



**CHOPPIES ENTERPRISES LIMITED**  
Consolidated and Separate Annual Financial Statements  
for the year ended 30 June 2021

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## General Information

---

<b>Country of incorporation and domicile</b>	Botswana
<b>Nature of business and principal activities</b>	Retail sales - supermarket
<b>Directors</b>	CJ Harward FE Ismail R Ottapathu T Pritchard DKU Corea V Chitalu (Appointed 5 August 2021)
<b>Registered office</b>	Plot 50371 Fairgrounds Office Park Gaborone Botswana
<b>Business address</b>	Plot 169 Gaborone International Commerce Park Gaborone Botswana
<b>Postal address</b>	Private Bag 00278 Gaborone Botswana
<b>Bankers</b>	Absa Bank of Botswana Limited Absa Bank Kenya Plc Absa Bank South Africa Limited Absa Bank Zambia Plc Absa Bank of Zimbabwe Limited Bank Windhoek Limited - Namibia Central African Building Society ("CABS") Limited - Zimbabwe FBC Bank Limited - Zimbabwe First Capital Bank Botswana Limited First National Bank Botswana Limited Stanbic Bank Botswana Limited Steward Bank Limited - Zimbabwe ZB Bank Limited - Zimbabwe
<b>Auditors</b>	Mazars Certified Auditors Plot 139 Gaborone International Finance Park Gaborone Botswana
<b>Secretary</b>	DPS Consulting Services (Proprietary) Limited
<b>Presentation and functional currency</b>	Botswana Pula (BWP)

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Contents

---

The reports and statements set out below comprise the consolidated and separate annual financial statements of Choppies Enterprises Limited:

	Page
Directors' Responsibilities and Approval	3
Chief Executive Officer and Chief Financial Officer Responsibility Statement	3
Independent Auditor's Report	4 - 10
Statements of Profit or Loss and Other Comprehensive Income	11 - 12
Statements of Financial Position	13
Statements of Changes in Equity	14 - 15
Statements of Cash Flows	16 - 17
Notes to the Consolidated and Separate Financial Statements:	
Accounting policies	18 - 37
Operating segment information	38
Notes	39 - 90

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Directors' Responsibilities and Approval

---

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 2021 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 2021, the accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards ("IFRS"), the Botswana Stock Exchange, Johannesburg Stock Exchange Listing Requirements and requirements of the Botswana Companies Act.

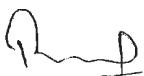
The directors are also responsible for such internal controls they deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. In addition, 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 41) and the impact of the COVID-19 pandemic on its business and, based on management's assessment, 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").

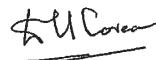
### Approval of the consolidated and separate financial statements

Having considered the qualified audit opinion of the auditors as set out on pages 4 to 10, for the year 30 June 2021, the Board of directors approved the consolidated and separate financial statements of Choppies Enterprises Limited, as identified in the first paragraph, on 18 September 2021 and these are signed on their behalf by:



---

R Ottapathu  
Chief Executive Officer



---

DKU Corea  
Chairman

18 September 2021

## Chief Executive Officer and Chief Financial Officer Responsibility Statement

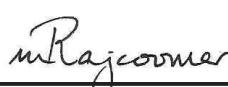
The members of management, whose names are stated below, hereby confirm that:

- the consolidated and separate annual financial statements set out on pages 11 to 90, fairly present in all material respects the financial position, financial performance and cash flows of Choppies Enterprises Limited in terms of International Financial Reporting Standards;
- no facts have been omitted or untrue statements made that would make the consolidated and separate annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Choppies Enterprises Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the group and company; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and separate annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.\*



---

R Ottapathu  
Chief Executive Officer



---

M Rajcoomar  
Chief Financial Officer

18 September 2021

\*Whilst the directors are aware of their responsibility to communicate deficiencies and such fraud incidents to the audit committee and auditor, no such deficiencies nor incidents of such fraud were identified for communication during the year under review.

## Independent Auditor's Report

For the year ended 30 June 2021

*To the Shareholders of Choppies Enterprises Limited*

# Report on the Audit of the Consolidated and Separate Annual 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 11 to 90 which comprise the consolidated and separate statement of financial position as at 30 June 2021, 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.

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 consolidated and separate financial position of the Choppies Group as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis of Opinion including Qualified Opinion on Comparative Information

As reported in the prior year, due to our appointment as auditors after 1 July 2019, and consequently our inability to satisfy ourselves concerning inventory as at 30 June 2019, we were unable to determine whether adjustments might have been necessary to the results of operations and opening retained income for the 2020 comparative year.

The effect of these possible adjustments could impact comparability with the results of operations for the current year. Our opinion on the current period's financial statements is therefore not modified except for the possible lack of comparability of the results of operations of the comparative year with the current year.

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 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 the basis of preparation. We draw attention to Note 41 on the financial statements, which indicates that the Group incurred a net profit of BWP 60 million (2020: loss of BWP 371 million) during the year ended 30 June 2021, had accumulated losses of BWP 938 million (2020: BWP 1 billion), and as at that date, Group's total liabilities exceeded its total assets by BWP 448 million (2020: BWP 467 million) and the total current liabilities exceed its total current assets by BWP 402 million (2020: BWP 777 million). As stated in Note 41 of the consolidated and separate 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. Management has considered the impact of COVID-19 (Corona virus) as disclosed in Note 41 of the consolidated and separate financial statements. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

<b>Matter #01</b>	<b>Accounting for Supplier Rebate Income</b>
<i>Description of Key Audit Matter</i>	<p>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.</p> <p>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 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").</p> <p>The disclosure associated with supplier rebates is set out in the financial statements on the following note:</p> <ul style="list-style-type: none"><li>• Note 1.29 – Rebates from suppliers</li></ul>
<i>How we addressed the Key Audit Matter</i>	<p>We assessed the systems used to calculate rebates as well as the controls implemented by management over the accuracy of the calculation of rebates.</p> <p>We have tested the inputs used in calculating the supplier rebates by performing, among other, the following procedures for a sample of rebates:</p> <ul style="list-style-type: none"><li>• We reviewed the major supplier agreements to understand their terms;</li></ul>

- 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 1.29 of the financial statements (Rebates from suppliers).

**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 consolidated and separate financial statements on the following notes:

- Note 1.26 – Financial Instruments (IFRS 9) – Amounts due from related parties
- Note 36 – Related Parties

*How we addressed the Key Audit Matter*

Our procedures relating to related party relationships, transactions and balances included, amongst others:

- We 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, we 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 1.26 (Financial Instruments (IFRS 9) – Amounts due from related parties) and note 36 (Related Parties) of the financial statements.

**Matter #03**

**IFRS 16 – Leases Accounting Standard**

*Description of Key Audit Matter*

As of June 30, 2021, right-of-use assets in the amount of P582 million (2020: P772 million and lease liabilities in the amount of P722 million (2020: P753 million were recognized in Choppies Enterprises Limited's Consolidated Financial Statements. Right-of-use assets accounts for 34% of total assets with an associated lease liability approximating 34% of total liabilities and thus have a material impact on the group's net assets and financial position.

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 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 a 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 a risk that the lease liabilities and right-of-use assets have not been measured correctly.

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.

The disclosure associated with right-of-use assets and lease liabilities is set out in the consolidated financial statements on the following notes:

- Note 12 – Right-of-use asset

*How we addressed  
the Key Audit Matter***• Note 31 – Lease liabilities**

We critically evaluated the computations and assumptions relating to the IFRS 16 accounting standard. Our evaluation included the following procedures:

- We analysed the accounting instructions underlying the 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; and
- We recalculated a sample of the 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 IFRS 16 accounting standard and the application in the notes to the Consolidated Financial Statements (Note 31 Lease liabilities and Note 12 on Property, Plant and Equipment).

