Annual Improvements to IFRS Standards 2018 – 2020 (IFRS 9 – Financial Instruments)	01 January 2022	Unlikely there will be a material impact
• Annual Improvements to IFRS Standards 2018 – 2020 (IFRS 16 – Leases)	01 January 2022	Unlikely there will be a material impact
• Annual Improvements to IFRS Standards 2018 – 2020 (IFRS 1 – First-time Adoption of International Financial Reporting Standards)	01 January 2022	Unlikely there will be a material impact
• Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not specified	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• Covid-19 – Related Rent Concessions – Amendment to IFRS 16	01 June 2020	Unlikely there will be a material impact
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020	Unlikely there will be a material impact
• Definition of a business – Amendments to IFRS 3	01 January 2020	Unlikely there will be a material impact
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	Unlikely there will be a material impact
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	Unlikely there will be a material impact

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 30 June 2020

		Group		Company	
Figures in Pula thousand		**2020**	2019	**2020**	2019
	Notes (4 to 11) to the Income statement for 2019 have been regrouped to comply with the presentation requirement of IFRS 5 with regard to discontinuing operations.				
4.	**REVENUE**				
	Revenue from contracts with customers				
	Sale of goods	**5 420 596**	5 358 993	**–**	–
		5 420 596	5 358 993	**–**	-
	Disaggregation of revenue from contracts with customers by country				
	Botswana	**4 260 179**	4 147 283	**–**	–
	Namibia	**142 128**	119 701	**–**	–
	Zambia	**604 147**	583 516	**–**	–
	Zimbabwe	**414 142**	508 493	**–**	–
		5 420 596	5 358 993	**–**	–
5.	**COST OF SALES**				
	Sale of goods	**4 167 850**	4 142 713		
6.	**OTHER OPERATING INCOME**				
	Commissions received on financial services	**29 513**	28 261	**–**	–
	Rental income (including ATMs)	**4 523**	4 429	**–**	–
	Transportation income	**13 651**	18 861	**–**	–
	Miscellaneous income	**4 930**	5 950	**–**	–
		52 617	57 501	**–**	–
7.	**OTHER OPERATING GAINS/(LOSSES)**				
	Gains/(losses) on disposals				
	Property, plant and equipment	**(656)**	(855)	**–**	–
	Investments in subsidiaries (loss on disposal of South Africa)*	**–**	–	**(107 885)**	–
		(656)	(855)	**(107 885)**	–

** This represents the amount payable to Kind Investment in relation to the disposal of South African subsidiaries.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
8. OPERATING LOSS				
Operating profit/(loss) for the year is stated after charging (crediting) the following, among others:				
Auditor's remuneration – external				
Audit fees	**572**	–	**–**	–
Audit fees – prior year	**10 716**	7 025	**–**	–
	11 288	7 025	**–**	–
Consulting and professional service fees	**13 394**	10 879	**7 929**	465
Legal and forensic fees	**5 785**	5 989	**–**	–
Legal fee relating to South Africa restructuring and disposal	**2 961**	–	**–**	–
	22 140	16 868	**7 929**	465
Employee costs				
Salaries, wages, bonuses and other benefits	**374 068**	370 996	**8**	49
Defined contribution expense	**10 909**	10 604	**–**	–
Total employee costs	**384 977**	381 600	**8**	49
Leases				
Operating lease charges				
Premises	**–**	207 800	**–**	–
Variable lease payments				
Premises	**7 981**	–	**–**	–
Total operating lease charges	**7 981**	207 800	**–**	–
Depreciation, write-off and amortisation				
Write-off of goodwill	**–**	2 368	**–**	–
Depreciation of property, plant and equipment	**93 458**	106 742		
Depreciation of right of use asset	**157 891**	–	**–**	–
Amortisation of intangible assets	**2 243**	4 456	**–**	–
	253 592	113 566	**–**	–
Impairment losses				
Property, plant and equipment (Refer to note 13)	**–**	3 884	**–**	–
Impairment of goodwill (Refer to note 14)	**9 868**	–	**–**	–
Impairment of intangible asset Oracle project (Refer to note 17)	**–**	13 759	**–**	–
Impairment of advance to suppliers	**–**	4 366	**–**	
Investment in subsidiaries (Refer to note 15)	**–**	–	**2**	178 889
Impairment of amounts due from related parties (South Africa note 38)	**–**	–	**–**	47 645
Reversal of impairment of intercompany loan	**–**	–	**(14 105)**	–
Payless Supermarkets (Pty) Ltd (included in trade receivables note 22)	**3 208**	17 730	**–**	–
Movement in expected credit loss allowance	**(1 796)**	(19 814)	**–**	–
	11 280	19 925	**(14 103)**	226 534
Donations				
Donations paid	**6 239**	4 332	**–**	–

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 30 June 2020

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
8. OPERATING LOSS (continued)				
Expenses by nature				
Expenses are analysed by nature as follows:				
Administration expenses				
Auditor's remuneration	**11 288**	7 025	**–**	–
Bank charges	**42 932**	42 232	**–**	–
Computer expenses	**23 852**	23 947	**–**	–
Depreciation of right of use asset	**157 891**	–	**–**	–
Electricity charges	**88 479**	83 372	**–**	–
Employee costs	**384 977**	381 600	**–**	–
Insurance, licence and permits	**14 568**	14 686	**–**	–
Motor vehicle expenses	**29 526**	30 944	**–**	–
Operating lease charges	**7 981**	207 800	**–**	–
Professional charges	**22 140**	16 868	**–**	–
Security expenses	**28 657**	27 766	**–**	–
Effects of hyper-inflation accounting on administrative expenses	**44 313**	25 977	**–**	–
Other administrative expenses	**45 266**	62 217	**–**	–
	901 870	924 434	**–**	–
Selling and distribution expenses				
Advertising and sales promotion	**13 361**	21 632	**–**	–
Foreign exchange differences	**45 783**	36 908	**–**	–
Other selling and distribution expenses	**3 840**	13 848	**–**	–
Effects of hyperinflation accounting on selling and distribution expenses	**216**	42	**–**	–
	63 200	72 430	**–**	–
Other expenses				
Depreciation and amortisation	**95 701**	113 566	**–**	–
Repairs and maintenance	**41 544**	47 217	**–**	–
Effects of hyperinflation accounting on other expenses	**3 496**	2 617	**–**	–
	140 741	163 400	**–**	–
9. INVESTMENT INCOME				
Interest income				
From investments in financial assets:				
Bank and other cash	**110**	257	**–**	–
10. FINANCE COSTS				
Leases	**59 208**	–	**–**	–
Bank overdraft and borrowings	**43 879**	63 059	**–**	–
Total finance costs	**103 087**	63 059	**–**	–

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
11. TAXATION				
Major components of the tax expense				
Current				
Income tax – current period	**7 475**	23 184	**–**	–
Income tax – recognised in current tax for prior periods	**(89)**	470	**–**	–
	7 386	23 654	**–**	–
Deferred				
Originating and reversing temporary differences	**(1 310)**	(1 057)	**–**	–
	6 076	22 597	**–**	–
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting loss	**105 005**	29 581	**(102 263)**	(227 340)
Tax at the applicable tax rate of 22% (2019: 22%)	**23 101**	6 508	**(22 498)**	(50 015)
Tax effect of adjustments on taxable income				
Unrecognised deferred tax asset	**19 549**	15 680	**–**	–
Prior year under (over) provision of current tax	**–**	470	**–**	–
Prior year under (over) provision of deferred tax	**(89)**	(2 042)	**–**	–
Disallowed expenses	**(37 132)**	1 878	**22 498**	50 015
Effects of different tax rate	**647**	103	**–**	–
	6 076	22 597	**–**	–
12. EARNINGS AND DIVIDEND PER SHARE				
Basic earnings per share and diluted earnings per share				
Basic (loss) earnings per share (thebe)				
Basic (loss) earnings per share (thebe) – continuing operations	**8.06**	0.93	**–**	–
Basic (loss) earnings per share (thebe) – discontinuing operations	**(33.40)**	(31.13)	**–**	–
	(25.34)	(30.20)	**–**	–
Diluted (loss) earnings per share (thebe)				
Basic (loss) earnings per share (thebe) – continuing operations	**8.06**	0.93	**–**	–
Basic (loss) earnings per share (thebe) – discontinuing operations	**(33.40)**	(31.13)	**–**	–
	(25.34)	(30.20)	**–**	–
Profit or loss for the year attributable to equity holders of the parent				
Continuing operations	**105 052**	12 081	**–**	–
Discontinued operations	**(435 411)**	(405 743)	**–**	–
	(330 359)	(393 662)	**–**	–
Basic headline (loss) earnings per share (thebe)				
Basic headline (loss) earnings per share (thebe) – continuing operations	**9.06**	2.77	**–**	–
Basic headline (loss) earnings per share (thebe) – discontinuing operations	**(24.33)**	(28.64)	**–**	–
	(15.27)	(25.87)	**–**	–

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 30 June 2020

12. EARNINGS AND DIVIDEND PER SHARE (continued)

Headline earnings and diluted headline earnings per share

The calculation of headline earnings and diluted headline earnings per share is based on the weighted average number of ordinary shares in issue during the year.

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Diluted headline (loss) earnings per share (thebe)				
Diluted headline (loss) earnings per share (thebe) – continuing operations	**9.06**	2.77	**–**	–
Diluted headline (loss) earnings per share (thebe) – discontinuing operations	**(24.33)**	(28.64)	**–**	–
	(15.27)	(25.87)	**–**	–
The Group has assessed the impact of the dilution of the shares in the Trust to be immaterial.				
Headline earnings				
Profit for the year attributable to owners of the Company				
Continuing operations	**105 052**	12 081	**–**	–
Discontinued operations	**(435 411)**	(405 743)	**–**	–
Re-measurement:				
Loss on disposal of plant and equipment	**50 994**	855	**–**	–
Impairment losses	**101 935**	66 509	**–**	–
Tax effect on re-measurement of impairment	**(21 615)**	(10 998)	**–**	–
Headline earnings	**(199 045)**	(337 296)	**–**	–
Profit for the year attributable to owners of the Company				
Continuing operations	**105 052**	12 081	**–**	–
Re-measurement:				
(Profit) loss on disposal of plant and equipment	**656**	855	**–**	–
Impairment losses	**13 076**	29 759	**–**	–
Tax effect on re-measurement of impairment	**(706)**	(6 547)	**–**	–
Headline earnings – continuing operations	**118 078**	36 148	**–**	–
Profit for the year attributable to owners of the Company				
Discontinued operations	**(435 411)**	(405 743)	**–**	–
Re-measurement:				
(Profit) loss on disposal of plant and equipment	**50 337**	–	**–**	–
Impairment losses	**88 859**	36 735	**–**	–
Tax effect on re-measurement of impairment	**(20 909)**	(4 451)	**–**	–
Headline earnings – discontinued operations	**(317 124)**	(373 459)	**–**	–
The weighted average number of ordinary shares in issue during the year to the nearest thousand				
Weighted average number of shares:				
Issued ordinary share at 30 June	**1 303 628**	1 303 628	**–**	–
Weighted average number of ordinary shares at 30 June	**1 303 628**	1 303 628	**–**	–
Shares to the nearest thousand				
Basic	**1 303 628**	1 303 628	**–**	–
Diluted	**1 303 628**	1 303 628	**–**	–
Ordinary shares eligible for dividend	**1 303 628**	1 303 628	**–**	–

13. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment – Group – 2020

Figures in Pula thousand	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equip-ment	IT equip-ment	Aircraft	Capital work in progress	Total
Cost	68 347	989 419	382 464	325 570	104 986	207 132	58 412	8 961	2 145 291
Accumulated depreciation and impairment	(29 873)	(496 425)	(174 778)	(176 047)	(51 232)	(140 888)	(20 028)	–	(1 089 271)
Net book value at 01 July 2019	38 474	492 994	207 686	149 523	53 754	66 244	38 384	8 961	1 056 020
Additions	9 059	24 642	9 048	2 991	236	9 318	–	2 832	58 126
Transfers from work in progress	644	5 317	1 478	441	–	1 081	–	(8 961)	–
Adjustment on transition to IFRS 16	824 173	–	–	–	–	–	–	–	824 173
Disposals and scrappings	(44)	(46 525)	(54 273)	(16 771)	–	(21 509)	–	–	(139 122)
Disposals and scrappings – accumulated depreciation and impairment	–	15 729	11 217	12 940	–	17 377	–	–	57 263
Transfers to assets classified as held for sale (note 25)	(10 532)	(5 504)	(13 109)	(59)	–	(2 252)	–	–	(31 456)
Disposal of subsidiary	(2 805)	(129 997)	(58 534)	(33 766)	–	(17 288)	–	–	(242 390)
Hyperinflation and foreign exchange movements	3 551	(16 180)	(14 974)	(8 566)	–	(2 928)	–	–	(39 097)
Depreciation on continuing operations	(159 826)	(45 035)	(11 023)	(10 587)	(10 571)	(13 137)	(1 170)	–	(251 349)
Depreciation on discontinuing operations	(317)	(36 534)	(11 860)	(15 050)	–	(9 781)	–	–	(73 542)
Net book value at 30 June 2020	702 377	258 907	65 656	81 096	43 419	27 125	37 214	2 832	1 218 626
Made up as follows:									
Cost	870 718	503 301	162 718	192 254	105 222	113 809	58 412	2 832	2 009 266
Accumulated depreciation and impairment	(168 341)	(244 394)	(97 062)	(111 158)	(61 803)	(86 684)	(21 198)	–	(790 640)
	702 377	258 907	65 656	81 096	43 419	27 125	37 214	2 832	1 218 626

Notes to the Consolidated and Separate Annual Financial Statements continued

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – Group – 2019

Figures in Pula thousand	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Capital work in progress	Total
Cost	81 130	1 084 400	358 169	392 397	7 691	201 767	81 741	–	2 207 295
Accumulated depreciation and impairment	(27 124)	(445 160)	(148 841)	(170 819)	(4 391)	(119 330)	(16 002)	–	(931 667)
Net book value at 01 July 2018	54 006	639 240	209 328	221 578	3 300	82 437	65 739	–	1 275 628
Additions	7 356	46 084	58 080	10 100	1 516	19 401	–	8 961	151 498
Disposals and scrappings	(386)	(2 173)	(568)	(12 534)	–	(490)	(81 400)	–	(97 551)
Disposals and scrappings – accumulated depreciation and impairment	386	835	208	9 112	–	257	15 397	–	26 195
Transfers from investments in new projects (note 17)	–	46 599	–	–	–	–	–	–	46 599
Reclassifications	(13 267)	(65 631)	(5 593)	(25 380)	59 489	6 010	44 372	–	–
Foreign exchange movements	2 317	(73 050)	(22 166)	(9 578)	–	(10 359)	–	–	(112 836)
Depreciation on continuing operations	(2 217)	(41 254)	(11 856)	(20 034)	(10 551)	(15 106)	(5 724)	–	(106 742)
Depreciation on discontinuing operations	(1 920)	(51 319)	(19 747)	(23 741)	–	(15 906)	–	–	(112 633)
Impairment loss on continuing operations	(3 884)	–	–	–	–	–	–	–	(3 884)
Impairment loss on discontinuing operations	(3 917)	(6 337)	–	–	–	–	–	–	(10 254)
Net book value at 30 June 2019	38 474	492 994	207 686	149 523	53 754	66 244	38 384	8 961	1 056 020
Cost	68 347	989 419	382 464	325 570	104 986	207 132	58 412	8 961	2 145 291
Accumulated depreciation and impairment	(29 873)	(496 425)	(174 778)	(176 047)	(51 232)	(140 888)	(20 028)	–	(1 089 271)
	38 474	492 994	207 686	149 523	53 754	66 244	38 384	8 961	1 056 020

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment encumbered as security

Movable assets with a net book value of BWP66 521 510 (2019: BWP75 017 183) limited to BWP27 000 000 are encumbered under an overdraft facility with Absa Bank of Botswana as disclosed in note 24.

Lease liabilities are secured over motor vehicles and aircraft with a net book value of BWP121 744 505 (2019: BWP188 348 104) as disclosed in note 32.

Immovable assets with a net book value of BWP10 532 758 (2019: BWP13 416 924) are encumbered under a term facility with Absa Bank of Mozambique and the loan has been classified as liabilities of disposal group under note 25.

Depreciation charge relating to all right-of-use assets amounts to BWP168 465 113 (buildings BWP157 890 765, motor vehicle BWP9 403 765 and aircraft is BWP11 70 583) and the carrying amount of property, plant and equipment for right-of-use assets is as follows:

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Net carrying amounts of right-of-use assets				
Buildings	**666 282**	–	**–**	–
Motor vehicles	**68 605**	–	**–**	–
Aircraft	**37 214**	–	**–**	–
	772 101	–	**–**	–

Impairment and reversal of impairment

During the year, impairment indicators were identified relating to buildings and plant and machinery. There is no impairment for the period under review for buildings (2019: BWP7 800 982) and plant and machinery (2019: BWP3 884 098).

Difficult market conditions during the year in Mozambique resulted in closure of the operation. The closure lead to impairment testing of the building, plant and machinery by comparing the carrying amount to its recoverable amount. As a result, there is no impairment charge recorded in other operating expenses in the profit or loss account for the year (2019: BWP14 138 094). The recoverable amount of the land and buildings and plant and machinery in Mozambique was calculated as its fair value less costs of disposal.

