

# CHOPPIES

*Great value for your money!*

CHOPPIES ENTERPRISES LIMITED

Co. Reg: BW00001142508

Incorporated in the Republic of Botswana

("the Company" or "the group")

BSE Share Code: CHOPPIES

JSE Share Code: CHP

ISIN Number: BW0000001072

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## ANNOUNCEMENT OF A RELATED PARTY TRANSACTION

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The Company hereby advises that by virtue of the fact that section 7.6 (b) of the Botswana Stock Exchange Limited Equity Listing Requirements (BSELR) having been complied with in that: -

- i. the Board and Audit Committee of the Board, having reviewed the transactions set out below have determined that the terms of the transactions with each of Ramachandran Ottapathu and Farouk Ismail, related parties, as major shareholders in the Company are fair as regards shareholders of the Company;
- ii. the Board has provided written confirmation of the facts above to the Botswana Stock Exchange Limited ("BSEL"); and
- iii. BDO Services (Proprietary) Limited, certified public accountants, practising in Botswana and a registered by the BSEL have in response to a requirement of the BSEL, as independent expert, rendered opinion that the terms of the said proposed transactions are fair and reasonable as regards shareholders of the Company and the Company;

the Company enters into a loan agreement with (1) Ramachandran Ottapathu, a shareholder in the Company as to 19.55%, in respect of BWP80,000,000 paid by Ottapathu as guarantor under the Debt Reduction InterCreditor Agreement ("DRIA") entered into between the Company and Choppies Distribution Centre (Proprietary) Limited, a subsidiary thereof ("CDC"), and ABSA Bank Limited, Barclays Bank of Botswana Limited now ABSA Botswana Limited, First National Bank Botswana Limited, Stanbic Bank Botswana Limited, Standard Bank SA Limited and Standard Chartered Bank Botswana Limited ("the Lenders"), to the agent for the Lenders under the guarantee required of Ottapathu by the Lenders and (2) Farouk Ismail a shareholder in the Company as to 15.14% in respect

of BWP20,000,000 paid by Ismail as guarantor under the DRIA to the agent for the Lenders under the guarantee required of the Ismail by the Lenders .

The salient terms of each of the loan agreements with the said Ottapathu and Ismail are: -

- (1) the loan will accrue interest at a rate, comparable to current market related rates of interests represented by the average of the interest rates payable by the Company to the Lenders on capital advanced by them to the Company;
- (2) the claim of the of the lender (Ottapathu or Ismail as the case may be) for repayment of the capital of the loan is subordinated to the claims of the Lenders and trade creditors of the Company, CDC and its subsidiaries;
- (3) the capital of each loan will be repayable provided that: -
  - (a) a debt reduction plan in respect of the capital outstanding to the Lenders by the Company and CDC to the Lenders has been approved by the Lenders;
  - (b) the Company and CDC are in compliance with the terms of the debt reduction plan approved by the Lenders, including all debt reduction milestones set out therein;
  - (c) there is no default by the Company or CDC under Facility Agreements between either or both of them and the Lenders, and the terms of any securities granted in favour of the Lenders;
  - (d) no payments of interest or capital are outstanding to the Lenders;
  - (e) neither the Company nor CDC are in arrears with any amount due and payable to the Lenders alone can be made only from Free Cash Flows which is defined as the net cash of the Company and CDC available for distribution after making provision for amounts due to the Lenders and trade creditors;

Both Messrs Ottapathu and Ismail were prepared to undertake the guarantees required of them by the Lenders and referred to above on the basis that the Company would: -

- (1) acknowledge the right of recourse arising to each of them, if called upon by the Lenders to make payment under the guarantee, as a debt due by the Company to each;
- (2) undertake, provided that conditions stipulated by the BSEL were met, to enter into a written agreement of loan;

At the time of making payment (Ottapathu as to BWP80,000,000 and Ismail as to BWP20,000,000 respectively) to the agent for the Lenders, the Lenders had: -

- (1) given notice to the Company of a breach of the Facility Agreements between the Company and the Lenders: -

(2) given notice to the Company of intention of the Lenders to exercise their respective rights to render all capital of all loans made to the Company and/or CDC, and any interest accrued but unpaid thereon, immediately due and payable upon demand unless: -

- (i) the DRIA was entered into in terms of which, inter alia, the Company and/or CDC was to reduce the capital of the loans outstanding by BWP100,000,000 on 11 October 2019 and BWP50,000,000 on 29 November 2019 and agree with the Lenders a debt reduction plan, approved by the Lenders.

The Lenders duly made demand, on due date, to the Company and CDC for payment of the BWP100,000,000, at that time neither the Company nor CDC was able to pay that amount. The Lenders duly made demand upon Ottapathu and Ismail in terms of the guarantee. Ottapathu then made payment to the agent of the Lenders of BWP80,000,000. Ismail then made payment to the agent of the Lenders of BWP20,000,000.

If the amount of BWP100,000,000 had not been paid, on due date, then the Lenders would, as was their stated intention, to preceede against the Company and CDC to recover all loans and accrued unpaid interest which action would in all likelihood have caused the winding up of the Company and CDC.

The amount of BWP50,000,000 was paid by the Company and/or CDC, out of own resources, with the approval of the Lenders, in two tranches of BWP20,000,000 on 20 November 2019 and BWP30,000,000 on 14 January 2020.

The Company and the Lenders are in advanced discussions to agree on a debt reduction plan which is expected to be finalised by 31 March 2020.

The entry into by the Company of the loan agreements with Messrs Ottapathu and Ismail is to the benefit of the Company: -

- (1) the loans recognise the fact that the contributions by each of them allowed the Company and CDC to honour its obligations under the DRIA and avoid action being instituted by the Lenders against the Company and/or CDC for recovery of the entire capital of all loans then outstanding from the Company and CDC which action could have resulted in the winding up of the Company and CDC and were therefore made in respect of indebtedness of the Company, on its behalf;
- (2) the loans replace a portion of the Company's indebtedness to Lenders with its indebtedness to two shareholders ;

- (3) the terms of the loans are such that the loans are effectively subordinated to the claims of Lenders and trade creditors of the Company and CDC:
- (4) the interest rate applicable to the loans is market related;
- (5) the Company and/or CDC is not obliged to make repayment of the loans until the Company and/or CDC has the necessary resources, after amounts due and payable to Lenders and trade creditors have been met.

A copy of the opinion as to the fairness and reasonableness of the terms and conditions of each of the loans of BDO Services (Proprietary) Limited and the Memorandum of Agreement of Loan as between the Company and each of Ottapathu and Ismail are available for inspection, at the registered offices of the Company at Plot 169 Gaborone International Commerce Park, Gaborone for a period of 28 days from the date of publication of this announcement.

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

Date at Gaborone this 27<sup>th</sup> day of March 2020

By Order of the Board

BSEL Sponsoring Broker

African Alliance Botswana Limited



JSE Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)