## Other information

The directors are responsible for other information. The other information comprises the information included in the document titled "Directors' Responsibilities and Approval of the Consolidated and Separate Financial Statements and the Chief Executive Officer and Chief Financial Officer Responsibility Statement", 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.

## Responsibilities of the Directors for the Consolidated and Separate Annual Financial Statements

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 judgment 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 group's 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 group's and 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 and separate 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  
Practicing member: Shashikumar Velambath  
Membership number: 19980076

**Date: 21 SEPTEMBER 2021**  
**Gaborone**

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Statements of Profit or Loss and Other Comprehensive Income

Figures in BWP Thousand	Note	Group		Company	
		2021	2020	2021	2020
<b>Continuing operations</b>					
Revenue	4	5 330 761	5 420 596	-	-
Cost of sales	5	(4 141 605)	(4 167 850)	-	-
<b>Gross profit</b>		<b>1 189 156</b>	<b>1 252 746</b>	-	-
Other operating income	6	45 191	52 617	-	-
Loss on disposal of plant and equipment/business	7	(201)	(656)	-	(107 885)
Impairment reversal/(losses)	7	-	(9 868)	(2 517)	14 103
Movement in credit loss allowances	7	16 954	(1 412)	-	-
Administrative Expenses	7	(855 718)	(901 870)	-	(8 481)
Selling and distribution expenses	7	(35 119)	(63 200)	-	-
Other operating expenses	7	(134 689)	(140 741)	-	-
Net monetary gain on translating Zimbabwean entities		589	20 366	-	-
<b>Operating profit/(loss)</b>		<b>226 163</b>	<b>207 982</b>	<b>(2 517)</b>	<b>(102 263)</b>
Finance income	8	103	110	-	-
Finance costs	9	(110 036)	(103 087)	-	-
<b>Profit/(loss) before taxation</b>		<b>116 230</b>	<b>105 005</b>	<b>(2 517)</b>	<b>(102 263)</b>
Taxation	10	(34 336)	(6 076)	-	-
<b>Profit/(loss) from continuing operations</b>		<b>81 894</b>	<b>98 929</b>	<b>(2 517)</b>	<b>(102 263)</b>
<b>Discontinued operations</b>					
Loss from discontinued operations	23	(22 267)	(469 563)	-	-
<b>Profit/(loss) for the year</b>		<b>59 627</b>	<b>(370 634)</b>	<b>(2 517)</b>	<b>(102 263)</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified to profit or loss:</b>					
Exchange differences on translating foreign operations in hyperinflationary economies	26	34 010	87 528	-	-
Exchange differences on translating foreign operations	27	(75 012)	(103 801)	-	-
<b>Other comprehensive loss for the year net of taxation</b>		<b>(41 002)</b>	<b>(16 273)</b>	-	-
<b>Total comprehensive profit/(loss) for the year</b>		<b>18 625</b>	<b>(386 907)</b>	<b>(2 517)</b>	<b>(102 263)</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the parent		68 332	(330 359)	(2 517)	(102 263)
Non-controlling interest	14	(8 705)	(40 275)	-	-
<b>Profit/(loss) attributable to:</b>		<b>59 627</b>	<b>(370 634)</b>	<b>(2 517)</b>	<b>(102 263)</b>
<b>Profit/(loss) attributable to:</b>					
<b>Owners of the parent:</b>					
From continuing operations		84 824	105 052	(2 517)	(102 263)
From discontinued operations	11	(16 492)	(435 411)	-	-
<b>Profit/(loss) attributable to:</b>		<b>68 332</b>	<b>(330 359)</b>	<b>(2 517)</b>	<b>(102 263)</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Statements of Profit or Loss and Other Comprehensive Income

Figures in BWP Thousand	Note	Group		Company	
		2021	2020	2021	2020
<b>Non-controlling interest:</b>					
From continuing operations		(2 930)	(6 123)	-	-
From discontinued operations		(5 775)	(34 152)	-	-
	14	<b>(8 705)</b>	<b>(40 275)</b>	-	-
<b>Total comprehensive profit/(loss) attributable to:</b>					
Owners of the parent		24 790	(344 394)	(2 517)	(102 263)
Non-controlling interest		(6 165)	(42 513)	-	-
		<b>18 625</b>	<b>(386 907)</b>	<b>(2 517)</b>	<b>(102 263)</b>
<b>Earnings per share</b>					
<b>Basic earnings/(loss) per share</b>					
Basic earnings per share (thebe) - continuing operations	11	6.51	8.06	-	-
Basic loss per share (thebe) - discontinued operations	11	(1.27)	(33.40)	-	-
		<b>5.24</b>	<b>(25.34)</b>	-	-
<b>Diluted earnings/(loss) per share</b>					
Diluted earnings per share (thebe) - continuing operations	11	6.51	8.06	-	-
Diluted loss per share (thebe) - discontinued operations	11	(1.27)	(33.40)	-	-
		<b>5.24</b>	<b>(25.34)</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Statements of Financial Position as at 30 June 2021

Figures in BWP Thousand	Note	Group		Company	
		2021	2020	2021	2020
<b>Non-Current Assets</b>					
Property, plant and equipment	12	1 087 576	1 218 626	-	-
Goodwill and intangible asset	13	64 477	65 735	-	-
Investments in subsidiaries	14	-	-	104 073	104 073
Investments in new projects	15	8 136	10 270	-	-
		<b>1 160 189</b>	<b>1 294 631</b>	<b>104 073</b>	<b>104 073</b>
<b>Current Assets</b>					
Inventories	17	340 692	305 476	-	-
Amounts due from related entities	16	5 310	5 414	168 458	233 695
Investments at fair value	18	3	3	-	-
Advances and deposits	19	44 295	39 092	-	-
Trade and other receivables	20	63 810	63 645	137	2 433
Current tax receivable		10 094	9 887	-	-
Restricted cash	21	5 143	12 845	-	-
Cash and cash equivalents	22	73 920	60 727	441	465
		<b>543 267</b>	<b>497 089</b>	<b>169 036</b>	<b>236 593</b>
Assets of disposal groups	23	-	49 081	-	-
<b>Total Assets</b>		<b>1 703 456</b>	<b>1 840 801</b>	<b>273 109</b>	<b>340 666</b>
<b>Equity and Liabilities</b>					
Stated capital	24	906 196	906 196	906 196	906 196
Treasury shares	25	(29 616)	(29 616)	-	-
Hyper inflationary reserve	26	192 930	158 920	-	-
Foreign currency translation reserve	27	(473 964)	(396 412)	-	-
Retained loss		(938 206)	(1 006 538)	(637 498)	(634 981)
Equity Attributable to Equity Holders of Parent		(342 660)	(367 450)	268 698	271 215
Non-controlling interest	14	(105 769)	(99 604)	-	-
		<b>(448 429)</b>	<b>(467 054)</b>	<b>268 698</b>	<b>271 215</b>
<b>Non-Current Liabilities</b>					
Long term borrowings	29	616 362	355 665	-	-
Lease liabilities	30	572 201	599 869	-	-
Deferred taxation liabilities	31	18 545	29 062	-	-
		<b>1 207 108</b>	<b>984 596</b>	-	-
<b>Current Liabilities</b>					
Trade and other payables	33	568 461	571 225	4 411	65 000
Amounts due to related entities	16	43 734	82 794	-	-
Current portion of long-term borrowings	29	86 129	192 289	-	-
Lease liabilities	30	149 445	153 116	-	-
Current tax payable		29 483	7 248	-	4 451
Bank overdraft	22	67 525	148 788	-	-
		<b>944 777</b>	<b>1 155 460</b>	<b>4 411</b>	<b>69 451</b>
Liabilities of disposal groups	23	-	167 799	-	-
<b>Total Liabilities</b>		<b>2 151 885</b>	<b>2 307 855</b>	<b>4 411</b>	<b>69 451</b>
<b>Total Equity and Liabilities</b>		<b>1 703 456</b>	<b>1 840 801</b>	<b>273 109</b>	<b>340 666</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Statements of Changes in Equity