Notes to the Consolidated and Separate Annual Financial Statements continued

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14. GOODWILL AND INTANGIBLE ASSET

Intangible asset

Figures in Pula thousand	Goodwill	Software	Carrying amount
Reconciliation of goodwill and intangible assets – Group – 2020			
Cost	**729 581**	**27 832**	**757 413**
Accumulated amortisation	**(3 114)**	**(7 390)**	**(10 504)**
Accumulated impairment losses	**(646 736)**	**(13 759)**	**(660 495)**
Carrying amount at 1 July 2019	**79 731**	**6 683**	**86 414**
Additions during the year	**–**	**565**	**565**
Transferred to discontinued operations	**(13 154)**	**–**	**(13 154)**
Impairments	**(9 868)**	**(2 243)**	**(12 111)**
Effects of hyperinflation	**53 705**	**–**	**53 705**
Effect of movements in exchange rates	**(49 684)**	**–**	**(49 684)**
	60 730	**5 005**	**65 735**
Comprising of:			
Cost	**703 274**	**28 397**	**731 671**
Accumulated amortisation	**(3 114)**	**(9 633)**	**(12 747)**
Accumulated impairment losses	**(639 430)**	**(13 759)**	**(653 189)**
	60 730	**5 005**	**65 735**
Reconciliation of goodwill and intangible assets – Group – 2019			
Cost	729 581	2 934	732 515
Accumulated amortisation	(746)	(2 934)	(3 680)
Accumulated impairment losses	(549 852)	–	(549 852)
Carrying amount at 1 July 2018	178 983	–	178 983
Transfers from investments in new projects (note 17)	–	11 139	11 139
Amortisation	–	(4 456)	(4 456)
Write-off	(2 368)	–	(2 368)
Impairments	(16 516)	–	(16 516)
Effects of hyperinflation	35 682	–	35 682
Effect of movements in exchange rates	(116 050)	–	(116 050)
	79 731	6 683	86 414
Comprising of:			
Cost	729 581	27 832	757 413
Accumulated amortisation	(3 114)	(7 390)	(10 504)
Accumulated impairment losses	(646 736)	(13 759)	(660 495)
	79 731	6 683	86 414

The valuation of goodwill at reporting date was determined by comparing the value in use of the cash-generating units ("CGUs"), that the goodwill is allocated to, the carrying amounts of the assets and liabilities within the CGUs. The value in use is determined by comparing the present value of estimated incremental future cash flows to the carrying amount. This was based on five-year cash flow projections based on the most recent budgets approved by the Board and extrapolations of cash flows. The Group has assessed the impact of Covid-19 on its business and have no reason to believe it has materially affected the business as it is classified as essential services. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market in which the CGU operates.

Impairment indicators were identified relating to goodwill. Goodwill in Zimbabwe related to closed stores due to riot are impaired resulting in an impairment loss of BWP246 199 was recorded in other operating expenses in profit or loss for the year.

14. GOODWILL AND INTANGIBLE ASSET (continued)

Impairment indicators were identified relating to Mafila Holding CGU (subsidiary of Choppies Distribution Centre (Pty) Ltd) and SupaSave and MegaSave CGU (subsidiary of Choppies Distribution Centre (Pty) Ltd) as a result of decrease in sales from the two cash generating units. The Group therefore decided to impair goodwill for these two units. An impairment loss of BWP9 622 127 was recognised for Mafila Holding CGU (subsidiary of Choppies Distribution Centre (Pty) Ltd) and SupaSave and MegaSave CGU (subsidiary of Choppies Distribution Centre (Pty) Ltd).

In 2019, Impairment indicators were identified relating to goodwill. Difficult market conditions as well as the cost structure of the stores in Kenya did not allow the Company to operate profitably. Kenya was then tested for impairment by comparing the carrying amount to its recoverable amount. As a result, an impairment charge of BWP16 516 037 was recorded in other operating expenses in profit or loss for the year, this has now been restated and is included in discontinuing operations.

Goodwill is allocated to the CGUs (mainly individual stores) of the main operations as follows:

Figures in Pula thousand	**Group 2020**	Group 2019	**Company 2020**	Company 2019
Goodwill				
Choppies Supermarkets South Africa (Pty) Ltd	**–**	13 154	**–**	–
Nanavac Investments (Pvt) Ltd (Zimbabwe)	**60 730**	56 955	**–**	–
Mafila Holding CGU (subsidiary of Choppies Distribution Centre (Pty) Ltd)	**–**	3 271	**3 271**	–
SupaSave and MegaSave CGU (subsidiary of Choppies Distribution Centre (Pty) Ltd)	**–**	6 351	**6 351**	–
	60 730	79 731	**9 622**	–

The following assumptions were applied in the evaluation of goodwill discount rate at 12.95% – 14.95% (2018: 14% – 22%).

	Group 2020 %	Group 2019 %	**Company 2020 %**	Company 2019 %
Average sales growth rate				
In Botswana		6	**–**	–
In South Africa		6	**–**	–
In Zimbabwe	**6**	6	**–**	–
In Kenya		10	**–**	–
Terminal value growth rate	**3.6 – 6.0**	3.6 – 6.0	**–**	–

	Group 2020 %	Group 2019 %	**Company 2020 %**	Company 2019 %
Five-year average inflation rate				
In Botswana	**–**	3.2	**–**	–
In South Africa	**–**	4.0	**–**	–
In Zimbabwe	**50.2**	50.2	**–**	–
In Kenya	**–**	4.3	**–**	–

	Group 2020 %	Group 2019 %	**Company 2020 %**	Company 2019 %
Five-year gross profit margin				
In Botswana		23.5	**–**	–
In South Africa		19	**–**	–
In Zimbabwe	**27.9**	27.9	**–**	–
In Kenya		15	**–**	–

The value-in-use calculations and impairment reviews are sensitive to changes in key assumptions, particularly relating to discount rates and cash flow growth. A sensitivity analysis has been performed based on changes in key assumptions. The following key assumptions would need to change by the amounts as disclosed below, assuming all other assumptions remained constant, in order for the estimated recoverable amounts of the CGUs to equal their carrying amounts:

- an increase in the discount rate between 40% and 70% depending on the CGU;
- a decrease in terminal value growth rate between 100% and 130% depending on the CGU.

Notes to the Consolidated and Separate Annual Financial Statements continued

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15. INVESTMENT IN SUBSIDIARIES

Choppies Enterprises Limited held the below interests in the stated capital of subsidiaries consolidated into these financial statements. The Company has nine (2019: 13) subsidiaries, seven (2019: 11) of which are operating/operated during the financial year.

- Four (2019: eight) subsidiaries are wholly owned including Choppies Group Share Incentive Trust Scheme.
- The five subsidiaries are majority held.

Choppies Group Share Incentive Trust Scheme

Choppies Group share incentive trust scheme is termed as a subsidiary mainly due to the control exercised by the Company over its management. The trust does not have any capital or equity fund which is owned by the Company. Details of the movement of the trust is given in note 27. The value mentioned towards the trust is the cost of shares transferred to the trust for its management as per the provisions of the trust deed.

Company

The below table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

Reconciliation of investment in subsidiaries

Figures in Pula thousand	**Group 2020**	Group 2019	**Company 2020**	Company 2019
Opening balance at beginning of the year			**104 075**	282 964
Sold/impaired during the year	**–**	–	**(2)**	(178 889)
	–	–	**104 073**	104 075

In Botswana Pula	**Country of incorporation**	**% ownership 2020**	**Carrying value of investment 2020**	% ownership 2019	Carrying value of investment 2019
Choppies Distribution Centre (Pty) Ltd	Botswana	**100**	**74 410 116**	100	74 410 116
Choppies Logistics Proprietary Ltd	South Africa	**–**	**–**	100	733
Choppies Supermarkets Namibia (Pty) Ltd	Namibia	**100**	**98**	10	98
Choppies Supermarkets Tanzania Limited	Tanzania	**75**	**12 904 576**	75	12 904 576
Choppies Supermarkets Tanzania Limited – Impairment		**–**	**(12 904 576)**	–	(12 904 576)
Choppies Enterprises Kenya Limited	Kenya	**75**	**178 878 293**	75	178 878 293
Choppies Enterprises Kenya Limited – impairment		**–**	**(178 878 293)**	–	(178 878 293)
Choppies Distribution Centre Kenya Limited	Kenya	**75**	**10 716**	75	10 716
Choppies Distribution Centre Kenya Limited – Impairment		**–**	**(10 716)**	–	(10 716)
Choppies Group Share Incentive Trust Scheme	Botswana	**100**	**29 615 835**	100	29 615 835
Choppies Supermarket Mozambique Limitada	Mozambique	**90**	**33 613 445**	90	33 613 445
Choppies Supermarket Mozambique Limitada – impairment		**–**	**(33 613 445)**	–	(33 613 445)
Choppies Supermarkets Limited (Zambia)	Zambia	**90**	**47 158**	90	47 158
Choppies Supermarkets SA (Pty) Ltd	South Africa	**–**	**–**	100	266 977 421
Choppies Supermarkets SA (Pty) Ltd – impairment		**–**	**–**	–	(266 977 421)
Choppies Warehousing Services (Pty) Ltd	South Africa	**–**	**–**	10	900
Motopi Holdings SA (Pty) Ltd	South Africa	**–**	**–**	100	100
Nanavac Investments (Pvt) Ltd	Zimbabwe	**100**	**–**	100	–
			104 073 207		104 074 940

The above list of investments in subsidiaries are to the nearest Pula.

15. INVESTMENT IN SUBSIDIARIES (continued)

Subsidiaries with non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are operating/operated during the current financial year. The summarised financial information is provided prior to intercompany eliminations.

	Country of incorporation	% ownership interest held by non-controlling interest 2020	2019
Subsidiary			
Choppies Supermarkets Limited (Zambia)	Zambia	**10**	10
Choppies Enterprises Kenya Limited	Kenya	**25**	25
Choppies Distribution Centre Kenya Limited	Kenya	**25**	25
Choppies Supermarkets Tanzania Limited	Tanzania	**25**	25
Choppies Supermarket Mozambique LDA	Mozambique	**10**	10

Due to the absence of exchange control approval in Zimbabwe, the Group's ability to receive any dividends from Nanavac may be restricted.

2020 *Figures in Pula thousand*	**Non-current assets**	**Current assets**	**Total assets**	**Non-current liabilities**	**Current liabilities**	**Total liabilities**	**Carrying amount of non-controlling interest**
Choppies Supermarkets Limited (Zambia)	**140 527**	**58 329**	**198 856**	**55 169**	**264 959**	**320 128**	**(15 467)**
Choppies Enterprises Kenya Limited	**3 158**	**15 397**	**18 555**	**97 978**	**71 095**	**169 073**	**(72 942)**
Choppies Supermarkets Tanzania Limited	**3 519**	**6 096**	**9 615**	**–**	**33 895**	**33 895**	**(7 270)**
Choppies Supermarket Mozambique LDA	**13 524**	**6 096**	**19 620**	**3 807**	**22 316**	**26 123**	**(4 012)**
Total	**160 728**	**85 918**	**246 646**	**156 954**	**392 265**	**549 219**	**(99 691)**
Non-controlling interest in all other subsidiaries							**87**
							(99 604)

Figures in Pula thousand	**Revenue**	**Profit (loss) before tax**	**Profit (loss) after tax**	**Profit (loss) allocated to non-controlling interest**	**Other compre-hensive income**	**Total compre-hensive income**
Choppies Supermarkets Limited (Zambia)	**604 147**	**(61 228)**	**(61 228)**	**(6 123)**	**(642)**	**(6 765)**
Choppies Enterprises Kenya Limited	**38 040**	**(116 146)**	**(116 146)**	**(29 396)**	**(1 120)**	**(30 516)**
Choppies Supermarkets Tanzania Limited	**1 385**	**(16 653)**	**(16 660)**	**(4 164)**	**(491)**	**(4 655)**
Choppies Supermarket Mozambique Limitada	**4 891**	**(5 916)**	**(5 916)**	**(592)**	**15**	**(577)**
Total	**648 463**	**(199 943)**	**(199 950)**	**(40 275)**	**(2 238)**	**(42 513)**

Choppies Enterprises Kenya Limited, Choppies Supermarkets Tanzania Limited and Choppies Supermarket Mozambique LDA are classified as non-current assets held for sale in the statements of financial position, refer to note 25.

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15. INVESTMENT IN SUBSIDIARIES (continued)

Figures in Pula thousand	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
Summarised statement of cash flows				
Choppies Supermarkets Limited (Zambia)	**124 006**	**(112 395)**	**(13 779)**	**(2 169)**
Choppies Enterprises Kenya Limited	**(113 933)**	**26 101**	**54 254**	**(33 578)**
Choppies Supermarkets Tanzania Limited	**(807)**	**346**	**–**	**(462)**
Choppies Supermarket Mozambique LDA	**10 127**	**4 401**	**(5 981)**	**8 547**
Total	**19 393**	**(81 547)**	**34 494**	**(27 662)**

2019 *Figures in Pula thousand*	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Summarised statement of financial position							
Choppies Supermarkets Limited (Zambia)	95 380	72 089	167 469	2 787	251 656	254 443	(8 702)
Choppies Enterprises Kenya Limited	91 912	60 901	152 813	40 948	129 756	170 704	(42 428)
Choppies Supermarkets Tanzania Limited	8 456	4 924	13 380	–	10 360	10 360	(2 613)
Choppies Supermarket Mozambique LDA	17 602	6 093	23 695	8 341	16 091	24 432	(3 435)
Total	213 350	144 007	357 357	52 076	407 863	459 939	(57 178)
Non-controlling interest in all other subsidiaries							87
							(57 091)

15. INVESTMENT IN SUBSIDIARIES (continued)

Figures in Pula thousand	Revenue	Profit before tax	Tax expense	Profit (loss)	Total compre-hensive income	Profit (loss) allocated to non-controlling interest
Summarised statement of profit or loss and other comprehensive income						
Choppies Supermarkets Limited (Zambia)	583 516	(50 974)	–	(50 974)	14 120	(5 097)
Choppies Enterprises Kenya Limited	440 437	(95 269)	(26)	(95 295)	1 371	(23 824)
Choppies Supermarkets Tanzania Limited	55 374	(14 049)	(4 171)	(18 220)	65	(4 555)
Choppies Supermarket Mozambique LDA	24 831	(15 539)	–	(15 539)	(34)	(1 554)
Total	1 104 158	(175 831)	(4 197)	(180 028)	15 522	(35 030)

Figures in Pula thousand	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
Summarised statement of cash flows				
Choppies Supermarkets Limited (Zambia)	21 166	(20 299)	(1 058)	1 925
Choppies Enterprises Kenya Limited	(10 371)	(38 000)	74 242	25 870
Choppies Supermarkets Tanzania Limited	1 986	(2 489)	–	(503)
Choppies Supermarket Mozambique LDA	8 627	(95)	(6 733)	1 799
Total	21 408	(60 883)	66 451	29 091

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15. INVESTMENT IN SUBSIDIARIES (continued)

Since Choppies Distribution Centre Kenya Limited is not an operating subsidiary, details of the same are not disclosed in the summaries financial information.

Assessment of investments in subsidiaries for impairment

The Company assesses investments in subsidiaries for potential impairment when their impairment indicators have been identified. The Company assesses the current and future financial performance of these subsidiaries, taking into account the Company's business model (five-year projection). An impairment loss is recognised if a subsidiary does not show cumulative profitable returns over the next five years from the year-end. All investments in subsidiaries are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the investments' recoverable amount exceeds its carrying amount. Future performance was assessed based on cash flow projections for the Group's subsidiaries below and the following key assumptions:

	Choppies Supermarkets Limited (Zambia)		Choppies Supermarkets Namibia (Pty) Limited		Choppies Distribution Centre (Pty) Ltd	
	2020 %	2019 %	**2020 %**	2019 %	**2020 %**	2019 %
Revenue growth rates	**7.0**	7.0	**8.0**	8.0	**6.0**	6.0
Gross profit margins	**17.6**	17.6	**17.4**	17.4	**23.5**	23.5
Inflation rates	**9.0**	9.0	**4.0**	4.0	**3.2**	3.2
Terminal growth rates	**3.60**	3.60	**4.20**	4.20	**4.8**	4.8

The Company subsidiaries, namely Choppies Supermarkets Tanzania Limited, Choppies Supermarket Mozambique Limitada, Choppies Supermarkets SA (Pty) Ltd were fully impaired in 2018 and Kenya in 2019 as future financial performance of these subsidiaries had an estimated recoverable amount from the value in use that was lower than the carrying amount of the Company's investment.

The Group reviewed the projections and operations of the regions, namely Botswana, Namibia and Zambia and remain optimistic of the region as it is showing good growth and value add to the Group. As a result, the Group did not impair these investments in 2020 due to the expected positive EBITDA and increase in value based on future projections.

Choppies Logistics Proprietary Limited, Choppies Warehousing Services (Pty) Ltd and Motopi Holdings SA (Pty) Ltd were sold during the year, hence, an impairment loss of BWP1 733 recognised as the subsidiary was not profitable.

16. DEFERRED TAX

The movement in deferred taxation is analysed as follows:

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Reconciliation of deferred tax asset/(liability)				
At beginning of year	**(32 262)**	(36 115)	**–**	–
Charge to the profit or loss	**(1 310)**	(1 057)	**–**	–
Foreign exchange differences including effects of hyperinflation	**4 510**	6 733	**–**	–
Discontinued operations	**–**	(1 823)	**–**	–
	(29 062)	(32 262)	**–**	–
Accelerated capital allowances on items of property, plant and equipment	**(46 120)**	(47 741)	**–**	–
Deferred lease liabilities	**128 652**	15 513	**–**	–
Right-of-use asset	**(110 211)**	–	**–**	–
Advances and deposits	**(54)**	(146)	**–**	–
Provisions	**131**	56	**–**	–
Tax losses carried forward	**–**	1 516	**–**	–
Unrealised forex loss	**(1 460)**	(1 460)	**–**	–
	(29 062)	(32 262)	**–**	–

17. INVESTMENTS IN NEW PROJECTS

These amounts relate to capital expenditure incurred with regard to new stores to be opened in the following financial year. The amounts are non-current in nature and will be transferred to plant and equipment when the store opens.