	Stated capital	Foreign currency translation reserve	Hyperinflationary translation reserve	Treasury shares	Retained loss	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Figures in BWP Thousand								
<b>Group</b>								
<b>Balance at 1 July 2019</b>								
	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)
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(101 563)</b>	<b>87 528</b>	<b>-</b>	<b>(330 359)</b>	<b>(344 394)</b>	<b>(42 513)</b>	<b>(386 907)</b>
<b>Balance at 30 June 2020</b>	<b>906 196</b>	<b>(396 412)</b>	<b>158 920</b>	<b>(29 616)</b>	<b>(1 006 538)</b>	<b>(367 450)</b>	<b>(99 604)</b>	<b>(467 054)</b>
Profit for the year	-	-	-	-	68 332	68 332	(8 705)	59 627
Other comprehensive (loss)/income	-	(77 552)	34 010	-	-	(43 542)	2 540	(41 002)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(77 552)</b>	<b>34 010</b>	<b>-</b>	<b>68 332</b>	<b>24 790</b>	<b>(6 165)</b>	<b>18 625</b>
<b>Balance at 30 June 2021</b>	<b>906 196</b>	<b>(473 964)</b>	<b>192 930</b>	<b>(29 616)</b>	<b>(938 206)</b>	<b>(342 660)</b>	<b>(105 769)</b>	<b>(448 429)</b>
Note	24	27	26	25			14	

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Statements of Changes in Equity

Figures in BWP Thousand	Stated capital	Retained loss	Total equity
<b>Company</b>			
<b>Balance at 1 July 2019</b>	<b>906 196</b>	<b>(532 718)</b>	<b>373 478</b>
Loss for the year	-	(102 263)	(102 263)
Other comprehensive income	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(102 263)</b>	<b>(102 263)</b>
<b>Balance at 30 June 2020</b>	<b>906 196</b>	<b>(634 981)</b>	<b>271 215</b>
Loss for the year	-	(2 517)	(2 517)
Other comprehensive loss	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(2 517)</b>	<b>(2 517)</b>
<b>Balance at 30 June 2021</b>	<b>906 196</b>	<b>(637 498)</b>	<b>268 698</b>

Note

24

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Statements of Cash Flows

Figures in BWP Thousand	Note	Group		Company	
		2021	2020	2021	2020
<b>Cash flows from operating activities</b>					
Profit (loss) before taxation		116 230	105 005	(2 517)	(102 263)
<b>Adjustments for:</b>					
Depreciation, write-off and amortisation	7	259 013	253 592	-	-
Losses on disposals of plant and equipment		201	656	-	-
Finance income		(103)	(110)	-	-
Finance costs		110 036	103 087	-	-
Movement in investments in new projects expensed during the year	15	24	302	-	-
Impairment losses net of reversals		-	11 280	-	(14 103)
Purchase consideration		-	-	-	52 851
Restricted cash movements	21	7 702	13 455	-	-
<b>Changes in working capital:</b>					
Movement in inventories		(35 216)	55 922	-	-
Movement in trade and other receivables		(9 493)	1 692	4 813	(2 433)
Movement in advances and deposits		(5 927)	33 709	-	-
Movement in amount due from related entities		104	8 487	65 009	54 272
Movement in trade and other payables		19 990	44 219	(60 361)	64 516
Movement in amount due to related entities		(39 060)	(13 521)	-	-
<b>Cash generated from operations</b>					
Interest received	8	103	110	-	-
Taxation paid		(22 167)	1 263	(6 968)	-
Cash flows of discontinued operations	23	(42 718)	(457 255)	-	-
<b>Net cash generated from/(consumed by) operating activities</b>		<b>358 719</b>	<b>161 893</b>	<b>(24)</b>	<b>52 840</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	12	(46 560)	(48 329)	-	-
Proceeds on disposal of property, plant and equipment		5 291	78 086	-	-
Purchase of intangible assets	13	(2 756)	(565)	-	-
Purchase of business	35	(5 925)	-	-	-
Cash consideration paid		-	(52 849)	-	(52 849)
Sale of business		-	30 128	-	-
Investment in new projects	15	(10 246)	(10 468)	-	-
Discontinued operations	23	-	26 465	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(60 196)</b>	<b>22 468</b>	<b>-</b>	<b>(52 849)</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Statements of Cash Flows

Figures in BWP Thousand	Note	Group		Company	
		2021	2020	2021	2020
<b>Cash flows from financing activities</b>					
Financing obtained from third parties	32	555 649	100 000	-	-
Capital payments of long-term liabilities	32	(482 409)	(103 156)	-	-
Lease payments	32	(162 153)	(162 910)	-	-
Discontinued operations	32	(38 337)	18 087	-	-
Interest paid		(97 604)	(103 087)	-	-
<b>Net cash used in financing activities</b>		<b>(224 854)</b>	<b>(251 066)</b>	-	-
<b>Net movement in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of the year		73 669	(66 705)	(24)	(9)
Cash balances from discontinued operations		(88 061)	(41 440)	465	474
Effect of translation of foreign entities		2 376	6 102	-	-
<b>Cash and cash equivalents at end of the year</b>	22	<b>6 395</b>	<b>(88 061)</b>	<b>441</b>	<b>465</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### Corporate information

Choppies Enterprises Limited (CEL, 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. The company registration number is BW00001142508. The consolidated and separate 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"), the Botswana Companies Act, the Botswana Stock Exchange, 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 18 September 2021.

#### 1.1 Basis of preparation

The Group and company financial statements are presented in Botswana Pula, which is also the functional currency. 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.

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 1.33.

#### 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 note 7 & 13).

##### 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 the statement of 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 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 the statement of 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 and when 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 the statement of 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
Right-of-use asset	4 - 20 years
Leasehold improvements	Over the lease term
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

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.4 Property, plant and equipment (continued)

Furniture and fixtures

• Shelving	7 - 14 years
• Check out tills	6 - 14 years
• Drop safes	20 - 29 years
• Others	10 years
Motor vehicles	4 - 10 years
Office equipment	10 years
IT equipment	3 - 10 years
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 the statement of profit or loss.

Repairs and maintenance costs are recognised in the statement of 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 34, 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 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.

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 the statement of 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

##### The Group as a lessee

The Group considers whether a contract is, or contains a lease.

##### 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 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 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 the statement of profit or 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 (BWP 60 000) 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 the statement of 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 non-current and current liabilities.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 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. 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 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.

#### 1.11 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 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 substantively enacted at the reporting date.

Deferred taxation is recognised in the statement of 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 the statement of 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.11 Tax and deferred taxation (continued)

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.

#### Tax expenses

Taxation comprises current and deferred taxation. Taxation is recognised in the statement of 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 or substantially 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 10%. 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.

### 1.12 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 the statement of profit or loss in the periods during which the related services were rendered.

### 1.13 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.13 Share incentive scheme (continued)

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.

#### 1.14 Revenue

Revenue arises mainly from the sale of goods. Revenue is measured based on the transaction price 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 the customer collecting the goods.

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 amongst 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 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.

#### 1.15 Operating expenses

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

#### 1.16 Finance income

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

#### 1.17 Finance costs

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

#### 1.18 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 1/2021 issued by the South African Institute of Chartered Accountants as required by the Johannesburg Stock Exchange Listings Requirements.

#### 1.19 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.20 Stated capital, hyper-inflation 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.

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 1.21
- 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.

#### 1.21 Treasury shares

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

#### 1.22 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.

#### 1.23 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.

#### 1.24 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 businesses in each region have similar economic characteristics. They engaged in similar activities of retail trade.

#### 1.25 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 Botswana 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 the statement of 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.25 Translation of foreign currencies (continued)

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 the statement of 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 the Zimbabwe operations are translated at the closing rate on 30 June 2021 as per IAS 21 paragraph 42(a).

#### 1.26 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

Financial assets which are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost.

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 16) 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.26 Financial instruments (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 general 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 installment 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.26 Financial instruments (continued)

##### 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 the statement of profit or loss in impairment (note 7).

##### 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 the statement of 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 7).

##### Credit risk

Details of credit risk related to amounts due from related parties are included in the specific notes (Refer to note 16).

##### 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.26 Financial instruments (continued)

##### Trade and other receivables including amounts due from related entities, advances and deposits

###### Classification

Trade and other receivables, excluding, where applicable, VAT, 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 transaction price in accordance with IFRS 15.

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.

###### Application of the effective interest method

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 a 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 Botswana Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in the statement of profit or loss in selling and distribution expenses (note 7).

Details of foreign currency risk exposure and the management thereof are provided in the risk management (note 38).

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.26 Financial instruments (continued)

##### 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 simplified approach which makes use of the 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 20.

A counterparty is in default when there is evidence that the counterparty is in significant difficulty such that it will have insufficient funds to repay the carrying amount on demand. The default is identified when a counterparty is either 90 days past due or if the counterparty indicates financial difficulty.

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 the statement of profit or loss as a movement in credit loss allowance (note 7).

##### 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's recovery procedures, taking into account legal advice where appropriate. Any recoveries are recognised in the statement of profit or loss in impairment (note 7).

##### Credit risk

Details of credit risk are included in the trade and other receivables note (note 20) and the risk management note (note 38).

##### 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 the statement of profit or loss.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.26 Financial instruments (continued)

##### Investments in equity instruments

###### Classification

Investments in equity instruments are presented in note 18. They are classified as mandatorily at fair value through profit or loss.

###### 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 recognised in the statement of profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in the statement of profit or loss. Details of the valuation policies and processes are presented in note 18.

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

Dividends received on equity investments are recognised in the statement of 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 16) and borrowings (note 29) are classified as financial liabilities subsequently measured at amortised cost.

###### 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 9).

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 38 for details of risk exposure and management thereof.

# **Choppies Enterprises Limited**

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## **Accounting policies**

---

### **1. Accounting policies (continued)**

#### **1.26 Financial instruments (continued)**

##### **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 Botswana Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in the statement of profit or loss in the selling and distribution expenses (note 7).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the risk management (note 38).

##### **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 33), 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 38).

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.26 Financial instruments (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 Botswana 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 7).

Details of foreign currency risk exposure and the management thereof are provided in the risk management note (note 38).

##### 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 the statement of profit or loss.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 1.26 Financial instruments (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.

#### 1.27 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.

#### 1.28 Share incentive scheme

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

#### 1.29 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.

#### 1.30 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 23).

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

### 1. Accounting policies (continued)

#### 1.31 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 23).

#### 1.32 Determination of functional currency in Zimbabwe

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Zimbabwean subsidiary is the Zimbabwean Dollar (ZWL\$) which became legal tender on 24 June 2019. The Group has concluded that the functional currency of the Zimbabwean economy remains the Zimbabwean Dollar (ZWL\$). During the year, the Group noted that there was still constrained exchangeability between the Zimbabwe Dollar (ZWL\$) and the major foreign currencies such as the United States Dollar (US\$) and the Botswana Pula (BWP). 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.

In order to address the lack of exchangeability of the ZWL\$ towards major currencies, on 23 June 2020, the Reserve Bank of Zimbabwe introduced a market based foreign exchange trading platform in the form of a foreign currency auction system in order to bring transparency and efficiency in the trading of foreign currency in the Zimbabwean economy. The company has managed to submit bids on the foreign exchange auction and was successful in some of them leading the directors to decide that the published weighted average closing auction foreign exchange rate is appropriate for the translation of the results of operations of the Zimbabwean Subsidiary.

#### Accounting for hyper-inflationary subsidiary

The Zimbabwean economy has continued to be hyper-inflationary and the results of operations of the Zimbabwean subsidiary has been prepared in accordance with IAS 29 "Financial Reporting in Hyper-inflationary Economies" (IAS 29). IAS 29 requires that financial statements prepared in the currency of a hyper-inflationary 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 2021 are as follows:

Date	Indices	Conversion factor
30 June 2021	2986.40	1.00
30 June 2020	1445.21	2.07

#### Sensitivity of functional currency

The Group translated the Zimbabwe results by applying the closing exchange rate as at 30 June 2021 specified by Reserve Bank of Zimbabwe, which was BWP 1.00 : ZWL 7.83 (in line with the requirement of the provision of IAS 21 for the translation of hyperinflationary economies). The effect if the Group had applied a weaker closing exchange rate to translate the result of its Zimbabwean subsidiary on 30 June 2021, is presented in the table below. We assumed that the closing exchange rate was weaker than ZWL 1.00.

#### Summarised statement of profit or loss and other comprehensive income for the year ended 30 June 2021

	ZWL to BWP at closing rate	ZWL to BWP at closing rate plus ZWL 1.00	Net impact
Revenue	537 225	476 385	60 841
Profit after tax	(343)	(39)	(305)

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Accounting policies

---

### 1. Accounting policies (continued)

#### 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 are no plant and equipment purchased prior to the financial year 2009.

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

#### 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 profit or loss and 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 profit or loss and 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.

### 1.33 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 20).

#### 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.

# **Choppies Enterprises Limited**

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## **Accounting policies**

---

### **1. Accounting policies (continued)**

#### **1.33 Significant judgements and sources of estimation uncertainty (continued)**

##### **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 39.

##### **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.

##### **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.

##### **Restricted cash**

Restricted cash deposits include an amount of BWP 5.1 million (2020: BWP 12.8 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. Refer to note 21. The company did not have the necessary clearance from the Reserve Bank of Zimbabwe to externalise funds at 30 June 2021.

##### **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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Operating segment information

Figures in BWP Thousand

### 2. Segment Results

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 two continuing operating segments (2020: four) 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.

Rest of Africa - retail of fast-moving consumer goods in Namibia, Zambia and Zimbabwe.

Kenya, Tanzania and Mozambique were discontinued, and South Africa was sold during the financial year 2020.