Investments in new projects is reconciled as follows:

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Balance at the beginning of the year	**27 018**	107 392	**–**	–
Amounts reclassified as additions to property, plant and equipment during the year (note 13)	**(9 939)**	(46 599)	**–**	–
Capital advanced during the year	**10 468**	39 542	**–**	–
Amounts reclassified to intangible assets (note 14)	**–**	(11 139)	**–**	–
Amounts reclassified as expenses	**(302)**	(1 775)	**–**	–
Effects of exchange rates	**(3 887)**	(45 807)	**–**	–
Impairment	**–**	(13 759)	**–**	–
Transfer from other receivables	**–**	82	**–**	–
Transferred to discontinued operations	**(13 088)**	–	**–**	–
Transfer to advance to suppliers	**–**	(919)	**–**	–
	10 270	27 018	**–**	–

18. AMOUNTS DUE TO (FROM) RELATED ENTITIES

Amounts due from related entities				
Amounts due from related entities – subsidiaries	**–**	–	**233 695**	334 937
Amounts due from related entities – other related parties	**5 414**	14 956	**–**	–
	5 414	14 956	**233 695**	334 937
Impairment of amounts due from parties (South Africa/ Nanavac Investments)	**–**	–	**–**	(65 524)
	5 414	14 956	**233 695**	269 413

Transactions with related entities are carried out on mutually agreed terms and conditions in the normal course of business on an arm's length basis. Refer to note 38 for the details of related-party balances and transactions.

All amounts are short term. The carrying values of amounts due from related entities are considered to be a reasonable approximation of fair value.

Exposure to credit risk

Amounts due from related entities inherently expose the Group to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for its amounts due from related entities. This is because the amounts due from related entities are expected to be repaid within the agreed time (which is normally 30 to 45 days). The amounts due from related entities arise from normal trading activities.

A loss allowance is recognised for all amounts due from related entities, in accordance with IFRS 9 – Financial Instruments, and is monitored at the end of each reporting period. Amounts due from related entities are written off when there is no reasonable expectation of recovery, for example, when a related entity is placed or has been placed under liquidation. Amounts due from related entities which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for amounts due from related parties by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on amounts due from related parties is determined as the lifetime expected credit losses on amounts due from related parties. These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of past default experience of amounts due from related parties but also incorporates forward looking information and general economic conditions of the industry as at the reporting date. The lifetime Expected Credit Loss ("ECL") is expected to be immaterial or almost nil based on past experience as a result of low risk of default and no amounts are past due.

Amounts due from related entities are written off when there is no reasonable expectation of recovery, for example, when a related entity has been placed under liquidation.

At the Company level, an impairment loss from related parties (subsidiaries) is recognised based on management's assessment of the related party's inability to repay the amounts advanced in the near future.

Amounts due to related entities	**(82 794)**	(118 002)	**–**	–

These balances are trade related, unsecured, interest free and are repayable under normal trading terms. Refer to note 38 for the details of related-party balances and transactions.

All amounts are short term. The carrying values of amounts due to related entities are considered to be a reasonable approximation of fair value.

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	Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
19.	**INVENTORIES**				
	Merchandise	**343 461**	616 343	**–**	–
	Goods in transit	**3 435**	4 044	**–**	–
		346 896	620 387	**–**	–
	Provision for inventory	**(41 420)**	(46 318)	**–**	–
		305 476	574 069	**–**	–
	Cost of inventories recognised as an expense during the year	**4 167 850**	4 142 713	**–**	–
20.	**OTHER FINANCIAL ASSETS**				
	Mandatorily at fair value through profit or loss:				
	Investment in listed shares	**3**	3	**–**	–
	The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2020 was BWP2.4 (2019: BWP2.75 per share).				
21.	**ADVANCES AND DEPOSITS**				
	Salary advances	**286**	1 230	**–**	–
	Rent advances	**1 147**	2 911	**–**	–
	Prepaid expenses	**3 539**	7 282	**–**	–
	Rent deposits	**7 789**	18 324	**–**	–
	Other deposits	**880**	1 316	**–**	–
	Electricity deposits	**2 950**	4 611	**–**	–
	Telephone deposits	**85**	78	**–**	–
	Advance to suppliers	**20 395**	42 888	**–**	–
	Other advances	**2 021**	3 861	**–**	–
		39 092	82 501	**–**	–
22.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**5 499**	3 315	**–**	–
	Other receivable	**21 610**	49 459	**–**	–
	Rebate receivable	**28 218**	34 554	**–**	–
	Value added tax	**8 318**	9 121	**2 433**	–
		63 645	96 449	**2 433**	–

22. TRADE AND OTHER RECEIVABLES (continued)

Credit risk

Trade and other receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

Trade receivables arise from retail sales. Retail trade is located in Botswana, Namibia, Zambia and Zimbabwe. Credit risk is assessed and monitored internally along these risk concentrations.

The Company is exposed to credit risk if counterparties fail to make payments as they fall due.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company uses an allowance matrix to measure the ECL of trade receivables from various customer groups. Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on type of clients and products.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

Credit risk on rebate receivable

These rebates receivable are recovered from supplier payments and the Group does not expect any credit loss. Rebates receivable are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Company	**2020**	**2020**	2019	2019
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Not past due: 6.26% (2019: 38.03%)	**6 857**	**(429)**	568	(216)
Past due 1 – 30 days: 13.28% (2019: 6.55%)	**1 709**	**(227)**	1 726	(113)
Past due 31 – 60 days 23.53% (2019: 17.19%)	**221**	**(52)**	1 501	(258)
Past due 61 – 90 days: 34.50% (2019: 39.52%)	**258**	**(89)**	167	(66)
More than 91 days past due: 100.0% (2019: 99.96%)	**3 716**	**(3 716)**	15 655	(15 649)
Specific debtors South Africa	**–**	**–**	29 464	(29 464)
Specific debtors Payless	**124 063**	**(124 063)**	120 855	(120 855)
Total	**136 824**	**(128 576)**	169 936	(166 621)

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22. TRADE AND OTHER RECEIVABLES (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Opening balance in accordance with IAS 39 Financial Instruments:	**–**	119 176	**–**	–
Recognition and measurement				
Adjustments upon application of IFRS 9	**–**	–	**–**	–
Opening balance in accordance with IFRS 9	**166 621**	119 176	**–**	–
Specific provision on Payless	**3 208**	17 730	**–**	–
Specific provision of South African debtors	**(29 464)**	29 464	**–**	–
Transferred to discontinued operations	**(9 993)**	–	**–**	–
Reversal of prior year provision	**(1 796)**	(16 067)	**–**	–
Provision for ECL current year	**–**	16 318	**–**	–
Closing balance	**128 576**	166 621	**–**	–

All amounts are short term. The carrying values of trade and other receivables are considered to be a reasonable approximation of fair value.

23. RESTRICTED CASH

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Cash and cash equivalents held by the entity that are not available for use by the Group				
Cash and cash equivalents – Restricted cash Zimbabwe	**12 845**	26 300	**–**	–

Restricted cash deposits above relate to the Zimbabwean operations, which are not available for use by the Group, due to severe long-term restrictions on the repatriation of dividends from Zimbabwe and the volatility of the Zimbabwean RTGS and the continued uncertainty regarding Zimbabwe's legislative framework, exchange controls and economy. Moreover, the Company did not have the necessary control clearance from the Reserve Bank of Zimbabwe to externalise funds by 30 June 2020.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Cash and cash equivalents consist of:				
Cash on hand	**3 980**	16 086	**–**	–
Bank balances	**56 747**	190 629	**465**	474
Total cash and bank balances	**60 727**	206 715	**465**	474
Bank overdraft	**(148 788)**	(248 155)	**–**	–
	(88 061)	(41 440)	**465**	474

The Group has the following banking facilities:

- BWP53 000 000 overdraft facility from Absa Bank of Botswana Limited secured by a cross-company guarantee of P27 000 000 issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of Absa Bank of Botswana Limited over movable assets limited to BWP27 000 000 issued by Choppies Enterprises Limited and its subsidiaries (refer to note 13). At the reporting date BWP52 694 637 (2019: BWP52 683 829) of this facility was utilised.
- BWP26 100 000 (2019: BWP40 000 000) overdraft facility from Standard Chartered Bank Botswana Limited guaranteed by Choppies Enterprises Limited. At the reporting date BWP25 580 696 (2019: BWP39 374 393) of the facility was utilised.
- BWP70 719 357 (2019: BWP90 000 000) overdraft facility from First National Bank Botswana Limited guaranteed by Choppies Enterprises Limited in sum of BWP90 million and letters of suretyship by Choppies Distribution (Pty) Ltd. Utilised at the year-end BWP70 569 642 (2019: BWP87 178 927).

25. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE

During the current financial year, Choppies Enterprises Limited Board decided to discontinue the operations of Kenya, Tanzania, Mozambique and South Africa. In South Africa the entire issued shares were sold on 22 April 2020 for each of its wholly owned subsidiaries. In Kenya and Tanzania, the operations were closed and the Group will exit these countries during the 2021 financial year. The Mozambique operations were closed and the assets transferred to Choppies Zambia.

South Africa

Choppies Enterprises Limited entered into an agreement during November 2019 whereby Choppies Enterprises Limited sold the entire issued shares in and the loan accounts of Choppies Enterprises Limited against each of its wholly owned subsidiaries Choppies Supermarkets SA Proprietary Limited, Choppies Warehousing SA Proprietary Limited, Choppies Logistics Proprietary Limited and Motopi Holdings SA Proprietary Limited (collectively the SA Subsidiaries). The purchase consideration was ZAR1 for all the issued shares held by Choppies Enterprises Limited in and all the claims of Choppies Enterprises Limited on the loan account against each SA Subsidiary. In addition, the purchaser undertook to release Choppies Enterprises Limited from guarantees held by it to certain major trade creditors of the SA Subsidiaries and lessor creditors and indemnified Choppies Enterprises Limited in respect of any claims under the aforesaid guarantees until these are released. As security therefore the sole director of the purchaser guaranteed the obligations of the purchaser under such indemnity. Choppies Enterprises Limited also agreed to make good the negative value of equity in the SA Subsidiaries as determined by the application of a prescribed formula to a maximum of ZAR150 000 000, which amount would be advanced by Choppies Enterprises Limited to the SA Subsidiaries in instalments of not less than ZAR15 000 000 per month commencing on the effective date of the sale (the seller loan). The claims of Choppies Enterprises Limited for repayment of the seller loan were to be ceded to the Purchaser for ZAR1.00.

A closing agreement, reflecting the result of the renegotiations was concluded on 21 April 2020 and the provisions for closing of the transfer of shares in and control of the SA Subsidiaries was effected as at 22 April 2020.

Tanzania

The Board decided to sell the businesses of the Group in Tanzania. There is still equipment from Aura and Mlimani stores which need to be disposed of. The net book value of non-current assets remaining for the Aura store is US$300 000. The value of the asset of the store had been written of due to pending liquidation.

The Group further faces a potential net liability of US$577 663. Mlimani City management (where the region had one store) took custody of the store's assets and Choppies Tanzania filed a claim against Mlimani City management for an amount of US$600 000 which is currently in court.

The subsidiary will still be consolidated in the Group financials until the same is liquidated. The loss for the year of the operations in Tanzania is BWP16 565 551 and is included in the loss from discontinued operations.

Kenya

In October 2019, the Board decided to close the operations in Kenya and exit the country. All the stores except the equipment of one store were disposed of during the financial year, and the realised amounts have been used to settle the liabilities. Choppies Enterprises Kenya Limited and Choppies Distribution Kenya Limited closed with potential liability of BWP132 million to which 25% of the amount will be borne by the local shareholders. The remaining formalities will be completed during 2021.

Mozambique

The Board, decided to close the operation in Mozambique and exit from the country. An agreement to dispose of building is currently in place for US$1 million and the proceeds from the sale will be used to settle the outstanding loan.

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25. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE (continued)

Operating profit of South Africa (until the date of disposal) and the other three regions (full financial year) and assets and liabilities are summarised as follows:

Profit and loss

	Consolidated discontinued operations		South Africa region		Other regions	
Figures in Pula thousand	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**2 396 644**	4 261 193	**2 355 498**	3 740 551	**41 146**	520 642
Cost of sales	**(1 967 235)**	(3 634 036)	**(1 927 478)**	(3 190 859)	**(39 757)**	(443 177)
Net profit before tax	**429 409**	627 157	**428 020**	549 692	**1 389**	77 465
Expenses	**(751 539)**	(1 119 461)	**(677 670)**	(923 432)	**(73 869)**	(196 029)
Other (losses)/income	**(46 482)**	76 991	**13 478**	72 492	**(59 960)**	4 499
Net interest	**(9 760)**	(16 121)	**(1 984)**	(5 329)	**(7 776)**	(10 792)
Tax	**58**	(4 242)	**–**	(45)	**58**	(4 197)
Net loss after tax	**(378 314)**	(435 676)	**(238 156)**	(306 622)	**(140 158)**	(129 054)
Loss on remeasurement and disposal						
Loss before tax on disposal (note 37)	**(91 249)**	–	**(91 249)**	–	**–**	–
	(469 563)	(435 676)	**(329 405)**	(306 622)	**(140 158)**	(129 054)
Assets and liabilities						
Non-current assets held for sale						
Property, plant and equipment	**31 001**	–	**–**	–	**31 001**	–
Current assets						
Advances and deposits	**1 354**	–	**–**	–	**1 354**	–
Trade and other receivables	**10 624**	–	**–**	–	**10 624**	–
Cash and cash equivalents	**6 102**	–	**–**	–	**6 102**	–
	18 080	–	**–**	–	**18 080**	–
	49 081	–	**–**	–	**49 081**	–
Liabilities of disposal groups						
Borrowings and bank overdraft	**115 477**	–	**–**	–	**115 477**	–
Current tax payable	**331**	–	**–**	–	**331**	–
Trade and other payables	**51 991**	–	**–**	–	**51 991**	–
	167 799	–	**–**	–	**167 799**	–
Equity						
Foreign currency translation reserve	**(6 857)**	–	**–**	–	**(6 857)**	–
Cash flows from discontinued operations						
Operating activities	**(457 255)**	(268 981)	**–**	–	**–**	–
Investing activities	**26 465**	–	**–**	–	**–**	–
Financing activities	**18 087**	(17 051)	**–**	–	**–**	–
	(412 703)	(286 032)	**–**	–	**–**	–

26. STATED CAPITAL AND TREASURY SHARES

	Group		Company	
	2020	2019	**2020**	2019
Stated capital				
1 303 628 341 (2019: 1 303 628 341) issued ordinary shares at no par	906 196	906 196	906 196	906 196

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank pari passu with regard to the Company's residual assets.

27. TREASURY SHARES

The Group operates an employee share incentive scheme. The scheme is operated through a trust known as "Choppies Group Share Incentive Trust". The trust was established to provide an incentive to the beneficiaries to encourage and commit them to the future interest of the Choppies Group, and subscribe and hold for and the benefit of the beneficiaries, as directed by the directors from time to time, until such time that the shares vest in the beneficiaries.

On 22 May 2017, the Group issued 12 000 000 ordinary shares valued at BWP30 720 000, to the Choppies Group Incentive Trust. There has been no issue of shares during the year (2019: Nil).

	Group		Company	
	2020	2019	**2020**	2019
Total number of shares issued to the trust by issuing new share capital	**12 000 000**	12 000 000	**–**	–
Expenses during previous years	**(441 661)**	(441 661)	**–**	–
Total number of shares held by the trust	**11 558 339**	11 558 339	**–**	–
Key management personnel	**100 000**	100 000	**–**	–
Senior employees	**1 375 000**	1 375 000	**–**	–
	1 475 000	1 475 000	**–**	–
Value of shares held by the trust	**29 615 835**	29 615 835	**–**	–

28. HYPERINFLATIONARY TRANSLATION RESERVE

	Group		Company	
	2020	2019	**2020**	2019
Opening balance	**71 392**	–	**–**	–
Exchange differences on translating foreign operations in hyperinflationary economy	**87 528**	71 392	**–**	–
	158 920	71 392	**–**	–

This reserve is used to report the exchange differences on translating subsidiaries which is based in hyperinflationary economy.

To ease the pressure of a notable foreign currency shortage in that country, the Reserve Bank of Zimbabwe issued a monetary policy document on 1 October 2018 requiring banks to separate bank accounts into a foreign currency United States Dollar ("US$") bank account and a local currency US$ bank account. The local currency US$ bank account is made up of Real Time Gross Settlement ("RTGS") and bond notes and does not trade on a 1:1 basis to the US$, albeit legally pegged at 1:1.

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28. HYPERINFLATIONARY TRANSLATION RESERVE (continued)

The shortage of foreign currency creates uncertainty on the amount and timing of amounts that can be repatriated from Zimbabwe. IAS 21 – Foreign currency transactions ("IAS 21") requires the use of a spot rate. The global foreign currency US$ rate does not meet the conditions of a spot rate in IAS 21. Accordingly, with effect from 1 October 2018, the Group applied an unadjusted parallel legal mechanism to translate the results and financial position of its Zimbabwean subsidiary. On 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ ") Governor announced a new Monetary Policy Statement whose highlights were denomination of RTGS system balances, bond notes and coins collectively as RTGS $. RTGS become part of multi-currency system. RTGS $ was used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions. The Monetary Policy Statement was followed by the publication of Statutory Instrument ("S.I.") 33 of 2019 on 22 February 2019, which gave effect to the introduction of the RTGS $ as a legal tender and prescribed that "for accounting and other purposes "certain assets and liabilities on the effective date would be deemed to be RTGS $ at a rate of 1:1 to US$ and would become opening RTGS $ values from effective date. In particular, the promulgation of RTGS $ as currency in the opinion of the directors, it was a response to the market perceptions which had come to regard RTGS balances and transactions as representing an underlying de-factor currency. The Monetary Policy Statement also established an interbank foreign exchange market were the exchange rate would be determined by market forces. The interbank market opened trading at a rate of USD US$1 to RTGS US$2.5. As on 30 June 2020 the interbank rate was US$ 1 to RTGS57.3582 (2019: US$ 1 to RTGS 6.62) .