### 30 June 2021

Statement of profit or loss and other comprehensive Income	Botswana	Rest of Africa	Total for continuing operations	Total for operations discontinued	Total Group
Revenue	4 144 361	1 186 400	5 330 761	-	5 330 761
Gross profit	950 885	238 271	1 189 156	-	1 189 156
Operating income	42 495	2 696	45 191	-	45 191
<b>EBITDA</b>	<b>446 876</b>	<b>38 300</b>	<b>485 176</b>	-	<b>485 176</b>
Depreciation & amortisation	(200 826)	(58 187)	(259 013)	-	(259 013)
<b>Operating profit/(loss) (EBIT)</b>	<b>246 050</b>	<b>(19 887)</b>	<b>226 163</b>	-	<b>226 163</b>
<b>Profit/(loss) after taxation</b>	<b>119 648</b>	<b>(37 754)</b>	<b>81 894</b>	-	<b>81 894</b>

### Statement of financial position

Assets	1 223 975	479 481	1 703 456	-	1 703 456
Liabilities	1 198 147	953 738	2 151 885	-	2 151 885

### 30 June 2020

Statement of profit or loss and other comprehensive Income	Botswana	Rest of Africa	Total for continuing operations	Total for operations discontinued	Total Group
Revenue	4 260 178	1 160 418	5 420 596	2 396 644	7 817 240
Gross profit	1 041 266	211 480	1 252 746	429 410	1 682 156
Operating income	47 010	4 951	51 961	(46 134)	5 827
<b>EBITDA</b>	<b>466 668</b>	<b>4 774</b>	<b>471 442</b>	<b>(296 937)</b>	<b>174 505</b>
Impairment reversal/(loss)	(9 552)	(316)	(9 868)	(88 859)	(98 727)
Depreciation & amortisation	(197 666)	(55 926)	(253 592)	(73 985)	(327 577)
<b>Operating profit/(loss) (EBIT)</b>	<b>259 450</b>	<b>(51 468)</b>	<b>207 982</b>	<b>(459 781)</b>	<b>(251 799)</b>
<b>Profit/(loss) after taxation</b>	<b>172 301</b>	<b>(73 372)</b>	<b>98 929</b>	<b>(469 563)</b>	<b>(370 634)</b>

### Statement of financial position

Assets	1 281 997	509 723	1 791 720	49 081	1 840 801
Liabilities	1 847 703	292 353	2 140 056	167 799	2 307 855

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 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:

##### **COVID-19 - Related Rent Concessions - Amendment to IFRS 16**

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for if it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.
- the amendment was also extended to include rent concessions until 30 June 2022.

The effective date of the amendment is for years beginning on or after 1 June 2020.

The group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

Although certain leases were renegotiated, they were not linked to the COVID-19 pandemic and as a result the amendment was not applied.

##### **Definition of a business - Amendments to IFRS 3**

The amendment:

- confirmed that a business must include inputs and processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The group has adopted the amendment for the first time in the financial year 2021 consolidated and separate annual financial statements.

This amendment did not impact the Group upon adoption since the specifics of this amendment were not applicable to the business combination entered into during the current financial year.

##### **Presentation of Financial Statements: Disclosure initiative**

The amendment clarifies and aligns the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

This amendment did not impact the Group since the principles included in the amendment were already applied.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 3. New Standards and Interpretations (continued)

#### Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarifies and aligns the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The group has adopted the amendment for the first time in the financial year 2021 consolidated and separate annual financial statements.

This amendment did not impact the Group since the principles included in the amendment were already applied.

#### 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 1 July 2021 or later periods:

#### Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The group expects to adopt the amendment for the first time in the 2024 consolidated and separate annual financial statements.

The impact of this amendment on the classification of financial liabilities will be assessed upon the amendment becoming effective.

#### Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the amendment is for years beginning on or after 1 January 2022.

The group expects to adopt the amendment for the first time in the 2023 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements since these principles were already applied previously.

#### Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in the statement of profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the amendment is for years beginning on or after 1 January 2022.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 3. New Standards and Interpretations (continued)

The group expects to adopt the amendment for the first time in the 2023 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements since the Group does not manufacture goods while testing equipment.

#### **Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37**

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the amendment is for years beginning on or after 1 January 2022.

The group expects to adopt the amendment for the first time in the 2023 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements since the principles contained in this amendment are already applied.

#### **Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7**

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements since this amendment only impacts disclosures provided by the entity.

#### **Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9**

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated and separate annual financial statements.

The potential impact of this amendment to the Group's LIBOR-linked loans are still being assessed.

#### **Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16**

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements since there are no IBOR-linked lease liabilities.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020
<b>4. Revenue</b>				
Revenue from contracts with customers				
Sale of goods	5 330 761	5 420 596	-	-
	<b>5 330 761</b>	<b>5 420 596</b>	-	-
<b>Disaggregation of revenue from contracts with customers by segment</b>				
Botswana	4 144 361	4 260 179	-	-
Rest of Africa	1 186 400	1 160 417	-	-
	<b>5 330 761</b>	<b>5 420 596</b>	-	-
<b>5. Cost of sales</b>				
Sale of goods	4 141 605	4 167 850	-	-
<b>6. Other operating income</b>				
Commissions received on financial services	28 704	29 513	-	-
Rental income	3 453	4 523	-	-
Transportation income	8 444	13 651	-	-
Miscellaneous income	4 590	4 930	-	-
	<b>45 191</b>	<b>52 617</b>	-	-
<b>7. Operating loss/(profit)</b>				
Operating profit/(loss) for the year is stated after charging (crediting) the following, amongst others:				
<b>Losses on disposals</b>				
Property, plant and equipment	201	656	-	-
Investments in subsidiaries (loss on disposal of South Africa)	-	-	-	107 885
	<b>201</b>	<b>656</b>	-	<b>107 885</b>
<b>Auditor's remuneration - external</b>				
Audit fees	775	572	-	-
Audit fees - prior year	12 009	10 716	-	-
	<b>12 784</b>	<b>11 288</b>	-	-
<b>Consulting and professional fees</b>				
Consulting and professional service fees	12 059	13 394	-	7 929
Legal fees	4 589	5 785	-	-
Legal fee relating to South Africa restructuring and disposal	-	2 961	-	-
	<b>16 648</b>	<b>22 140</b>	-	<b>7 929</b>
<b>Employee costs</b>				
Salaries, wages, bonuses and other benefits	350 497	374 068	-	8
Defined contribution expense	11 944	10 909	-	-
<b>Total employee costs</b>	<b>362 441</b>	<b>384 977</b>	-	<b>8</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020
<b>7. Operating loss/(profit) (continued)</b>				
<b>Leases</b>				
<b>Variable lease (concession) payments</b>				
Premises - variable	7 707	7 981	-	-
Gain on rental concessions (unrelated to COVID-19)	(11 244)	-	-	-
	<b>(3 537)</b>	<b>7 981</b>	-	-
<b>Depreciation, write-off and amortisation</b>				
Depreciation of property, plant and equipment	88 166	93 458	-	-
Depreciation of right of use asset	168 413	157 891	-	-
Amortisation of intangible assets	2 434	2 243	-	-
	<b>259 013</b>	<b>253 592</b>	-	-
<b>Impairment losses</b>				
Impairment of goodwill	note 13	-	9 868	-
Investment in subsidiaries	note 14	-	-	(2)
Reversal of impairment of intercompany loan		-	2 517	(14 105)
			<b>9 868</b>	<b>2 517</b>
				<b>(14 103)</b>
<b>Movement in credit loss allowances</b>				
Bad debts recovered	(15 463)	3 208	-	-
Movement in expected credit loss allowance	(1 491)	(1 796)	-	-
	<b>(16 954)</b>	<b>1 412</b>	-	-
<b>Donations</b>				
Donations paid		887	6 239	-
<b>Expenses by nature</b>				
Expenses are analysed by nature as follows:				
<b>Administration expenses</b>				
Auditor's remuneration	12 784	11 288	-	-
Bank charges	50 008	42 932	-	-
Computer expenses	23 271	23 852	-	-
Depreciation of right of use asset	168 413	157 891	-	-
Electricity charges	97 607	88 479	-	-
Employee costs	362 441	384 977	-	-
Insurance, licence and permits	13 915	14 568	-	-
Motor vehicle expenses	28 806	29 526	-	-
Lease charges	(3 537)	7 981	-	-
Professional charges	16 648	22 140	-	7 734
Security expenses	31 726	28 657	-	-
Effects of hyper-inflation accounting on administrative expenses	15 233	44 313	-	-
Other administrative expenses	38 403	45 266	-	747
	<b>855 718</b>	<b>901 870</b>	-	<b>8 481</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020
<b>7. Operating loss/(profit) (continued)</b>				
<b>Selling and distribution expenses</b>				
Advertising and sales promotion	12 405	13 361	-	-
Foreign exchange differences	18 720	45 783	-	-
Other selling and distribution expenses	3 962	3 840	-	-
Effects of hyper-inflation accounting on selling and distribution expenses	32	216	-	-
	<b>35 119</b>	<b>63 200</b>	-	-
<b>Other expenses</b>				
Depreciation and amortisation	90 600	95 701	-	-
Repairs and maintenance	43 145	41 544	-	-
Effects of hyper-inflation accounting on other expenses	944	3 496	-	-
	<b>134 689</b>	<b>140 741</b>	-	-
<b>8. Investment income</b>				
<b>Interest income</b>				
<b>From investments in financial assets:</b>				
Bank and other cash	103	110	-	-
<b>9. Finance costs</b>				
Leases	56 461	59 208	-	-
Bank overdraft, borrowings and shareholders loans	53 575	43 879	-	-
<b>Total finance costs</b>	<b>110 036</b>	<b>103 087</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 10. Taxation