With effect from 23 June 2020 the Reserve Bank of Zimbabwe introduced a weekly foreign exchange auction trading system. Allotment of foreign exchange to winning bids are based on the Import priority list and for a minimum amount of US$50 000. Allotments may be made on a pro rata basis. The weighted average rate calculated based on each auction will be regarded as the legal rate until the next auction. The rate for the first auction effective up to and including 30 June 2020 was 57.3582 and the rate for the second auction was 63.7442. For the period ended 30 June 2019 the interbank rate of US$1 to RTGS6.62 was used.

Group translated the Zimbabwe result by applying the closing exchange rate as at 30 June 2020 specified by Reserve Bank of Zimbabwe, which is 1Pula: 4.8811 RTGS (in line with the requirement of the provision of IAS 21 for the translation of hyperinflationary economies). The effect if the Group had applied the weighted average auction rate between US$D and RTGS, which is 1 US$: 63.7442 (valid for the period 1 to 7 July 2020), and then convert this US$ figure using the exchange rate between Pula and US$ which is 1 Pula: 0.0847 US$ (2019: 1 Pula: 0.0942 US$) to translate the result of its Zimbabwean subsidiary on 30 June 2020, is presented in the table below. The first currency auction had a wide spread (difference between highest accepted and lowest accepted bids). As a result, had the second currency auction been used, the impact would have been:

Summarised statement of profit or loss and other comprehensive income for the year ended 30 June 2020	**RTGS to Pula using closing rate**	**RTGS to Pula using weighted average auction rate**	**Net impact**
Revenue	**414 143**	**374 407**	**39 736**
Profit after tax	**7 004**	**6 332**	**672**

The comparative information below is based on OMIR rate for 30 June 2019.

Summarised statement of profit or loss and other comprehensive income for the year ended 30 June 2019	RTGS to Pula using closing rate	RTGS to Pula using OMIR closing rate	Net impact
Revenue	508 493	385 228	123 265
Profit after tax	2 041	1 546	495

29. FOREIGN CURRENCY TRANSLATION RESERVE

This reserve is used to record exchange differences arising from the translation of the results of foreign subsidiaries.

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance	**(294 849)**	5 999	**–**	–
Exchange differences on translating foreign operations	**(103 801)**	(299 111)	**–**	–
Exchange differences on translating foreign operations attributable to non-controlling interest	**2 238**	(1 737)	**–**	–
	(396 412)	(294 849)	**–**	–
Foreign currency translation reserve comprises				
Foreign currency translation reserve – continuing operations	**(389 555)**	(294 849)	**–**	–
Foreign currency translation reserve – discontinuing operations	**(6 857)**	–	**–**	–
	(396 412)	(294 849)	**–**	–

30. RETAINED EARNINGS

Retained earnings records the cumulative net profit or loss made by the Group after deducting dividends to shareholders and other utilisation of the reserves.

31. LONG-TERM BORROWINGS

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Bank borrowings held at amortised cost				
Absa Bank of Botswana Limited	**–**	7 238	**–**	–
Absa Bank of Mozambique SA	**–**	11 478	**–**	–
Absa Bank of Botswana Limited	**266 342**	350 000	**–**	–
Stanbic Bank of Botswana Limited	**180 095**	215 000	**–**	–
Loan from landlord – Zambia	**–**	1 058	**–**	–
Absa Bank Kenya Plc	**–**	31 101	**–**	–
Loan from Government of Zimbabwe	**–**	2 996	**–**	–
Loan from shareholders	**101 517**	–	**–**	–
	547 954	618 871	**–**	–
Non-current liabilities				
Term loans	**355 665**	572 754	**–**	–
Current liabilities				
Current portion of long-term loans	**192 289**	46 117	**–**	–
	547 954	618 871	**–**	–

Absa Bank of Kenya Plc

In the current year the outstanding balance has been transferred to liabilities for disposal group. The facility is for KSH300 000 000 for capital expenditure relating to the expansion of retail stores with the following conditions:

- Interest – at 12.7%
- Repayable over 36 months starting from August 2020.
- Secured by a corporate guarantee provided by Choppies Enterprises Limited and moveable assets valued at BWP14 413 329 as at 30 June 2020 (2019: BWP83 804 151).

Absa Bank of Mozambique SA

In the current year the outstanding balance has been transferred to liabilities for disposal group. A facility of MZN124 000 000 for purchase of building in Maputo, Mozambique.

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31. LONG-TERM BORROWINGS (continued)

- Interest – Absa Bank of Mozambique prime lending rate less 3.5% being 22.5% as on 30 June 2019.
- Quarterly repayment which average about MZN7 499 884 (2019: MZN7 499 884) over a period of five years.
- Secured by a corporate guarantee from Choppies Enterprises Limited, mortgage of the underlying property with a net book value of BWP10 532 758 (2019: BWP13 416 924) including insurance with the bank and floating charge over all assets of Choppies Supermarket Mozambique, Limitada to the extent of the outstanding balance.

Loan from shareholders

Pursuant to the terms of a debt reduction interceptor agreement entered into between Choppies Enterprises Limited, Choppies Distribution Centre Proprietary Limited a subsidiary of Choppies Enterprises Limited and Absa Bank Limited, First National Bank of Botswana Limited, Stanbic Bank of Botswana Limited, Standard Bank SA Limited and Standard Chartered Bank Botswana Limited (the lenders) on 11 October 2019 and terms of the guarantee entered into by the founding shareholders and the lenders, pursuant to the intercreditors agreement, the founding shareholders effected a payment of BWP100 million on 19 October 2019 to the agent for the lenders.

The capital of the loan bear interest at a rate equal to 0.05% below the average rate of interest paid by Choppies Enterprises Limited to the lenders under various finance documents as defined in the intercreditor agreement. The repayment of this loan may only happen after the successful implementation of the Group's debt reduction plan. This loan has a reversionary security over the assets secured in favour of the consortium creditors.

Absa Bank of Botswana Limited and Stanbic Bank of Botswana Limited

The lenders have made available two term facility loans, "Facility A" amounts to BWP500 million (BWP350 million from Absa Bank of Botswana Limited and BWP150 million from Stanbic Bank of Botswana Limited) and "Facility B" amounts to BWP65 million (from Stanbic Bank Botswana Limited). "Facility A" is towards the repayment of the existing facility, capital expenditure, operating expenses and general corporate purposes, including the payment of all fees and expenses relating to the implementation of the facility. Facility B is towards the repayment of the BIFM Bridge Facility.

Facility A is repayable by way of quarterly equal instalments commencing on the first interest payment date the expiry of the moratorium and ending on the final maturity date. Facility B is repayable in February 2021.

Interest is calculated based on the rate of interest on each loan per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being prime lending rate. Interest accrues on a day-to-day basis and is calculated on the basis of 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan.

At the reporting date, borrowings payables were as follows:

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Cash flows within one year				
Capital repayments	**192 289**	14 429	**–**	–
Interest	**22 539**	39 127	**–**	–
	214 828	53 556	**–**	–
Cash flows within two to five years				
Capital repayments	**354 148**	604 442	**–**	–
Interest	**17 120**	48 862	**–**	–
	371 268	653 304	**–**	–
Total				
Capital repayments	**546 437**	618 871	**–**	–
Interest	**39 659**	87 989	**–**	–
	586 096	706 860	**–**	–

32. LEASE LIABILITIES

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Minimum lease payments due				
• within one year	**203 065**	34 223	**–**	–
• in second to fifth year inclusive	**537 638**	23 250	**–**	–
• later than five years	**197 938**	–	**–**	–
	938 641	57 473	**–**	–
Less: future finance charges	**(185 656)**	(3 520)	**–**	–
Present value of minimum lease payments	**752 985**	53 953	**–**	–
Present value of minimum lease payments due				
• within one year	**153 116**	22 265	**–**	–
• in second to fifth year inclusive	**434 075**	31 688	**–**	–
• later than five years	**165 794**	–	**–**	–
	752 985	53 953	**–**	–
Non-current liabilities	**599 869**	31 688	**–**	–
Current liabilities	**153 116**	22 265	**–**	–
	752 985	53 953	**–**	–

The Group has leases for the stores it operates in Botswana, Zambia, Namibia and Zimbabwe. With the exception of short-term leases, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 13).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a termination fee. Most leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Scania Finance Southern Africa (Pty) Ltd

Finance lease liabilities

These lease liabilities are secured over motor vehicles with a net book value of BWP68 605 271 (2019: BWP149 964 210).These liabilities bear interest at the South African prime lending rate less 0.5% – 1% per annum and are repayable in 24 to 36 monthly instalments.

Wesbank Botswana Limited

Finance lease liabilities

These lease liabilities are secured over an aircraft with a net book value of BWP53 139 234 (2019: BWP38 383 894). These liabilities bear interest at the Botswana prime lending rate less 2% per annum and are repayable in 36 monthly instalments.

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Variable lease payments	**7 981**	–	**–**	–

Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset. Variable lease payments are expensed in the period they are incurred.

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32. LEASE LIABILITIES (continued)

Total cash outflow for leases for the year ended 30 June 2020 was BWP159 651 570 (2019: BWP38 442 439). Additional information on the right-of-use assets by class of assets is as follows:

Figures in Pula thousand	Carrying amounts (note 13)	Depre-ciation expense	Impair-ment
Buildings	666 282	157 891	–
Motor vehicles	68 605	9 404	–
Aircraft	37 214	1 170	–
	772 101	168 465	–

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – Group – 2020

Figures in Pula thousand	Opening balance	Discon-tinued operations	Foreign exchange move-ments	Adjust-ment on transition to IFRS 16	New loans	Interest non-cash move-ments	Repay-ments	Closing balance
Borrowings	618 871	(71 233)	1 955	–	100 000	1 517	(103 156)	547 954
Finance lease liabilities	53 953	(17 556)	(976)	880 474	–	–	(162 910)	752 985
Total liabilities from financing activities	672 824	(88 789)	979	880 474	100 000	1 517	(266 066)	1 300 939

Reconciliation of liabilities arising from financing activities – Group – 2019

Figures in Pula thousand	Opening balance	Discon-tinued operations	Foreign exchange movements	Adjust-ment on transition to IFRS 16	New leases	Interest non-cash move-ments	Repay-ments	Closing balance
Borrowings	618 871	–	–	–	35 155	–	(139 374)	618 871
Lease liabilities	92 395	–	–	–	–	–	(38 442)	53 953
Total liabilities from financing activities	711 266	–	–	–	35 155	–	(177 816)	672 824

There is no financing activity in the company, CEL.

34. STRAIGHT-LINING LEASE OBLIGATION

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Non-current liabilities	–	(119 110)	–	–
Current liabilities	–	(16 303)	–	–
	–	(135 413)	–	–

The Group has entered into various non-cancellable operating lease agreements in respect of rented premises. Leases are contracted for periods of up to 10 years, some with renewal options. Rental charges under these contracts escalate at fixed percentages of 5% to 10% per annum. Rentals comprise minimum monthly payments.

34. STRAIGHT-LINING LEASE OBLIGATION (continued)

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Balance at beginning of the year	**135 413**	105 629	**–**	–
Charge for the year	**–**	29 784	**–**	–
Discontinued operations	**(59 849)**	–	**–**	–
Adjustment for IFRS 16 right-of-use assets	**(75 564)**	–	**–**	–
	–	135 413	**–**	–
The deferred operating lease liabilities reverse as follows:				
Within 1 year	**–**	16 303	**–**	–
2 – 5 years	**–**	94 894	**–**	–
6 – 10 years	**–**	24 216	**–**	–
	–	135 413	**–**	–
The following future non-cancellable minimum lease rentals for premises occupied by the Group are payable at the reporting date:				
Within 1 year	**–**	342 386	**–**	–
2 – 5 years	**–**	1 009 179	**–**	–
6 – 10 years	**–**	234 153	**–**	–
	–	1 585 718	**–**	–

35. TRADE AND OTHER PAYABLES

Trade payables	**413 565**	914 281	**–**	–
Other payables	**98 532**	138 645	**9 964**	485
Withholding tax payable	**2 239**	2 299	**–**	–
VAT payables	**1 852**	–	**–**	–
Consideration payable to Kind Investment (Pty) Ltd	**55 037**	–	**55 037**	–
	571 225	1 055 225	**65 001**	485

Trade and other payables are interest-free and have payment terms of up to 30 days.

All amounts are short term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value. Information of the Group's exposure to currency and liquidity risks is included in note 40.

36. CONTINGENT LIABILITIES

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

Choppies Enterprises Limited together with all its subsidiaries have provided a guarantee of BWP27 million in favour of Absa Bank of Botswana Limited in respect of an overdraft facility of BWP53 million and a guarantee of BWP40 million in favour of Standard Chartered Bank Botswana Limited in respect of an overdraft facility of BWP40 million.

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

	2020 US$000	2019 US$000	2020 BWP000	2019 BWP000
Beneficiaries				
Delta Corporation Limited	**800**	800	**8 193**	8 193
National Foods Operations Limited	**700**	700	**7 168**	7 168
Dairibord Zimbabwe (Pvt) Ltd	**1 000**	1 000	**10 241**	10 241
Unilever Zimbabwe (Pvt) Ltd	**800**	800	**8 193**	8 193

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36. CONTINGENT LIABILITIES (continued)

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Whirlwyn Trading (Pvt) Ltd	–	50	–	512
Zimbabwe Sugar Sales	479	–	5	655
	3 779	3 350	39 450	34 307

Choppies Enterprises Limited has the following guarantees issued for Choppies Enterprises Kenya Limited:

	2020 KES000	2019 KES000	2020 BWP000	2019 BWP000
Beneficiaries				
Kapa Oil Refineries Limited	20 000	20 000	1 972	1 972
Unga Limited	27 000	27 000	2 662	2 662
Del Monte Kenya Limited	10 000	10 000	986	986
Tiger Brands (EA) Limited	20 000	20 000	1 972	1 972
	77 000	77 000	7 592	7 592

Choppies Enterprises Limited has the following guarantees issued for Choppies Supermarkets Tanzania Limited:

	2020 TZS000	2019 TZS000	2020 BWP000	2019 BWP000
Beneficiaries				
Tanzanian Breweries Limited	10 000	10 000	46	46
Bonite Bottlers Limited	7 500	7 500	34	34
	17 500	17 500	80	80

Choppies Enterprises Limited has the following guarantees issued for Choppies Supermarket Mozambique LDA:

	2020 MZN000	2019 MZN000	2020 BWP000	2019 BWP000
Beneficiaries				
Cervejas De Mozambique, SARL	3 000	3 000	511	511

Choppies Supermarkets SA (Pty) Ltd had the following guarantees at the date of disposal (as per the closing sale agreement):

	2020 ZAR000	2020 BWP000
Beneficiaries		
Consumer goods and services	138	94
Southern African Music Rights Organisation	561	381
Delareyville Municipality	1 892	1 286
QWIX Technology	780	530
Barakaat Property Investments (Mondeor Lease)	499	339
Mamelodi Lease Agreement	–	–
Recyquip Engineering and Manufacturing (Pty) Ltd	1 282	871
Mont Catering & Refrigerations SA (Pty) Ltd	6 709	4 561
Keriotic Investment SA (Pty) Ltd	19 410	13 195
RBV Consultant SA (Pty) Ltd	5 042	3 428
ILO Industries SA (Pty) Ltd	8 161	5 548
	44 474	30 233

• *Guarantees for Kenya, Tanzania and Mozambique will be released immediately once supplier dues are fully settled.*

37. SALE OF SUBSIDIARY DURING THE REPORTING PERIOD

Choppies Enterprises Limited entered into an agreement during November 2019 whereby Choppies Enterprises Limited sold the entire issued shares in and the loan accounts of Choppies Enterprises Limited against each of its wholly owned subsidiaries Choppies Supermarkets SA Proprietary Limited, Choppies Warehousing SA Proprietary Limited, Choppies Logistics Proprietary Limited and Motopi Holdings SA Proprietary Limited (collectively the SA Subsidiaries). The purchase consideration was ZAR1 for all the issued shares held by Choppies Enterprises Limited in and all the claims of Choppies Enterprises Limited on the loan account against each SA subsidiary.

A closing agreement, reflecting the result of the renegotiations was concluded on 21 April 2020 and the provisions for closing of the transfer of shares in and control of the SA Subsidiaries was effected as of 22 April 2020. The subsidiary was classified as held for sale in the 2020 financial statements (see note 25).

At the date of disposal, the carrying amounts of Choppies Enterprises Limited wholly owned subsidiaries net assets were as follows:

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Carrying value of assets sold				
Property, plant and equipment	**(242 389)**	–	**–**	–
Other non-current assets	**(9 402)**	–	**–**	–
Goodwill	**(16 843)**	–	**–**	–
Inventories	**(212 671)**	–	**–**	–
Trade and other receivables	**(19 748)**	–	**–**	–
Trade and other payables	**423 419**	–	**–**	–
Cash net of borrowings	**30 128**	–	**–**	–
Operating lease liabilities	**42 226**	–	**–**	–
Other liabilities	**96 529**	–	**–**	–
Total net liabilities sold	**91 249**	–	**–**	–
Proceeds	**–**	–	**–**	–
Loss on disposal (note 25)	**91 249**	–	**–**	–
Consideration paid				
Costs directly attributable to the disposal of subsidiary payable to Kind Investments (Pty) Ltd	**107 885**	–	**107 885**	–
Consideration paid	**(52 849)**	–	**(52 849)**	–
Consideration payable to Kind Investment (Pty) Ltd (note 35)	**55 036**	–	**55 036**	–

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38. RELATED PARTIES

Subsidiaries — Refer to note 15

The Group's related parties include its key management, companies with common directors and ownership.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Related-party balances

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Amounts due from related entities (subsidiaries)				
Choppies Distribution Centre (Pty) Ltd	**–**	–	**206 459**	269 413
Choppies Supermarkets SA (Pty) Ltd	**–**	–	**–**	47 645
Choppies Supermarkets SA (Pty) Ltd – impairment	**–**	–	**–**	(47 645)
Nanavac Investments (Pty) Ltd	**–**	–	**35 093**	17 879
Nanavac Investments (Pty) Ltd – impairment	**–**	–	**(17 879)**	(17 879)
Choppies Supermarkets Limited (Zambia)	**–**	–	**9 546**	–
Choppies Supermarkets Namibia (Pty) Limited	**–**	–	**476**	–
	–	–	**233 695**	269 413

The balances are unsecured, interest-free and repayable on demand. In the Company an impairment reversal of BWP14 105 194 was recognised for amounts due from related party, Choppies Supermarket SA (Pty) Ltd. No other impairment losses have been recognised during the financial year (2019: BWP47 644 608).

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Amounts due from related entities				
Adam's Apple (Pty) Ltd	**26**	33	**–**	–
Admiral Touch (Pty) Ltd	**50**	28	**–**	–
Alpha Direct Insurance Company (Pty) Ltd	**9**	34	**–**	–
Arcee (Pty) Ltd	**75**	193	**–**	–
Backwater Holdings (Pty) Ltd	**–**	13	**–**	–
Bagpiper (Pty) Ltd	**72**	509	**–**	–
Balance Fortune (Pty) Ltd	**9**	27	**–**	–
Boitumelo Foundation	**319**	19	**–**	–
Brass Lock (Pty) Ltd	**–**	6	**–**	–
Bull Shot (Pty) Ltd	**–**	3	**–**	–
Distron Botswana (Pty) Ltd	**–**	1	**–**	–
Feasible Investments (Pty) Ltd	**60**	119	**–**	–
Golkonda Holding (Pty) Ltd	**40**	66	**–**	–
Handsome Returns (Pty) Ltd	**–**	11	**–**	–
Honey Guide (Pty) Ltd	**32**	275	**–**	–
I Qube (Pty) Ltd	**–**	107	**–**	–
Ilo Industries SA (Pty) Ltd	**–**	2 255	**–**	–
JB Sports Holdings (Pty) Ltd	**41**	–	**–**	–
Kelsey Investments (Pty) Ltd	**–**	2	**–**	–
Keriotic Investments SA (Pty) Ltd	**–**	5 594	**–**	–
Landcaster (Pty) Ltd	**–**	4	**–**	–
Mackinnon Holdings (Pty) Ltd	**5**	22	**–**	–
Match Up Investments (Pty) Ltd	**–**	4	**–**	–
Maximel Enterprises (Pty) Ltd	**–**	3	**–**	–
Mediland Health Care Distributors (Pty) Ltd	**59**	54	**–**	–
Modasa Investments (Pty) Ltd	**–**	5	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**9**	544	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**–**	5	**–**	–
Morava (Pty) Ltd	**–**	3	**–**	–
Ovais Investments (Pty) Ltd	**–**	72	**–**	–
Pennywise Investments (Pty) Ltd	**6**	8	**–**	–

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
38. RELATED PARTIES (continued)				
Princieton (Pty) Ltd	**11**	5	**–**	–
Prosperous People (Pty) Ltd	**–**	4	**–**	–
RBV Consultants (Pty) Ltd	**818**	1 135	**–**	–
Raywood (Pty) Ltd	**–**	23	**–**	–
Real Plastic Mould (Pty) Ltd*	**(34)**	1 763	**–**	–
Royal Stag (Pty) Ltd	**–**	1	**–**	–
Shaysons Investments (Pty) Ltd	**153**	231	**–**	–
Solace (Pty) Ltd	**566**	226	**–**	–
Strides of Success (Pty) Ltd	**1**	2	**–**	–
The Far Property Company (Pty) Ltd	**11**	222	**–**	–
Tiger Square (Pty) Ltd	**–**	4	**–**	–
Tim Tam (Pty) Ltd	**–**	7	**–**	–
Tow Bar (Pty) Ltd	**–**	3	**–**	–
Vet Agric Suppliers (Pty) Ltd	**721**	1 287	**–**	–
Weal (Pty) Ltd	**–**	6	**–**	–
Zappos (Pty) Ltd	**–**	(4)	**–**	–
Zcx Investments (Pty) Ltd	**14**	22	**–**	–
Electrometric Enterprises (Pty) Ltd	**7**	–	**–**	–
Keriotic Investments (Pty) Ltd	**1 676**	–	**–**	–
Rootlet (Pty) Ltd	**6**	–	**–**	–
Cottonvale (Pty) Ltd	**27**	–	**–**	–
Farouk Ismail	**2**	–	**–**	–
Ilo Industries (Pty) Ltd	**623**	–	**–**	–
	5 414	14 956	**–**	–

** Negative values are advance payments received.*

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	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
38. RELATED PARTIES (continued)				
Amounts due to related entities				
Adam's Apple (Pty) Ltd	**280**	231	**–**	–
Admiral Touch (Pty) Ltd	**268**	199	**–**	–
Alpha Direct Insurance Company (Pty) Ltd	**4 600**	3 092	**–**	–
Arcee (Pty) Ltd	**314**	3 671	**–**	–
Bagpiper (Pty) Ltd	**363**	1 121	**–**	–
Balance Fortune (Pty) Ltd	**350**	2 962	**–**	–
Bargen (Pty) Ltd	**–**	33	**–**	–
Botswana Telecommunications Corporation Limited	**–**	205	**–**	–
Browallia (Pty) Ltd	**7**	7	**–**	–
Distron Botswana (Pty) Ltd	**571**	261	**–**	–
Diswammind Investment (Pty) Ltd	**–**	223	**–**	–
Electrometic Enterprises (Pty) Ltd	**854**	1 023	**–**	–
Feasible Investment (Pty) Ltd	**4 789**	4 834	**–**	–
Ghanzi Highway Filling Station (Pty) Ltd	**11**	18	**–**	–
Golkonda Holding (Pty) Ltd	**–**	292	**–**	–
Honey Guide (Pty) Ltd	**5 886**	9 867	**–**	–
I Qube SA (Pty) Ltd	**–**	17	**–**	–
Ilo Industries SA (Pty) Ltd	**–**	6 295	**–**	–
Ilo Industries (Pty) Ltd	**11 402**	8 506	**–**	–
Industrial Filling Station (Pty) Ltd	**20**	10	**–**	–
Keriotic Investments SA (Pty) Ltd	**776**	12 522	**–**	–
Keriotic Investments (Pty) Ltd	**30 862**	26 834	**–**	–
Mackinnon Holdings (Pty) Ltd	**22**	44	**–**	–
Mall Motors Botswana (Pty) Ltd	**8**	7	**–**	–
Mediland Health Care Distributors (Pty) Ltd	**11**	13	**–**	–
Modasa Investments (Pty) Ltd	**–**	2	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**187**	2 558	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**920**	11 230	**–**	–
Pennywise Investments (Pty) Ltd	**68**	46	**–**	–
Pinestone (Pty) Ltd	**269**	292	**–**	–
Princieton (Pty) Ltd	**–**	12	**–**	–
Prosperous People (Pty) Ltd	**56**	95	**–**	–
RBV Consultants SA (Pty) Ltd	**90**	5 326	**–**	–
RBV Marketing (Pty) Ltd	**–**	5 369	**–**	–
Real Plastic Mould (Pty) Ltd	**451**	1 985	**–**	–
Royal Stag (Pty) Ltd	**–**	5	**–**	–
Shaysons Investments (Pty) Ltd	**–**	792	**–**	–
Solace (Pty) Limited	**3 355**	1 443	**–**	–
The Far Property Company Ltd	**4 205**	102	**–**	–
Vet Agric Suppliers (Pty) Ltd	**5 088**	6 422	**–**	–
Whitecoral (Pty) Ltd	**20**	8	**–**	–
Zcx Investment (Pty) Ltd	**21**	28	**–**	–
Anuksha (Pty) Ltd	**21**	–	**–**	–
RBV Consultants (Pty) Ltd	**6 482**	–	**–**	–
Shaysons Investments (Pty) Ltd	**26**	–	**–**	–
Cottonvale (Pty) Ltd	**33**	–	**–**	–
Distron Zambia (Pty) Ltd	**108**	–	**–**	–
	82 794	118 002	**–**	–

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

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
38. RELATED PARTIES (continued)				
Related-party transactions				
Purchase of goods/services from related entities				
Adam's Apple (Pty) Ltd	**4 606**	3 441	**–**	–
Admiral Touch (Pty) Ltd	**3 639**	3 714	**–**	–
Alpha Direct Insurance Company (Pty) Ltd	**6 443**	5 028	**–**	–
Arcee (Pty) Ltd	**9 188**	20 662	**–**	–
Ascending Returns (Pty) Ltd	**698**	658	**–**	–
Ausi Holdings (Pty) Ltd	**–**	453	**–**	–
Bagpiper (Pty) Ltd	**6 067**	10 002	**–**	–
Balance Fortune (Pty) Ltd	**8 042**	11 157	**–**	–
Balsam (Pty) Ltd	**–**	9	**–**	–
Bargen (Pty) Ltd	**–**	1 133	**–**	–
Botswana Telecommunications Corporation Limited	**7 461**	6 006	**–**	–
Browallia (Pty) Ltd	**–**	221	**–**	–
Bull Shot (Pty) Ltd	**–**	1 487	**–**	–
Cornbill (Pty) Ltd	**–**	7	**–**	–
Cottonvale (Pty) Ltd	**33**	–	**–**	–
Distron Botswana (Pty) Ltd	**3 290**	3 302	**–**	–
Distron Zambia (Pty) Ltd	**3 997**	4 647	**–**	–
Electrometic Enterprises (Pty) Ltd	**5 703**	6 292	**–**	–
Elmsway Consultancy (Pty) Ltd – Louie Villa, Zambia	**–**	7	**–**	–
Feasible Investment (Pty) Ltd	**24 113**	27 677	**–**	–
Ghanzi Highway Filling Station (Pty) Ltd	**272**	198	**–**	–
Gironde (Pty) Ltd	**–**	3	**–**	–
Golkonda Holding (Pty) Ltd	**–**	1 125	**–**	–
Healthwest Africa (Pty) Ltd	**–**	995	**–**	–
Holario Investments (Pty) Ltd	**–**	36	**–**	–
Honey Guide (Pty) Ltd	**59 291**	50 881	**–**	–
I Qube (Pty) Ltd	**–**	10 899	**–**	–
Ilo Industries (Pty) Ltd	**67 428**	66 637	**–**	–
Industrial Filling Station (Pty) Ltd	**86**	144	**–**	–
JB Sports Holdings (Pty) Ltd	**125**	–	**–**	–
Jane Pink (Pty) Ltd	**–**	3	**–**	–
JB Sports Holdings (Pty) Ltd	**–**	9	**–**	–
Keriotic Investments SA (Pty) Ltd	**–**	2 938	**–**	–
Keriotic Investments (Pty) Ltd	**147 896**	193 446	**–**	–
Land Caster (Pty) Ltd	**–**	2	**–**	–
Longreach (Pty) Ltd	**2**	10	**–**	–
Mackinnon Holdings (Pty) Ltd	**692**	460	**–**	–
Magnafit (Pty) Ltd	**–**	38	**–**	–
Mall Motors Botswana (Pty) Ltd	**110**	125	**–**	–
Match Up Investments (Pty) Ltd	**–**	4	**–**	–
Mediland Health Care Distributors (Pty) Ltd	**182**	3 589	**–**	–
Modasa Investments (Pty) Ltd	**–**	3	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**11 610**	16 100	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**3 499**	3 238	**–**	–
Montrose Investment (Pty) Ltd	**–**	14 623	**–**	–
Morava (Pty) Ltd	**–**	69	**–**	–
Nestral System Pvt Ltd	**–**	957	**–**	–
Pennywise Investments (Pty) Ltd	**259**	227	**–**	–
Pinestone (Pty) Ltd	**4 421**	3 211	**–**	–
Prosperous People (Pty) Ltd	**1 047**	1 269	**–**	–
Princieton (Pty) Ltd	**–**	489	**–**	–

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	Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
38.	**RELATED PARTIES** (continued)				
	Q Tique 79 (Pty) Ltd	**63**	30 987	**–**	–
	RBV Consultants SA (Pty) Ltd	**–**	29 120	**–**	–
	RBV Marketing (Pty) Ltd	**–**	8 493	**–**	–
	Real Plastic Mould (Pty) Ltd	**17 370**	16 830	**–**	–
	Royal Stag (Pty) Ltd	**–**	18	**–**	–
	Shaysons Investments (Pty) Ltd	**2 921**	3 246	**–**	–
	Solace (Pty) Ltd	**42 620**	34 623	**–**	–
	Texo (Pty) Ltd	**–**	2	**–**	–
	Vet Agric Suppliers (Pty) Ltd	**102 243**	98 506	**–**	–
	Whitecoral (Pty) Ltd	**289**	156	**–**	–
	Zcx Investment (Pty) Ltd	**251**	179	**–**	–
	Pearl Grey (Pty) Ltd	**60**	–	**–**	–
	RBV Consultants (Pty) Ltd	**35 043**	–	**–**	–
		581 060	699 791	**–**	–
	Sale/(sales returns) of stock to related entities				
	Adam's Apple (Pty) Ltd	**365**	333	**–**	–
	Admiral Touch (Pty) Ltd	**490**	700	**–**	–
	Alpha Direct Insurance Company (Pty) Ltd	**271**	315	**–**	–
	Arcee (Pty) Ltd	**765**	1 565	**–**	–
	Ausi Holdings (Pty) Ltd	**–**	(7)	**–**	–
	Backwater Holdings (Pty) Ltd	**4**	2	**–**	–
	Bagpiper (Pty) Ltd	**833**	1 138	**–**	–
	Balance Fortune (Pty) Ltd t/a Quick	**137**	348	**–**	–
	Boitumelo Foundation	**660**	426	**–**	–
	Brass Lock (Pty) Ltd	**18**	42	**–**	–
	Bull Shot (Pty) Ltd	**93**	1 282	**–**	–
	Cornbill (Pty) Ltd	**–**	30	**–**	–
	Dissel Dow (Pty) Ltd	**–**	24	**–**	–
	Distron Botswana (Pty) Ltd	**3**	29	**–**	–
	Electrometic Enterprises (Pty) Ltd	**86**	113	**–**	–
	Feasible Investments (Pty) Ltd	**647**	857	**–**	–
	Gironde (Pty) Ltd	**–**	15	**–**	–
	Golkonda Holding (Pty) Ltd	**454**	427	**–**	–
	Honey Guide (Pty) Ltd	**512**	3 092	**–**	–
	Hoplite (Pty) Ltd	**–**	42	**–**	–
	I Qube (Pty) Ltd	**–**	126	**–**	–
	Ilo Industries (Pty) Ltd	**4 188**	4 544	**–**	–
	Ilo Industries SA (Pty) Ltd	**–**	83	**–**	–
	Jane Pink (Pty) Ltd	**–**	19	**–**	–
	Keriotic Investments SA (Pty) Ltd	**–**	45	**–**	–
	Keriotic Investments (Pty) Ltd	**11 411**	14 641	**–**	–
	Landcaster (Pty) Ltd	**–**	30	**–**	–
	Lumpsum Investments (Pty) Ltd	**–**	17	**–**	–
	Mackinnon Holdings (Pty) Ltd	**148**	251	**–**	–
	Maganafit (Pty) Ltd	**–**	19	**–**	–
	Match Up Investments (Pty) Ltd	**–**	18	**–**	–
	Maximel Enterprises (Pty) Ltd	**–**	19	**–**	–
	Mediland Health Care Distributors (Pty) Ltd	**349**	336	**–**	–
	Modasa Investments (Pty) Ltd	**–**	38	**–**	–
	Mont Catering and Refrigeration (Pty) Ltd	**69**	324	**–**	–
	Montrose Investment (Pty) Ltd	**–**	302	**–**	–
	Morava (Pty) Ltd	**–**	21	**–**	–
	Nestral System Pvt Ltd	**–**	27	**–**	–

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
38. RELATED PARTIES (continued)				
Ovais Investment (Pty) Ltd	**401**	354	**–**	–
Pennywise Investments (Pty) Ltd	**–**	63	**–**	–
Princieton (Pty) Ltd	**38**	378	**–**	–
Prosperous People (Pty) Ltd	**3**	27	**–**	–
RBV Consultants (Pty) Ltd	**4 588**	4 285	**–**	–
Raywood (Pty) Ltd	**–**	71	**–**	–
Real Plastic Mould (Pty) Ltd	**1 177**	1 669	**–**	–
Royal Stag (Pty) Ltd	**–**	38	**–**	–
Shaysons Investments (Pty) Ltd	**731**	732	**–**	–
Solace (Pty) Limited	**3 535**	2 942	**–**	–
Strides of Success (Pty) Ltd	**15**	73	**–**	–
Texo (Pty) Ltd	**1**	38	**–**	–
The FAR Property Company (Pty) Ltd	**114**	742	**–**	–
Tiger square (Pty) Ltd	**–**	122	**–**	–
Tim Tam (Pty) Ltd	**–**	54	**–**	–
Venta (Pty) Ltd	**–**	121	**–**	–
Vet Agric Suppliers (Pty) Ltd	**–**	8 583	**–**	–
Weal (Pty) Ltd	**23**	38	**–**	–
Zcx Investment (Pty) Ltd	**208**	198	**–**	–
Venta (Pty) Ltd	**118**	–	**–**	–
Cottonvale (Pty) Ltd	**129**	–	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**5**	–	**–**	–
Farouk Ismail	**239**	–	**–**	–
Zappos (Pty) Ltd	**4**	–	**–**	–
	32 832	52 161	**–**	–
Rent paid to related entity				
The FAR Property Company (Pty) Ltd*	**68 411**	60 262	**–**	–
Interest on shareholder loan				
Ramachandran Ottapathu	**1 214**	–	**–**	–
Farouk Essop Ismail	**303**	–	**–**	–
	1 517	–	**–**	–

** Rent paid is the actual rental payments as per lease agreements. Included in the income statements is interest expense BWP16 032 958 of relating to right-of-use asset.*

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39. AMOUNTS PAID TO KEY PERSONNEL

The table below provides key management personnel compensation during the year including directors and their close family members.