#### Major components of the tax expense

##### Current

Income tax - current period	42 945	7 475	-	-
Income tax - recognised in current tax for prior periods	-	(89)	-	-
	<b>42 945</b>	<b>7 386</b>	-	-

##### Deferred

Originating and reversing temporary differences	(8 609)	(1 310)	-	-
	<b>34 336</b>	<b>6 076</b>	-	-

#### Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit (loss)	116 230	105 005	(2 517)	(102 263)
--------------------------	---------	---------	---------	-----------

Tax at the applicable tax rate of 22% (2020: 22%)	25 571	23 101	(554)	(22 498)
---	--------	--------	-------	----------

#### Tax effect of adjustments on taxable income

Unrecognised deferred tax asset	12 850	19 549	-	-
Prior year over provision of current tax	-	(89)	-	-
Tax effect of profit on termination of leases	(136)	-	-	-
Disallowable expenses	674	3 456	554	22 498
Tax effect of impairment on intercompany loans	-	(40 588)	-	-
Effects of different tax rate	(4 623)	647	-	-
	<b>34 336</b>	<b>6 076</b>	-	-

The tax losses carried forward for certain subsidiaries are BWP 184 million (2020: BWP 156 million) which can be claimed by these subsidiaries to reduce any future tax payments. These losses cannot be offset across different legal entities and can be carried forward no longer than 5-years.

### 11. Earnings and dividend per share

#### Basic earnings per share and diluted earnings per share

##### Basic earnings (loss) per share (thebe)

Basic earnings per share (thebe) - continuing operations	6.51	8.06	-	-
Basic loss per share (thebe) - discontinued operations	(1.27)	(33.40)	-	-
	<b>5.24</b>	<b>(25.34)</b>	-	-

##### Diluted earnings (loss) per share (thebe)

Basic earnings per share (thebe) - continuing operations	6.51	8.06	-	-
Basic loss per share (thebe) - discontinued operations	(1.27)	(33.40)	-	-
	<b>5.24</b>	<b>(25.34)</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 11. Earnings and dividend per share (continued)

#### Profit or loss for the year attributable to equity holders of the parent

Continuing operations	84 824	105 052	-	-
Discontinued operations	(16 492)	(435 411)	-	-
	<b>68 332</b>	<b>(330 359)</b>	-	-

#### 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.

##### Basic headline earnings (loss) per share (thebe)

Basic headline earnings per share (thebe) - continuing operations	6.52	9.06	-	-
Basic headline loss per share (thebe) - discontinued operations	(0.04)	(24.33)	-	-
	<b>6.48</b>	<b>(15.27)</b>	-	-

##### Diluted headline earnings (loss) per share (thebe)

Diluted headline earnings per share (thebe)-continuing operations	6.52	9.06	-	-
Diluted headline loss per share (thebe)-discontinued operations	(0.04)	(24.33)	-	-
	<b>6.48</b>	<b>(15.27)</b>	-	-

The Group has assessed the impact of the dilution of the shares in the Trust to be immaterial.

#### Headline earnings

Group	2021			2020		
	Gross	Income tax effect	Net	Gross	Income tax effect	Net
<b>Profit for the year attributable to owners of the company</b>						
Continuing operations	-	-	84 824	-	-	105 052
Discontinued operations	-	-	(16 492)	-	-	(435 411)
<b>Re-measurement:</b>						
Loss of disposal of property, plant and equipment	1 876	(44)	1 832	50 994	(11 219)	39 775
Impairment losses	14 258	-	14 258	101 935	(10 396)	91 539
<b>Headline earnings/(loss)</b>			<b>84 422</b>			<b>(199 045)</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020

### 11. Earnings and dividend per share (continued)

	2021			2020		
	Gross	Income tax effect	Net	Gross	Income tax effect	Net
<b>Continuing operations</b>						
<b>Profit for the year attributable to owners of the company</b>						
Continuing operations	-	-	84 824	-	-	105 052
<b>Re-measurement:</b>						
Loss of disposal of property, plant and equipment	201	(44)	157	656	(144)	512
Impairment losses	-	-	-	13 076	(562)	12 514
<b>Headline earnings</b>			<b>84 981</b>			<b>118 078</b>

	2021			2020		
	Gross	Income tax effect	Net	Gross	Income tax effect	Net
<b>Discontinued operations</b>						
<b>Profit for the year attributable to owners of the company</b>						
Discontinued operations	-	-	(16 492)	-	-	(435 411)
<b>Re-measurement:</b>						
Loss of disposal of property, plant and equipment	1 675	-	1 675	50 338	(11 074)	39 264
Impairment losses	14 258	-	14 258	88 859	(9 834)	79 025
<b>Headline loss</b>			<b>(559)</b>			<b>(317 122)</b>

**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	-	-
<b>Weighted average number of ordinary shares at 30 June</b>	<b>1 303 628</b>	<b>1 303 628</b>	-	-

**Shares to the nearest thousand**

Basic	1 303 628	1 303 628	-	-
Diluted	1 303 628	1 303 628	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand

### 12. Property, plant and equipment

#### Reconciliation of property, plant and equipment - Group - 2021

	Right-of-use asset - buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Cost	821 059	49 659	506 133	162 718	192 254	105 222	113 809	58 412	2 009 266
Accumulated depreciation and impairment	(157 569)	(10 772)	(244 394)	(97 062)	(111 158)	(61 803)	(86 684)	(21 198)	(790 640)
<b>Net book value at 1 July 2020</b>	<b>663 490</b>	<b>38 887</b>	<b>261 739</b>	<b>65 656</b>	<b>81 096</b>	<b>43 419</b>	<b>27 125</b>	<b>37 214</b>	<b>1 218 626</b>
Additions	118 547	3 313	24 640	3 728	18 633	779	5 303	-	174 943
Acquisitions - cost	5	-	-	2 850	1 240	1 071	834	-	6 000
Acquisitions - accumulated depreciation	-	-	-	(2 249)	(720)	(865)	(834)	-	(4 668)
Disposals and scrappings - cost	(12 735)	-	(8 342)	-	(20 532)	-	(167)	-	(41 776)
Disposals and scrappings - accumulated depreciation and impairment	1 811	-	-	-	14 395	-	21	-	16 227
Hyper-inflation and foreign exchange movements	(24 605)	(5 891)	(4 945)	8 030	(631)	-	(822)	-	(28 864)
Depreciation	(166 194)	(2 484)	(33 920)	(11 215)	(16 864)	(9 747)	(11 231)	(1 257)	(252 912)
<b>Net book value at 30 June 2021</b>	<b>580 319</b>	<b>33 825</b>	<b>239 172</b>	<b>66 800</b>	<b>76 617</b>	<b>34 657</b>	<b>20 229</b>	<b>35 957</b>	<b>1 087 576</b>
<b>Made up as follows:</b>									
Cost	902 271	54 365	553 412	182 834	199 047	107 072	126 814	58 412	2 184 227
Accumulated depreciation and impairment	(321 952)	(20 540)	(314 240)	(116 034)	(122 430)	(72 415)	(106 585)	(22 455)	(1 096 651)
	<b>580 319</b>	<b>33 825</b>	<b>239 172</b>	<b>66 800</b>	<b>76 617</b>	<b>34 657</b>	<b>20 229</b>	<b>35 957</b>	<b>1 087 576</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2020

	Right-of-use asset - buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Cost	-	68 347	998 381	382 464	325 570	104 986	207 132	58 412	2 145 292
Accumulated depreciation and impairment	-	(29 873)	(496 425)	(174 778)	(176 047)	(51 232)	(140 888)	(20 028)	(1 089 271)
<b>Net book value at 1 July 2019</b>	<b>-</b>	<b>38 474</b>	<b>501 956</b>	<b>207 686</b>	<b>149 523</b>	<b>53 754</b>	<b>66 244</b>	<b>38 384</b>	<b>1 056 021</b>
Additions	-	9 059	27 473	9 048	2 991	236	9 318	-	58 125
Transfers from plant and machinery	-	644	(3 644)	1 478	441	-	1 081	-	-
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	-	(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)
Hyper-inflation and foreign exchange movements	(2 792)	6 343	(16 180)	(14 974)	(8 566)	-	(2 928)	-	(39 097)
Depreciation on continued operations	(157 891)	(1 935)	(45 035)	(11 023)	(10 587)	(10 571)	(13 137)	(1 170)	(251 349)
Depreciation on discontinued operations	-	(317)	(36 534)	(11 860)	(15 050)	-	(9 781)	-	(73 542)
<b>Net book value at 30 June 2020</b>	<b>663 490</b>	<b>38 887</b>	<b>261 739</b>	<b>65 656</b>	<b>81 096</b>	<b>43 419</b>	<b>27 125</b>	<b>37 214</b>	<b>1 218 626</b>
Cost	821 059	49 659	506 133	162 718	192 254	105 222	113 809	58 412	2 009 266
Accumulated depreciation and impairment	(157 569)	(10 772)	(244 394)	(97 062)	(111 158)	(61 803)	(86 684)	(21 198)	(790 640)
	<b>663 490</b>	<b>38 887</b>	<b>261 739</b>	<b>65 656</b>	<b>81 096</b>	<b>43 419</b>	<b>27 125</b>	<b>37 214</b>	<b>1 218 626</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company
Figures in BWP Thousand	2021	2020

### 12. Property, plant and equipment (continued)

#### Property, plant and equipment encumbered as security

The group entered into a Loan Facilities Agreement during the financial year which was secured by a cross-company guarantee issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP 636 052 544 issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date BWP 599 411 387 of these facilities were utilised. Refer to notes 22 and 29 for further disclosure of the facilities.

Lease liabilities are secured over motor vehicles and aircraft with a net book value of BWP 1 889 313 (2020: BWP 68 605 000) as disclosed in note 30.

#### Net carrying amounts of right-of-use assets

Right-of-use asset - buildings	580 319	663 490	-	-
Motor vehicles	1 889	68 605	-	-
Aircraft	-	37 214	-	-
	<b>582 208</b>	<b>769 309</b>	-	-

#### Impairment and reversal of impairment

During the year no impairment indicators were identified relating to buildings and plant and machinery. There is no impairment for the period under review for buildings (2020: BWP Nil) and plant and machinery (2020: BWP Nil).

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 13. Goodwill and intangible asset

#### Reconciliation of goodwill and intangible assets - Group - 2021

	Goodwill	Software	Carrying amount
Cost	703 274	28 397	731 671
Accumulated amortisation	(3 114)	(9 633)	(12 747)
Accumulated impairment losses	(639 430)	(13 759)	(653 189)
Carrying amount at 1 July 2020	60 730	5 005	65 735
Additions during the year	-	2 756	2 756
Acquisitions	-	110	110
Amortisation	-	(2 551)	(2 551)
Effects of hyper-inflation	(22 872)	-	(22 872)
Effect of movements in exchange rates	21 299	-	21 299
	<b>59 157</b>	<b>5 320</b>	<b>64 477</b>

#### Comprising of:

	Goodwill	Software	Carrying amount
Cost	59 157	31 263	90 420
Accumulated amortisation	-	(12 184)	(12 184)
Accumulated impairment losses	-	(13 759)	(13 759)
	<b>59 157</b>	<b>5 320</b>	<b>64 477</b>

#### Reconciliation of goodwill and intangible assets - Group - 2020

	Goodwill	Software	Carrying amount
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 hyper-inflation	53 705	-	53 705
Effect of movements in exchange rates	(49 684)	-	(49 684)
	<b>60 730</b>	<b>5 005</b>	<b>65 735</b>

#### Comprising of:

	Goodwill	Software	Carrying amount
Cost	703 274	28 397	731 671
Accumulated amortisation	(3 114)	(9 633)	(12 747)
Accumulated impairment losses	(639 430)	(13 759)	(653 189)
	<b>60 730</b>	<b>5 005</b>	<b>65 735</b>

The valuation of goodwill at the 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 has 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.

No impairment indicators were identified relating to goodwill.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 13. Goodwill and intangible asset (continued)

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

#### Goodwill

Nanavac Investments (Pvt) Limited (Zimbabwe)

Group 2021	Group 2020	Company 2021	Company 2020
59 157	60 730	-	-

The following assumptions were applied in the evaluation of goodwill discount rate is 21.95% (2020: 14%-22%).

#### Average sales growth rate

In Zimbabwe

Terminal value growth rate

Group 2021 %	Group 2020 %	Company 2021	Company 2020
10	6	-	-
2.4	3.6 - 6.0	-	-

#### Five year average inflation rate

In Zimbabwe

Group 2021	Group 2020	Company 2021	Company 2020
50.0 %	50.2 %	-	-

#### Five year gross profit margin

In Zimbabwe

Group 2021 %	Group 2020 %	Company 2021	Company 2020
22.8	27.9	-	-

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.

### 14. Investment in subsidiaries

Choppies Enterprises Limited held the below interests in the stated capital of subsidiaries consolidated into these financial statements. The company has 9 (2020: 9) subsidiaries, 7 (2020: 7) of which were operating during the financial year.