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
Directors' fees				
Non-executive directors				
His Excellency Festus Gontebanye Mogae	**200**	867	**–**	–
Wilfred Mpai	**267**	933	**–**	–
Robert Neil Matthews	**–**	567	**–**	–
Dorcas Ana Kgosietsile	**467**	1 300	**–**	–
Sydney Alan Muller	**–**	200	**–**	–
Farouk Essop Ismail	**300**	733	**–**	–
Carol Jean Harward	**533**	–	**–**	–
Uttum Corea	**433**	–	**–**	–
Tom Pritchard	**567**	–	**–**	–
	2 767	4 600	**–**	–
Salaries				
Executive directors				
Farouk Essop Ismail	**1 202**	914	**–**	–
Ramachandran Ottapathu	**9 063**	10 595	**–**	–
Sanooj Pullarote	**–**	1 766	**–**	–
Heinrich Stander	**358**	1 435	**–**	–
	10 623	14 710	**–**	–
Retainer fees				
Non-executive directors				
His Excellency Festus Gontebanye Mogae	**88**	529	**–**	–
Robert Neil Matthews	**–**	–	**–**	–
Dorcas Ana Kgosietsile	**–**	176	**–**	–
Farouk Essop Ismail	**250**	176	**–**	–
Wilfred Mpai	**–**	293	**–**	–
Tom Pritchard	**305**	–	**–**	–
Uttum Corea	**500**	–	**–**	–
Carol Jean Harward	**250**	–	**–**	–
	1 393	1 174	**–**	–
Salaries				
Related to other key management personnel				
Vidya Sanooj	**1 144**	1 114	**–**	–
Jalajakumari Ramachandran	**1 451**	1 246	**–**	–
	2 595	2 360	**–**	–

40. RISK MANAGEMENT

Overview

The Group is exposed to credit, liquidity, interest rate and foreign currency risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The Group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the Group.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors through the Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Market risk

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

Post-tax profit for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Interest rate risk

The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Fixed rate borrowings expose the Group to fair value interest rate risk. Variable rate borrowings, loans and cash and cash equivalents results in cash flow interest rate risks. Other than ensuring optimum money market rates for deposits, the Group does not make use of financial instruments to manage this risk.

The Group invests with reputable institutions and has obtained borrowings and overdraft facilities, which are subject to normal market interest rate risk. The effective annual interest rates on the Group's call deposits, long-term borrowings and bank overdrafts at year-end were as follows:

	2020	2019
Interest cost		
Botswana		
Wesbank Botswana Limited	**Prime less 2%**	Prime less 2%
Absa Bank of Botswana Limited (overdraft)	**Prime less 2.5%**	Prime less 2.5%
Standard Chartered Bank Botswana Limited (overdraft)	**Prime less 1%**	Prime less 1%
Absa Bank of Botswana Limited (term loan)	**Prime**	Prime
South Africa		
Scania Finance Southern Africa	**Prime less 2%**	Prime less 2%
Absa Bank of Botswana Limited	**Prime lending rate**	Prime lending rate
Zimbabwe		
Absa Bank of Zimbabwe Limited	**3.5% above 3-month LIBOR**	3.5% above 3-month LIBOR
Absa Bank of Zimbabwe Limited (overdraft)	**3.5% above 3-month LIBOR**	3.5% above 3-month LIBOR

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40. RISK MANAGEMENT (continued)

	2020 %	2019 %
Interest income		
Botswana		
Call accounts denominated in Pula	**4.00 to 6.00**	4.00 to 6.00
Call accounts denominated in foreign currencies	**1.00 to 2.00**	1.00 to 2.00
Fixed deposits with banks	**5.50 to 7.00**	5.50 to 7.00
South Africa		
Call accounts denominated in Rand		5.00% to 7.00%

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

	Group		Company	
In BWP000	**2020**	2019	**2020**	2019
Long-term borrowings	**(547 954)**	(618 871)	**–**	–
Bank overdrafts	**(148 788)**	(248 155)	**–**	–
Call accounts denominated in Pula	**2 829**	8 145	**–**	–
Call accounts denominated in foreign currencies	**539**	5 075	**–**	–
Fixed deposits with banks	**4 323**	4 100	**–**	–

With average interest rates as noted, an increase/decrease of 5% (2019: 5%) in the current interest rates during the reporting period would have increase/decreased the Group's profit before taxation and equity as disclosed below:

Impact on profit before tax

Pre-tax profit for the year would have been BWP2 672 (2019: BWP3 946) lower/higher, mainly as a result of higher/lower interest expense and income on floating rate borrowings and interest-bearing assets.

Impact on equity

Impact on equity for the year would have been BWP2 084 (2019: BWP3 078) lower/higher, mainly as a result of higher/lower interest expense and income on floating rate borrowings and interest-bearing assets.

Foreign exchange risk

The Group is exposed to foreign currency risk for transactions which are denominated in currencies other than the Botswana Pula. These transactions mainly relate to the Group's distribution and retail trading business and its investment in foreign operations. These transactions are predominantly denominated in South African Rand, United States Dollar and British Pound Sterling.

Foreign currency risks that do not influence the Group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations in the Group's reporting currency) are not hedged.

		30 June 2020		30 June 2019	
		Foreign currency amount	**Pula equivalent**	Foreign currency amount	Pula equivalent
Group					
South African Rand denominated assets – balances with bank	R000	**5 200**	**3 535**	66 666	50 042
United States Dollar denominated assets – balances with bank	US$000	**346**	**4 085**	890	9 448
British Pound Sterling denominated assets – balances with bank	GBP000	**151**	**2 192**	154	2 075
South African Rand denominated assets – Receivables	R000	**21 596**	**14 681**	58 765	44 111
United States Dollar denominated assets – Receivables	US$000	**307**	**3 625**	20	212
South African Rand denominated liabilities	R000	**(267 382)**	**(181 769)**	(931 440)	(699 174)
United States Dollar denominated liabilities	US$000	**(213)**	**(2 515)**	(4 787)	(50 818)

40. RISK MANAGEMENT (continued)

	2020	2019
Year-end exchange rates		
South African Rand	**1.4710**	1.3322
United States Dollar	**0.0847**	0.0942
British Pound Sterling	**0.0689**	0.0742
Average exchange rates		
South African Rand	**1.4036**	1.3329
United States Dollar	**0.0891**	0.0941
British Pound Sterling	**0.0706**	0.0729

A 10% weakening of the Botswana Pula against the above mentioned foreign currencies at the reporting date would have decreased/increased the Group's profit before taxation and equity by the amounts disclosed below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group 2020		Group 2019	
	Impact on profit before tax	**Impact on equity**	Impact on profit before tax	Impact on equity
South African Rand denominated assets – balances with banks	**354**	**276**	5 004	3 903
United States Dollar denominated assets – balances with banks	**409**	**319**	945	737
British Pound Sterling denominated assets – balances with banks	**219**	**171**	208	162
South African Rand denominated assets – Receivables	**1 468**	**1 145**	4 411	3 441
United States Dollar denominated assets – Receivables	**363**	**283**	21	17
South African Rand denominated liabilities	**(18 177)**	**(14 178)**	(69 917)	(54 536)
United States Dollar denominated liabilities	**(252)**	**(196)**	(5 082)	(3 964)
	(15 616)	**(12 180)**	(64 410)	(50 240)

A 10% strengthening of the Botswana Pula against the above mentioned currencies at the reporting date would have had an equal but opposite effect on the Group's profit before taxation and equity to the amounts disclosed above.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The Company expects its foreign exchange contracts to hedge foreign exchange exposure.

Credit risk

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

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

The Group limits the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. The Group has no significant concentration of credit risk, and exposure to third parties is monitored as part of the credit control process.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered with banks registered in the geographical areas where the Group operates. Banks in Botswana are not rated, but most of the banks are subsidiaries of major South African or United Kingdom registered institutions.

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables that have similar characteristics are grouped together and assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers where applicable.

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40. RISK MANAGEMENT (continued)

In determining the level of likely credit losses on write-off of trade receivables, the Group has taken cognisance of historical collections from external debt collection processes and delayed settlement arrangements with debtors, as well as the impact which the expected future development of macro-economic indicators (specifically Gross Domestic Product) may have on historical collection and default rates, including the possible impact of Covid-19 on its business and collection.

Trade receivables are considered irrecoverable where:

- the customer has not made any payment within 180 days from the date of invoice (at which stage amounts are considered in full default);
- no alternative payment arrangements have been made and adhered to by the customer during the first 90 days after date of invoice; and
- alternative collection efforts (mainly through external debt collection agencies), initiated once the invoice has been outstanding for more than 90 days, have failed.

On the above basis the expected credit loss for trade receivables as at 30 June 2020 was determined as follows, (refer to note 22).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is summarised as follows:

Figures in Pula thousand	**2020**	2019	**2020**	2019
Trade receivables – net of provision for impairment	**5 499**	3 315	**–**	–
Other receivables	**21 610**	49 459	**–**	–
Advances and deposits	**39 092**	82 502	**–**	–
Amounts due from related entities	**5 414**	14 956	**233 695**	269 413
Bank balances	**56 747**	190 629	**465**	474
	128 362	340 861	**234 160**	269 887

Liquidity risk

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

The following financial instruments are classified as non-derivative financial liabilities:

Figures in Pula thousand	**2020**	2019	**2020**	2019
Long-term borrowings	**547 954**	618 871	**–**	–
Amounts due to related entities	**82 794**	118 002	**–**	–
Bank overdrafts	**148 788**	248 155	**–**	–
Trade payables	**413 565**	914 281	**–**	–
Other payables	**153 569**	138 645	**65 001**	485
	1 346 670	2 037 954	**65 001**	485

40. RISK MANAGEMENT (continued)

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

Group 2020 – Figures in Pula thousand	**Carrying amount**	**Contractual cash flows**	**One year**	**Two to five years**	**Greater than five years**
Long-term borrowings	**547 954**	**(586 096)**	**(214 828)**	**(371 268)**	
Lease liabilities	**752 985**	**(938 641)**	**(203 065)**	**(537 638)**	**(197 938)**
Amounts due to related entities	**82 794**	**(82 794)**	**(82 794)**	**–**	**–**
Bank overdrafts	**148 788**	**(148 788)**	**(148 788)**	**–**	**–**
Trade payables	**413 565**	**(413 565)**	**(413 565)**	**–**	**–**
Other payables	**153 569**	**(153 569)**	**(153 569)**	**–**	**–**
	2 099 655	**(2 323 453)**	**(1 216 609)**	**(908 906)**	**(197 938)**

Group 2019 – Figures in Pula thousand	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than five years
Long-term borrowings	618 871	(706 860)	(53 556)	(653 304)	–
Lease liabilities	53 953	(57 473)	(34 223)	(23 250)	–
Amounts due to related entities	118 002	(118 002)	(118 002)	–	–
Bank overdrafts	248 155	(248 155)	(248 155)	–	–
Trade payables	914 281	(914 281)	(914 281)	–	–
Other payables	138 645	(138 645)	(138 645)	–	–
	2 091 907	(2 183 416)	(1 506 862)	(676 554)	–

Company 2020 – Figures in Pula thousand	**Carrying amount**	**Contractual cash flows**	**One year**	**Two to five years**	**Greater than five years**
Other payables	**65 001**	**(65 001)**	**(65 001)**	**–**	**–**

Company 2019 – Figures in Pula thousand	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than five years
Other payables	485	(485)	(485)	–	–

Guarantees

The Group's policy is to provide financial guarantees for subsidiaries' liabilities. At the reporting date the Company had issued guarantees to certain financial institutions and suppliers per note 36.

The earliest callable bracket for the total callable amounts for financial guarantee contracts is year one.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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41. FAIR VALUE INFORMATION

Fair value hierarchy

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

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

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

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

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

In BWP000	Financial assets mandatorily at fair value	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value	Level 1	Level 2	Level 3	Total
Group 2020								
Assets								
Financial assets								
Mandatorily at fair value through profit or loss:								
Investment in shares	3	–	–	–	3	–	–	3
Financial assets not measured at amortised cost								
Advances and deposits	–	39 092	–	39 092	–	–	–	–
Trade and other receivables	–	27 109	–	27 109	–	–	–	–
Amounts due from related entities	–	5 414	–	5 414	–	–	–	–
Cash and cash equivalents	–	56 747	–	56 747	–	–	–	–
	3	128 362	–	128 362	3	–	–	3
Liabilities								
Financial liabilities not measured at fair value								
Long-term borrowings	–	–	547 954	547 954	–	–	–	–
Lease liabilities	–	–	752 985	752 985	–	–	–	–
Trade and other payables	–	–	571 225	571 225	–	–	–	–
Amounts due from related entities	–	–	82 794	82 794	–	–	–	–
Bank overdraft	–	–	148 788	148 788	–	–	–	–
	–	–	2 103 746	2 103 746	–	–	–	–

41. FAIR VALUE INFORMATION (continued)

In BWP000	Financial assets mandatorily at fair value	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value	Level 1	Level 2	Level 3	Total
Group 2019								
Assets								
Financial assets measured at fair value								
Investment in shares	3	–	–	–	3	–	–	3
Financial assets measured at amortised cost								
Advances and deposits	–	82 502	–	82 502	–	–	–	–
Trade and other receivables	–	87 328	–	87 328	–	–	–	–
Amounts due from related entities	–	14 956	–	14 956	–	–	–	–
Cash and cash equivalents	–	190 629	–	190 629	–	–	–	–
	3	375 415	–	375 415	3	–	–	3
Liabilities								
Financial liabilities measured at amortised cost								
Long-term borrowings	–	–	618 871	618 871	–	–	–	–
Lease liabilities	–	–	53 953	53 953	–	–	–	–
Trade and other payables	–	–	1 052 926	1 052 926	–	–	–	–
Amounts due to related entities	–	–	118 002	118 002	–	–	–	–
Bank overdraft	–	–	248 155	248 155	–	–	–	–
	–	–	2 091 907	2 091 907	–	–	–	–
Carrying value is a reasonable approximation of fair value.								
Company 2020								
Assets								
Financial assets measured at amortised cost								
Amounts due from related entities	**–**	**233 695**	**–**	**233 695**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**–**	**465**	**–**	**465**	**–**	**–**	**–**	**–**
	–	**234 160**	**–**	**234 160**	**–**	**–**	**–**	**–**
Liabilities								
Financial liabilities measured at amortised cost								
Other payables	**–**	**–**	**65 001**	**65 001**	**–**	**–**	**–**	**–**

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41. FAIR VALUE INFORMATION (continued)

In BWP000	Financial assets mandatorily at fair value	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value	Level 1	Level 2	Level 3	Total
Company 2019								
Assets								
Financial assets measured at amortised cost								
Amounts due from related entities	–	269 413	–	269 413	–	–	–	–
Cash and cash equivalents	–	474	–	474	–	–	–	–
	–	269 887	–	269 887	–	–	–	–
Liabilities								
Financial liabilities measured at amortised cost								
Other payables	–	–	485	485	–	–	–	–

Carrying value is a reasonable approximation of fair value.

42. FINANCIAL SUPPORT

Choppies Distribution Centre (Pty) Ltd, a wholly owned subsidiary of Choppies Enterprises Limited, has pledged its continued financial and operational support to certain subsidiaries of Choppies Enterprises Limited in order for these companies to continue operating as going concerns in the foreseeable future. Each of these companies is technically insolvent with their liabilities exceeding their 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 (Pty) Ltd to continue providing such support, the individual financial statements of these technically insolvent companies have been prepared on the going-concern assumption. The shareholders' deficits at the reporting date for each of the companies are summarised as follows:

Foreign subsidiaries in BWP000	**2020**	2019
Choppies Supermarkets SA (Pty) Ltd	**–**	1 000 908
Choppies Supermarkets Namibia (Pty) Ltd	**41 001**	21 853
Choppies Supermarkets Limited (Zambia)	**152 167**	97 741
Choppies Supermarkets Tanzania Limited	**–**	8 074
	193 168	1 128 576

43. GOING CONCERN

The Group and Company annual financial statements have been prepared based on accounting policies applicable to a going concern. This basis assumes that there will be funds available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group recorded negative equity of BWP467.1 million as at 30 June 2020 (2019: negative equity of BWP80.1 million). The decline in equity of BWP386.9 million was mainly caused by trading losses of BWP469.6 million (2019: BWP435.6 million) from regions that were closed/discontinued namely South Africa BWP329.4 million (2019: BWP306.6 million), Kenya BWP117.6 million (2019: BWP95.3 million), Tanzania BWP16.6 million (2019: BWP18.2 million) and Mozambique BWP5.9 million (2019: BWP15.5 million).

It is to be noted that the continuing operations contributed a profit after tax of BWP98.9 million (2019: 7 million). Going forward, profits from the continuing operations are expected to build-up value for the Group as BWP management's focus will be on the profit making operations, namely Botswana, Zambia, Zimbabwe and Namibia, which should help stabilise the Group and restore equity.

Management and the Board are conscious about the currency translation impact from Zimbabwe. The projections in Zimbabwe indicate that, in their currency ("ZWL"), this is a profit making operation but the abrupt changes and volatility in the currency has a huge impact when translating the loan to the holding Company (the Company), which is payable in US Dollars. In order to rectify this, the Company will be engaging with the Reserve Bank of Zimbabwe in October 2020, the repayment date of the loan, towards the possibility of repatriating the US$ loan given by the Company to the Zimbabwe operation. If the Company is successful in obtaining approval for repatriation of the loan, cash flow from Zimbabwe will then flow to the Company which will further improve the cash flows and largely eliminate the unrealised foreign currency losses.

The Board has put in place various measures and procedures to improve governance at entity and operational levels. The Board is confident that the Group has the capacity and goodwill to turn the performance around thus become cash flow positive.

The ability of the Group and Company to continue as a going concern is dependent on many factors and indicators. The Board has considered, among other, the following relating to financial, operating and legislation towards the assessment of going concern:

Financial indicators

- The consolidated and individual subsidiary budgets for the 2021 financial year indicate that the ongoing operation will be profitable from year 2021 onwards, except Namibia which is expected to be profitable from year 2022 onwards.
- Modelling and stress testing the forecast financial results for the Group and Company for the next five years indicated improvements in performance going forward;
- Sensitivity and stress tested monthly cash flow projections for the next 12 months to June 2021 and beyond to consider the impact of the working capital and essential capital expenditure;
- The Company has negotiated a new restructuring plan with lenders that allow more flexibility and good headroom compared to previous structure. For more details please refer note 44.3 in events after the reporting period;
- Based on the forecasts, the Board is confident that the Group will comply with all covenant requirements going forward;
- As at June 2020, there are no fixed term borrowings that have matured and the projections do not indicate any challenges in repayment of borrowings in the next 12 months;
- The founding shareholders have also provided personal sureties towards the potential future obligations from its Kenyan subsidiary amounting to BWP72 million, with recourse thereafter to the Group.

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43. GOING CONCERN (continued)

Operational indicators

- The Board has assessed the economic and operational forecast environment in the countries where the ongoing subsidiaries operate. The Zimbabwe situation will continue to be challenging with currency volatility and restrictions on profit repatriation expected to continue. Nevertheless, the operation is profitable in US$ terms.
- The impact of the Covid-19 pandemic has been assessed by the Board. The impact on the Group's businesses was limited due to its operations been classified as essential services and hence not closed during the lockdown periods. The duration and future impact of the Covid-19 pandemic remains unclear at this time.
- The management team has been enhanced with the appointment of a Deputy CEO and CFO. In addition, the outsourcing of the internal audit function is currently underway.
- The Group has not lost any key supplier or service agreements which are key for generating revenue and profits. The Group is looking to strengthen relationships further and venture into new areas of revenue generation going forward.
- Relationship with suppliers have strengthened further compared to prior years. The inventory levels are therefore expected to remain at required levels to enable the Group to generate the budgeted revenue and achieve customer satisfaction and brand loyalty.
- During 2020, the Group also initiated digital marketing and tele sales. This is expected to present various opportunities in digital platforms which will enhance sales.
- Management is aware of the competition in the market they operate. They are confident to retain and also increase the market share in the coming years through effective service delivery.

Legislative and other factors

- Compliance with all laws and regulations applicable to the Group is currently a priority for the Board. All identified risks on compliance are continuously being dealt with and appropriate controls are being put in place to detect and act upon any compliance requirements which might arise.
- The Board is not aware of any key legislative change which can affect the Group going forward.

Consequently, the Board does not expect any material uncertainty over the Company or Group's ability to continue as going concerns in the foreseeable future.

43. GOING CONCERN (continued)

Overall risk to operations – Impact of Covid-19 (Coronavirus)

Since December 2019, the spread of Covid-19 has severely impacted many economies around the globe. In many countries, businesses have been forced to cease or limit operations for long or indefinite periods of time. Botswana and other countries we operate in have introduced measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closure of non-essential services. These measures have triggered significant disruptions to businesses, resulting in an economic slowdown. Governments and Central Banks including the Bank of Botswana, have responded with monetary and fiscal interventions to stabilise economic conditions.

Since the Group trades in essential commodities, it is allowed to continue operating during the lockdown period and therefore the impact of Covid-19 on the Group's business is not expected to have a material uncertainty going forward. The lockdown during the month of August in Botswana did not have any material impact on the operations of the Company in comparison with the budget and this is indicative that in future, considering we are essential services, the impact due to the pandemic would be manageable.

Accordingly, the financial position and results of operations as at and for the year ended 30 June 2020 have not been adjusted to reflect any impact. The duration and impact of the Covid-19 pandemic currently remains unclear. It is not possible to reliably estimate the duration and severity of these consequences on the economies of the countries we operate in.

The Group has identified several measures available to limit the negative financial impact of Covid-19 on its business, including:

- Cost saving measures, which has been implemented to reduce costs and increase profitability.
- Introducing online sales and other sale processes to enhance customer service delivery considering that the business was declared an essential service during the lockdown period. These are now continuing services.
- Better inventory management processes to ensure appropriate stock levels are maintained for fast moving goods and ensuring sales level are met.

The Group has performed cash flow projections and profitability analysis considering various scenarios and are confident that the available business opportunities and financial support towards working capital will help the Group continue as a going concern for the next 12 months from the approval of these financial statements.

The Group recognises that the Covid-19 pandemic and related disruption to the economy will result in unpredictability of the business environment. The Group will continue to monitor the situation globally and locally and will take all measures to safeguard the interest of stakeholders in a responsible manner. Our goals are to protect the health of our stakeholders and customers by upholding rigorous hygiene standards across our stores, offices and supply chain, and to support the imperative of minimising person-to-person transmission through "social distancing" measures. Special protocols that have been implemented for Choppies drivers of cross border trucks to ensure uninterrupted and regular delivery of imported goods.

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44. EVENTS AFTER THE REPORTING PERIOD

44.1 Fours Cash & Carry

On 28 July 2019, the Fours group of companies instituted proceedings in the High Court of Botswana, in terms of which, the return of the Fours companies shares was demanded. The Company initiated defence against these proceedings requesting the Fours group to honour the repayment of the Payless loan along with any outstanding interest before release of the pledge. During the month of June 2020, the court issued a ruling to state that the shares held as pledge by the Company need to be returned to the Fours group shareholders. The transfer of these shares was affected subsequently. However, the Company has applied for a stay of execution against the court ruling. The Company still retains the pledge on the shares for all the outstanding receivables from Fours group.

44.2 Counsel Report

In the previous (2019) audited financial statements of the Group, note 43.8, the findings of the Counsel conducting the focused investigation into allegations of fraud in respect of stock losses and bulk sales, were dealt with in detail. At that point in time Counsel issued a "Preliminary Report" inviting implicated parties an opportunity to, within a period of three weeks, provide Counsel with relevant evidence which may be new or different, for examination, interrogation and ultimately conclusion as to whether or not such evidence would alter the Preliminary Report.

As at the expiry date of the three week period on the 14 August 2020 only one party requested and was given a copy of the Preliminary Report. No party has come forward to make any submissions or provide any evidence pertaining to the Preliminary Report. Consequently on 18 August 2020 Advocate Meyerowitz issued the Final Report. The Final Report indicates that the findings of the Preliminary Report remain unchanged and the Final Report constitutes the final outcome of the Investigation.

In respect of the allegations of backdating, the reasons therefore, and the possible action to be taken by the Company in respect thereof, the Board delegated the Audit Committee to investigate the circumstances and reasons surrounding the alleged backdating, with independent advice from Advocate Meyerowitz and to submit a report and make a recommendation to the Board for a final decision. This report from the Audit Committee was issued on 17 September 2020. One incident of backdating was found on a commercial document which appears to be unintended and harmless. Furthermore, even if all allegations of backdating were true no evidence could be found that any person was prejudiced. The Board accepted the recommendations from the Audit Committee and expressed a no tolerance approach to backdating of any commercial document.

44.3 Debt restructuring plan

As part of the Debt Restructuring Plan, the Company recently agreed on a longer and magnanimous debt repayment plan with the lenders. The extended tenor will allow the Company to re-pay the lenders in smaller tranches than the previous structure which will release some cash to the Company and improve the cashflows going forward. The agreed structure has broken down the total loan balance (including the working capital facilities that have been termed out) into three facilities being: Facility A- BWP129m amortising facility with a tenor of two years; Facility B- BWP267m amortising facility with a five-year tenor which includes a two-year grace period on capital re-payments; Facility C BWP150m bullet facility with a tenor of five years and facility D- BWP50m overdraft facility. The Board is of the view that the buffer that has been provided by lenders coupled with improved profitability levels will go a long way in keeping the Company as a going concern for the short, medium to long term.

45. SEGMENT REPORT

Operating segments are identified based on financial information regularly reviewed by the Choppies Enterprises Limited chief executive officer (identified as the chief operating decision maker of the Group for IFRS 8 reporting purposes) for performance assessments and resource allocations.

The Group has four continuing operating segments (2019: eight) as described below, which are the Group's strategic divisions. Operating segments are disclosed by geographical regions.

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

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

Namibia – retail of fast moving consumer goods in Namibia.

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

Zambia – retail of fast moving consumer goods in Zambia supported by a distribution centre.

Kenya, Tanzania and Mozambique were discontinued and South Africa was sold during the financial year 2020.

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SEGMENTAL REPORT

(Figures in BWP000)

June 2020	Botswana	Zambia	Zimbabwe	Namibia	Total for continued operations
Statement of profit or loss and other comprehensive Income					
Revenue :					
Trading income	4 260 178	604 147	414 143	142 128	5 420 596
Other income	47 010	4 118	576	257	51 961
Total segmental revenue	4 307 189	608 265	414 718	142 385	5 472 557
Segment gross profit	1 041 266	106 559	78 845	26 077	1 252 746
Segment EBITDA	468 079	(9 024)	19 495	(5 697)	472 853
Segment impairments loss	10 965	70	246	–	11 280
Segment depreciation/amortisation	197 666	37 282	8 004	10 640	253 592
Operating profit/(loss) (EBIT)	259 450	(46 375)	11 245	(16 337)	207 982
Segment finance income	109	–	1	–	110
Segment finance expense	84 131	14 854	1 293	2 810	103 087
Segment profit/(loss) before taxation	175 426	(61 229)	9 953	(19 148)	105 003
Segment taxation	(3 127)	–	(2 949)	–	(6 076)
Segment profit/(loss) after taxation	172 299	(61 229)	7 004	(19 148)	98 929
Statement of financial position					
Segment assets	1 281 997	213 435	210 781	85 507	1 791 720
Segment liabilities	1 847 701	202 244	37 039	53 070	2 140 054

2019	Botswana	Zambia	Zimbabwe	Namibia	Total for continued operations
Statement of profit or loss and other comprehensive Income					
Revenue :					
Trading income	4 147 283	583 516	508 493	119 701	5 358 994
Other income	55 006	808	713	118	56 645
Total segmental revenue	4 202 289	584 324	509 206	119 819	5 415 638
Segment gross profit	1 000 542	100 083	95 843	19 813	1 216 281
Segment EBITDA	258 343	(38 032)	15 149	(9 233)	226 228
Segment impairments loss	16 017	3	3 904	–	19 924
Segment depreciation/amortisation	90 884	12 939	6 288	3 454	113 566
Operating profit/(loss) (EBIT)	151 442	(50 974)	4 601	(12 687)	92 383
Segment finance income	254	–	3	–	257
Segment finance expense	61 030	–	1 852	176	63 058
Segment profit/(loss) before taxation	90 666	(50 974)	2 753	(12 863)	29 582
Segment taxation	(21 886)	–	(712)	–	(22 598)
Segment profit/(loss) after taxation	68 780	(50 974)	2 041	(12 863)	6 984
Statement of financial position					
Segment assets	906 982	167 469	173 599	55 755	1 303 806
Segment liabilities	1 327 897	87 166	49 016	16 072	1 480 151

South Africa	Kenya	Tanzania	Mozambique	Total for operations discontinued	Total Group
2 355 498	**34 871**	**1 385**	**4 891**	**2 396 644**	**7 817 240**
13 478	**(49 467)**	**(11 584)**	**1 439**	**(46 134)**	**5 827**
2 368 975	**(14 596)**	**(10 200)**	**6 330**	**2 350 510**	**7 823 067**
428 020	**1 633**	**173**	**(416)**	**429 410**	**1 682 156**
(175 633)	**(101 858)**	**(15 769)**	**(3 677)**	**(296 937)**	**175 916**
88 831	**28**	**–**	**–**	**88 859**	**100 139**
62 958	**10 143**	**884**	**–**	**73 985**	**327 577**
(327 422)	**(112 029)**	**(16 653)**	**(3 677)**	**(459 781)**	**(251 799)**
751	**76**	**–**	**–**	**826**	**936**
2 735	**5 613**	**–**	**2 239**	**10 586**	**113 674**
(329 406)	**(117 566)**	**(16 653)**	**(5 916)**	**(469 541)**	**(364 538)**
–	**(15)**	**(7)**	**–**	**(22)**	**(6 098)**
(329 406)	**(117 581)**	**(16 660)**	**(5 916)**	**(469 563)**	**(370 634)**
–	**26 664**	**4 703**	**17 713**	**49 081**	**1 840 801**
	143 379	**12 342**	**12 079**	**167 801**	**2 307 855**

South Africa	Kenya	Tanzania	Mozambique	Total for operations discontinued after 30 June 2019	Total Group
3 740 551	440 437	55 374	24 831	4 261 193	9 620 187
20 117	3 186	386	927	24 616	81 262
3 760 668	443 623	55 760	25 758	4 285 809	9 701 447
602 066	65 957	7 213	4 296	679 532	1 895 813
(196 611)	(58 219)	(12 537)	1 436	(265 930)	(39 702)
9 965	17 567	–	5 543	33 075	52 999
94 674	13 687	1 513	2 760	112 633	226 199
(301 250)	(89 473)	(14 049)	(6 867)	(411 639)	(319 257)
930	–	–	–	930	1 187
6 259	6 830	–	3 961	17 050	80 110
(306 577)	(95 269)	(14 049)	(15 539)	(431 434)	(401 852)
(46)	(26)	(4 171)	–	(4 243)	(26 840)
(306 622)	(95 295)	(18 220)	(15 539)	(435 676)	(428 692)
693 428	152 812	13 381	23 694	883 315	2 187 122
581 620	170 704	10 360	24 432	787 119	2 267 269

Shareholders' analysis

for the year ended 30 June 2020

Shareholder spread	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	4 715	59.7	1 959 368	0.2
1 001 – 10 000	2 291	29.0	8 761 332	0.7
10 001 – 100 000	700	8.9	19 722 868	1.5
100 001 – 1 000 000	133	1.7	45 206 232	3.5
Over 1 000 000	61	0.8	1 227 978 541	94.2
Total	7 900	100.0	1 303 628 341	100.0

Distribution of shareholders	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
Companies	209	2.6	119 851 307	9.2
Share scheme	1	0.0	12 000 000	0.9
Individuals	7 558	95.7	87 822 450	6.7
Institutional Investors	130	1.6	629 217 131	48.3
Directors	2	0.0	454 737 453	34.9
Total	7 900	100.0	1 303 628 341	100.0

Shareholders type	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
Directors	2	0.0	454 737 453	34.9
Share schemes	1	0.0	12 000 000	0.9
Shareholders >5% (excluding directors)	2	0.0	310 698 791	23.8
Public shareholders	7 895	99.9	526 192 097	40.4
Total	7 900	100.0	1 303 628 341	100.0

Directors	Number of shares held 2020	Percentage of holding 2020
Ramachandran Ottapathu (including indirect holdings)	254 797 524	19.5
Farouk Ismail (including indirect holdings)	199 939 929	15.3
Total	454 737 453	34.9

Name of top 10 shareholders 2020	Number of shares held 2020	Percentage of holding 2020
Ramachandran Ottapathu	254 797 524	19.5
Farouk Ismail	199 939 929	15.3
BPOPF – Managed by Allan Gray	292 600 292	22.4
Marina IV L.P	131 291 985	10.1
Botswana Insurance Fund Management	50 774 331	3.9
Calius SA Proprietary Limited	42 682 168	3.3
UBS Switzerland AG-client Assets	33 896 890	2.6
Andard Private Equity (Mauritius)	29 723 816	2.3
Festus Gontebanye Mogae	19 748 188	1.5
Six SIS Ltd	17 955 000	1.4
Total	1 073 410 123	82.3

Shareholders' diary

for the year ended 30 June 2020

Financial year-end	30 June
Preliminary annual results announcement	23 September 2020
Extraordinary general meeting to approve 2018 and 2019 annual financial statements	19 October 2020
Integrated annual report posted	November 2020
2020 annual general meeting	18 December 2020
Next interim results announcement	March 2021
FY2021 annual results announcement	September 2021

Notice of annual general meeting

for the year ended 30 June 2020

CHOPPIES ENTERPRISES LIMITED
(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
(**"Choppies"** or the **"Company"**)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of the shareholders of Choppies Enterprises Limited will be held entirely by way of electronic communication at 14:30, on Friday, 18 December 2020 ("the AGM" or "the meeting"):

1. To receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2020 together with the Directors' and Auditor's Reports thereon.
2. To confirm the appointment of Mr Uttum Corea as a director of the Company.
3. To re-elect directors of the Company.
   - 3.1 To confirm the re-election of Mr Tom Pritchard who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, being eligible, offers himself for re-election.
   - 3.2 To confirm the re-election of Ms Carol-Jean Harward who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, being eligible, offers herself for re-election.
4. To consider and if deemed fit, ratify remuneration paid to non-executive directors for the year ended 30 June 2020 as set out in note 39 of the Annual Financial Statements.
5. To consider and if deemed fit, appoint Mazars as auditors of the Company for FY2021.
6. To consider and if deemed fit, ratify the remuneration paid to auditors, Mazars for the year ended 30 June 2020 as set out on page 66 of the Integrated Annual Report.
7. To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 and ratify the donations for the year ended 30 June 2020 as set out in note 8 of the Annual Financial Statements.
8. To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations for the year ending 30 June 2021 subject to these being made in terms of company policy, for charitable purposes and in total not succeeding 1.5% of EBITDA for FY2021.
9. The answering by the directors of questions put by shareholders in respect of the affairs and the business of the Company in respect of the year ended 30 June 2020.
10. To close the meeting.

IMPORTANT INFORMATION REGARDING ATTENDANCE, PARTICIPATION AND VOTING AT THE AGM

Record date

The date on which holders of shares listed on the Botswana Stock Exchange must be recorded as such in the register of shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 11 December 2020.

The date on which holders of shares listed on the JSE Limited must be recorded as such in the register of shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 11 December 2020 with the last day of trade on the JSE Limited being Tuesday, 8 December 2020.

ELECTRONIC PARTICIPATION

Given restrictions on gatherings and travel due to the Covid-19 pandemic as implemented by the Government of Botswana, which restrictions are anticipated to prevail in the immediate future and in December 2020, the AGM will be held entirely through electronic communication via Zoom by which all shareholders participating in the meeting simultaneously hear each other throughout the meeting, as provided for in section 109 of the Companies Act and section 3(b) of the Second Schedule to the Companies Act. The Company's Constitution also permits such electronic communication at a meeting of shareholders.

Shareholders who choose not to attend in person but seek to appoint a proxy to attend either meeting on their behalf can still submit their proxy forms. Proxy forms are to be delivered or sent by fax or by email to the Company Secretary, DPS Consulting Services (Proprietary) Limited ("DPS") as provided for on the proxy form. Where a shareholder has submitted a proxy form, the person attending the AGM on the shareholder's behalf shall be presumed to vote in accordance with the instructions of voting set out in the proxy form.

Shareholders and the proxy of any shareholder who wish to participate in the AGM will be required to submit the relevant duly completed Electronic Participation Form which is annexed to the notice on page 161 together with the relevant documents to DPS, as provided for on the form. Shareholders are strongly encouraged to complete their verification well ahead of time.

Once the identity of a shareholder seeking to attend the meeting and the authority of any person representing such a shareholder (if the shareholder is not an individual or holds their shares through a nominee) or the proxy appointed by a shareholder and the person seeking to attend the AGM has been verified by DPS, the person seeking to attend the AGM will be provided with details on how to join the AGM via Zoom.

Shareholders who have not appointed a proxy, hence not set forth instructions of voting, and who intend to participate in the meeting will, once the identity of the shareholder has been verified, be provided with a voting form together with instructions on how to join the AGM via Zoom. Shareholders or proxies for shareholders attending the meeting are urged to send their duly completed voting forms to DPS by delivery, or by fax, or by email before the meeting.

Pursuant to article 13.3 of the Constitution of the Company, the Chairman has regulated the procedure to be adopted at the meeting as follows:

- voting will be by poll;
- in terms of article 15.2 of the Constitution, voting will be by way of submission of voting papers by shareholders or proxies attending the meeting before the meeting or during but before the end of the meeting;
- any voting during the meeting shall take place at the end of the meeting, after each of the resolutions set forth in the notice calling the meeting have been proposed and seconded and put to the meeting, and the voting as recorded in proxy forms and voting forms already received read out;
- pursuant to article 15.10 of the Constitution, the auditors, Mazars will scrutinise the proxy forms, the voting forms and the results; and
- pursuant to article 15.11 of the Constitution, the Chairman shall declare the result after receipt of a certificate from the auditors in terms of article 15.11 of the Constitution.

The Company shall publish the results of each meeting within 48 hours of the conclusion of each meeting.

Notice of annual general meeting continued

for the year ended 30 June 2020

VOTING INSTRUCTION

Nominee accounts (dematerialised shareholders other than own-name registered shareholders)
Shareholders whose shares are held in a nominee account must not complete the attached form of proxy.

If shares are held in a nominee account, then the nominee, Central Securities Depository Participant ("CSDP") or broker of such shareholder should contact the shareholder to ascertain how to cast votes at the AGM and thereafter cast the shareholder's vote in accordance with its instruction.

If you have shares in the Company held in a nominee account and have not been contacted it would be advisable for you to contact your nominee or CSDP or broker and furnish them with your instruction. If your nominee or CSDP or broker do not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them or, if the mandate is silent in this regard, to abstain from voting.

Unless you advise your nominee, CSDP or broker timeously in terms of your agreement by the cut off time advised by them that you wish to attend the AGM or send a proxy to represent you, your nominee, CSDP or broker will assume you do not wish to attend the AGM or send a proxy.

If a nominee, CSDP or broker is a company, it may appoint a proxy, provided that the proxy form is accompanied by a resolution of the nominee, CSDP or broker empowering the person acting on behalf of the nominee, CSDP or broker to appoint the proxy. Alternatively, such nominee, CSDP or broker may appoint by resolution, a person to represent it at the meeting; in such event, the resolution should be delivered to DPS at least 48 hours prior to the holding of the meeting. The proxy or representative appointed by the nominee, CSDP or broker should complete the Electronic Participation Form and deliver that to DPS.

If you wish to participate in the AGM, you must request the necessary letter of representation from your nominee or CSDP or broker and submit this letter together with the Electronic Participation Form to DPS at least 48 hours prior to the holding of the meeting.

Own name (certificated and own-name registered dematerialised shareholders)
"Own name" shareholders who wish to participate at the AGM themselves, should submit their duly completed Electronic Participation Form together with an acceptable form of identification to DPS at least 48 hours prior to the holding of the meeting.

Own name shareholders may also appoint a proxy to represent them at the AGM by completing the attached proxy form and returning it to DPS at least 48 hours prior to the time and date of the meeting. If a shareholder appoints someone other than the Chairman of the meeting as their proxy and wants the proxy to participate in the AGM, the proxy must complete and submit the Electronic Participation Form to DPS at least 48 hours prior to the holding of the meeting.

An integrated annual report updating shareholders on key issues pertaining to the Company, dealing with certain of the matters which are to be dealt with at the Annual General Meeting on 18 December 2020, together with notice convening the meeting, proxy forms, and electronic participation forms (to enable participation of a shareholder or a proxy in the AGM via Zoom) will be sent to shareholders on or about 16 November 2020.

By order of the Board

DPS Consulting Services (Pty) Ltd
Company Secretaries
16 November 2020

Form of Proxy

CHOPPIES ENTERPRISES LIMITED
(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
(**"Choppies"** or the **"Company"**)

FORM OF PROXY

I/we_____of _____being the holder of _____

ordinary shares of the Company hereby appoint _____ or

failing him/her _____ or, failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held entirely by way of electronic communication on Friday, 18 December 2020 at 14:30 ("the Annual General Meeting" or "the meeting").

Signed this _____ day of _____ 2020

	For	Against	Abstain
Resolution 1 – To receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2020 together with the Directors' and Auditor's Reports thereon			
Resolution 2 – To confirm the appointment of Mr Uttum Corea as a director of the Company			
Resolution 3.1 – To confirm the re-election of Mr Tom Pritchard who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, being eligible, offers himself for re-election			
Resolution 3.2 – To confirm the re-election of Ms Carol-Jean Harward who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, being eligible, offers herself for re-election			
Resolution 4 – To consider and if deemed fit, ratify remuneration paid to non-executive directors for the year ended 30 June 2020 as set out in note 39 of the Annual Financial Statements			
Resolution 5 – To consider and if deemed fit, appoint Mazars as auditors of the Company for FY2021			
Resolution 6 – To consider and if deemed fit, ratify the remuneration paid to auditors, Mazars for the year ended 30 June 2020 as set out on page 66 of the Integrated Annual Report			
Resolution 7 – To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 and ratify the donations for the year ended 30 June 2020 as set out in note 8 of the Annual Financial Statements			
Resolution 8 – To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations for the year ending 30 June 2021 subject to these being made in terms of company policy, for charitable purposes and in total not succeeding 1.5% of EBITDA for FY2021			

Each shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more persons as proxy to attend, speak and vote in place of the shareholder at the Annual General Meeting and the proxy appointed need not be a shareholder at Choppies. Please read notes 1 – 9 on the reverse side hereof.

Please indicate with an "X" how you wish your votes to be cast.

Signed on this _____ day of _____ 2020

Signature of shareholder(s) _____

Assisted by me (where applicable) _____

Form of Proxy continued

NOTES:

1. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy. If the proxy form is signed under a power of attorney, it must be accompanied by a copy of the power of attorney and a signed notice of non-revocation of the power of attorney (unless the power of attorney has already been deposited with the Company).

2. The form appointing such a proxy must be deposited at the office of the Company Secretary, DPS Consulting Services (Proprietary) Limited, Plot 50371 Fairgrounds Office Park, Gaborone, Botswana, or by email to fadhili@dpsconsultancy.com or by fax to 397 3901 not less than 48 hours before the meeting.

3. Proxies executed by companies/organisations should be accompanied by a resolution of the organisation appointing the representative to sign the proxy form.

4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

5. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

6. A form of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. Where ordinary shares are held jointly, all joint shareholders must sign the proxy form.

9. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

Electronic participation form

CHOPPIES ENTERPRISES LIMITED
(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
(**"Choppies"** or the **"Company"**)

Shareholders or their proxies who wish to participate in the Annual General Meeting to be held entirely by way of electronic communication at 14:30 on Friday, 18 December 2020 ("the AGM") via electronic communication ("AGM Participant") must notify the Company by delivering this form and supporting documents to the office of the company secretary DPS Consulting Services (Proprietary) Limited ("DPS"), Plot 50371 Fairgrounds Office Park, PO Box 1453, Gaborone, or by email to fadhili@dpsconsultancy.com or by fax to 397 3901 as soon as possible but no later than 14:30 on Wednesday, 16 December 2020.

Shareholders are strongly encouraged to complete their verification well ahead of time.

Each AGM Participant who has successfully been verified by DPS will be provided with the details on how to join the AGM via Zoom. AGM Participants who are a proxy for a shareholder will be provided with a voting form and be presumed to vote at the meeting in accordance with the instructions for voting set out on the proxy form. AGM Participants who are not proxies will be provided with a voting form. AGM Participants who are not proxies are strongly encouraged to send their completed voting forms to DPS before the meeting. AGM Participants who have not sent completed voting forms to DPS prior to the meeting will be able to complete the voting forms and submit the same to DPS by email to fadhili@dpsconsultancy.com during the meeting or at the latest by the end of the proceedings of the meeting.

Reference is made to the notice of the AGM for important information regarding participation and voting at the AGM.

Name of registered shareholder _____

Omang/ID/Passport number/Registration number of registered shareholder _____

Name and contact details of CSDP or broker (if shares are held in dematerialised form) _____

Shareholder CSD account number/broker account number or own name account number or custodian account number _____

Number of ordinary shares held _____

Full name of AGM Participant _____

Omang/ID/Passport number of AGM Participant _____

Email address of AGM Participant _____

Cellphone number of AGM Participant _____

By signing this form I/we agree and consent to the processing of my/our personal information above for the purposes of participation in the AGM and acknowledge the following:

1. The cost of joining the AGM is for the expense of the AGM Participant and will be billed separately by the AGM Participant's own internet service provider. The AGM Participant is not permitted to share the link with a third party.
2. The Company, its agents and third party service providers cannot be held accountable and will not be obliged to make alternative arrangements in the event of a loss or interruption of network activity or other network failure due to insufficient airtime, internet connectivity, internet bandwith, power outages or any other circumstances which prevents any AGM Participant or proxy holder from participating in the AGM or voting.

Signed this _____ day of _____ 2020

Signature of shareholder(s) _____

Assisted by me (where applicable) _____

Contact details

CHOPPIES ENTERPRISES LIMITED
(Incorporated in Botswana on 19 January 2004)
(Registration number BW00001142508)
Plot 169
Gaborone International Commerce Park
Gaborone, Botswana

REGISTERED ADDRESS
DPS Consulting Services (Pty) Ltd
PO Box 1453, Gaborone, Botswana
Tel: +267 395 2011

LEGAL ADVISERS
NeillArmstrong
PO Box 45701, Riverwalk, Gaborone,
Botswana

BOTSWANA GROUP AUDITOR
MAZARS
Plot 139, Finance Park, Gaborone, Botswana
Telephone: +267 395 7466

SPONSORING BROKER
Stockbrokers Botswana Ltd
Plot 67978, Ground Floor, East Wing, Mokolwane House,
Fairgrounds, Gaborone, Botswana
Telephone: +267 395 7900

JSE SPONSOR
PSG Capital
1st floor, Ou Kollege Building
35 Kerk Street
Stellenbosch, 7600
PO Box 7403
Stellenbosch, 7599
South Africa
Telephone +27 21 887 9602

COMPANY SECRETARY
DPS Consulting Services (Pty) Limited
PO Box 1453, Gaborone, Botswana
Tel: +267 395 2011

BANKERS
Standard Chartered Bank Botswana Limited
6th Floor, Queens Road, Standard
Chartered House Gaborone, Botswana
Tel: +267 360 1535
Fonenet: 2267 1535
Fax: +267 397 5289
Website: www.standardchartered.com

First Capital Bank Botswana Limited
Head Office: Capital House, Plot 17954,
Old Lobatse Road
Tel: +267 3907801
Fax: +267 3922818

Stanbic Bank Botswana Limited
Stanbic House, Plot 50672, Off Machel Drive,
Fairgrounds Private Bag 00168, Gaborone, Botswana
Tel: +267 3618110
Fax: +267 3618158
Website: www.stanbicbank.co.bw

Standard Chartered Bank Zimbabwe Limited
51 Plumtree Road, Belmont Bulawayo, Zimbabwe
Tel: +263 9 461582/+263 9 461583
Fonenet: 2631 5702
Website: www.sc.com

Bank of Baroda (Botswana) Limited
Plot 1108, AKD House, Queens Road, The Mall, Gaborone,
Botswana
PO Box 21559, Bontleng, Gaborone, Botswana
Tel: +267 3933773/3188878
Fax: +267 3188879
Website: www.bankofbaroda.co.bw

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

Absa Bank Botswana Limited
Plot 74358, Building 4 Prime Plaza,
Central Business District, Gaborone
Tel: +267 395 2041/+267 363 3900
Fax: +267 397 1373

Definitions

AGM	Annual general meeting
Basic earnings per share ("EPS") (thebe)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares calculated in thebe
The Board	The Board of Directors of Choppies Enterprises Limited
BSE	Botswana Stock Exchange Limited
BWP	Botswana Pula, the functional currency of Botswana
CAPEX	Capital expenditure
CEO	Chief executive officer of Choppies Enterprises Limited
CFO	Chief financial officer of Choppies Enterprises Limited
"Choppies" or "the Company"	Choppies Enterprises Limited, listed on the BSE and JSE
CPI (%)	An index of prices used to measure the change in the cost of basic goods and services.
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
Diluted basic earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in thebe
Diluted headline earnings per share	Headline earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in thebe
EBITDA	Earnings before interest, tax depreciation and amortisation
FOREX	Foreign exchange
FY2020	Financial year ended 30 June 2020
FY2021	Financial year ended 30 June 2021

Definitions continued

GDP	Gross domestic product
The Group	Choppies Enterprise Limited and its subsidiaries
Headline earnings	Determined in terms of the circular issued by the South African Institute of Chartered Accountants by excluding from reported earnings specific separately identifiable re-measurements net of related tax and non-controlling interests
Headline earnings per share ("HEPS")	Headline earnings divided by the weighted number of ordinary shares calculated in thebe
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board
IT	Information Technology
JSE	JSE Limited/Johannesburg Stock Exchange
King III	King Report on Corporate Governance for South Africa 2009
King IV or King IV Report	King Report on Corporate Governance for South Africa 2016
KPI	Key performance indicator
LSM	Living standards measure
MBA	Master of Business Administration
SA Companies Act	The South African Companies Act, 2008 (Act 71 of 2008)
SENS	Stock Exchange News Service of the JSE
SKUs	Stock keeping units
Shares in issue (number)	The number of ordinary shares in issue as listed by the BSE and JSE
This year	The year ended 30 June 2020
Weighted average number of shares (number)	The number of shares in issue at the beginning of a period, adjusted for shares cancelled, bought back, or issued during the period, multiplied by a time-weighting factor

Physical and postal address:
Choppies Enterprises Limited
Plot 169, Gaborone International
Commerce Park, Gaborone
Private Bag 00278, Gaborone, Botswana
Tel: +267 318 6657/58
Fax: +267 318 6656

Registered office:
DPS Consulting Services (Pty) Ltd
Plot 50371 Fairgrounds Office Park
Gaborone, Botswana

www.choppiesgroup.com