- 4 (2020: 4) subsidiaries are wholly owned including Choppies Group Share Incentive Trust Scheme.
- The other 5 (2020: 5) 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 25. The value mentioned towards the trust is the cost of shares transferred to the Trust for its management as per the provisions of 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

Opening balance at beginning of the year	-	-	104 073	104 075
Impaired during the year	-	-	-	(2)
	-	-	104 073	104 073

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020
<b>14. Investment in subsidiaries (continued)</b>				
In BWP	Country of incorporation	% Ownership 2021	Carrying value of investment 2021	% Ownership 2020
				Carrying value of investment 2020
Choppies Distribution Centre (Pty) Limited	Botswana	100 %	74 410 116	100 % 74 410 116
Choppies Supermarkets Namibia (Pty) Limited	Namibia	100 %	98	100 % 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
Nanavac Investments (Pvt) Limited	Zimbabwe	100 %	-	100 % -
			<b>104 073 207</b>	<b>104 073 207</b>

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

### 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.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2021	2020
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 %

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand

### 14. Investment in subsidiaries (continued)

2021

#### Summarised statement of financial position

	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Choppies Supermarkets Limited (Zambia)	95 441	55 986	151 427	92 048	243 775	335 823	(18 444)
Choppies Enterprises Kenya Limited	-	3 863	3 863	43 719	106 664	150 383	(74 389)
Choppies Supermarkets Tanzania Limited	-	1	1	34 163	-	34 163	(8 511)
Choppies Supermarket Mozambique LDA	-	6 080	6 080	-	17 582	17 582	(4 425)
<b>Total</b>	<b>95 441</b>	<b>65 930</b>	<b>161 371</b>	<b>169 930</b>	<b>368 021</b>	<b>537 951</b>	<b>(105 769)</b>

#### Summarised statement of profit or loss and other comprehensive income

	Revenue	Loss before tax	Loss after tax	Loss allocated to non-controlling interest	Other comprehensive income/(loss)	Total comprehensive income/(loss)
Choppies Supermarkets Limited (Zambia)	494 876	(29 295)	(29 295)	(2 930)	(475)	(29 770)
Choppies Enterprises Kenya Limited	-	(15 336)	(15 336)	(3 834)	2 388	(1 446)
Choppies Supermarkets Tanzania Limited	-	(5 761)	(5 761)	(1 440)	198	(1 242)
Choppies Supermarket Mozambique Limitada	-	(5 012)	(5 012)	(501)	1	(500)
<b>Total</b>	<b>494 876</b>	<b>(55 404)</b>	<b>(55 404)</b>	<b>(8 705)</b>	<b>2 112</b>	<b>(32 958)</b>

Choppies Enterprises Kenya Limited, Choppies Supermarkets Tanzania Limited and Choppies Supermarket Mozambique LDA were classified as non-current assets held for sale in the statements of financial position, refer to note 23. In the current year, any remaining assets and liabilities were transferred to continuing business.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

Figures in BWP Thousand

---

### 14. Investment in subsidiaries (continued)

2021

#### Summarised statement of cash flows

Choppies Supermarkets Limited (Zambia)  
Choppies Enterprises Kenya Limited  
Choppies Supermarkets Tanzania Limited  
Choppies Supermarket Mozambique LDA

**Total**

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
Choppies Supermarkets Limited (Zambia)	15 730	(13 424)	(27 110)	(24 805)
Choppies Enterprises Kenya Limited	(4 243)	-	-	(3 834)
Choppies Supermarkets Tanzania Limited	(2 455)	-	-	(1 440)
Choppies Supermarket Mozambique LDA	(673)	-	-	(501)
<b>Total</b>	<b>8 359</b>	<b>(13 424)</b>	<b>(27 110)</b>	<b>(30 580)</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand

### 14. Investment in subsidiaries (continued)

2020

Summarised statement of financial position	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)
<b>Total</b>	<b>160 728</b>	<b>85 918</b>	<b>246 646</b>	<b>156 954</b>	<b>392 265</b>	<b>549 219</b>	<b>(99 691)</b>
<b>Non-controlling interest in all other subsidiaries</b>						<b>87</b>	
							<b>(99 604)</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand

### 14. Investment in subsidiaries (continued)

2020

#### Summarised statement of profit or loss and other comprehensive income

	Revenue	Loss before tax	Loss after tax	Loss allocated to non-controlling interest	Total comprehensive income/(loss)	Loss allocated to non-controlling interest
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 LDA	4 891	(5 916)	(5 916)	(592)	15	(577)
<b>Total</b>	<b>648 463</b>	<b>(199 943)</b>	<b>(199 950)</b>	<b>(40 275)</b>	<b>(2 238)</b>	<b>(42 513)</b>

#### Summarised statement of cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
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
<b>Total</b>	<b>19 393</b>	<b>(81 547)</b>	<b>34 494</b>	<b>(27 662)</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in BWP Thousand	2021	2020	2021	2020

### 14. Investment in subsidiaries (continued)

Since Choppies Distribution Centre Kenya Limited is not an operating subsidiary, details of the same are not disclosed in the summarised 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 (5 year projection). An impairment loss is recognised if a subsidiary does not show a cumulative profitable return 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 Group's subsidiaries below and the following key assumptions:

	Choppies Supermarkets Limited (Zambia)		Choppies Supermarkets Namibia (Pty) Limited		Choppies Distribution Centre (Pty) Limited	
	2021	2020	2021	2020	2021	2020
Revenue growth rates	10.0%	7.0%	9.0%	8.0%	6.0%	6.0%
Gross profit margins	19.0%	17.6%	19.0%	17.4%	24.0%	23.5%
Inflation rates	10.0%	9.0%	5.0%	4.0%	2.62%	3.2%
Terminal growth rates	5.0%	3.60%	5.00%	4.20%	6.00%	4.8%

The Group reviewed the projections and operations of the regions, namely Botswana, Namibia and Zambia and remains 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 the financial year 2021 due to the expected positive EBIDTA and increase in value based on future projections.

### 15. 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:

Balance at the beginning of the year	10 270	27 018	-	-
Amounts reclassified as additions to property, plant and equipment during the year (note 12)	(9 835)	(9 939)	-	-
Capital advanced during the year	10 246	10 468	-	-
Amounts reclassified as expenses	(24)	(302)	-	-
Effects of exchange rates	(2 521)	(3 887)	-	-
Transferred to discontinued operations	-	(13 088)	-	-
	<b>8 136</b>	<b>10 270</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 16. Amounts due to (from) related entities

#### Amounts due from related entities

Amounts due from related entities - subsidiaries	-	-	168 458	233 695
Amounts due from related entities - other related parties	5 310	5 414	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5 310	5 414	168 458	233 695
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>5 310</b>	<b>5 414</b>	<b>168 458</b>	<b>233 695</b>

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 36 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 general 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 ECL (Expected Credit Loss) 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	(43 734)	(82 794)	-	-
---------------------------------	----------	----------	---	---

These balances are trade related, unsecured, interest free and are repayable under normal trading terms. Refer to note 36 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in BWP Thousand	2021	2020	2021	2020
<b>17. Inventories</b>				
Merchandise	393 831	343 461	-	-
Goods in transit	675	3 435	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Provision for inventory obsolescence	394 506	346 896	-	-
	(53 814)	(41 420)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>340 692</b>	<b>305 476</b>	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cost of inventories recognised as an expense during the year	4 141 605	4 167 850	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>18. Investments at fair value</b>				
<b>Mandatorily at fair value through statement of profit or loss:</b>				
Investment in listed shares	3	3	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2021 was BWP 2.25 (2020: BWP 2.4 per share).				
<b>19. Advances and deposits</b>				
Salary advances	459	286	-	-
Rent advances	1 439	1 147	-	-
Prepaid expenses	3 376	3 539	-	-
Rent deposits	8 090	7 789	-	-
Other deposits	645	880	-	-
Electricity deposits	2 933	2 950	-	-
Telephone deposits	85	85	-	-
Advance to suppliers	25 531	20 395	-	-
Other advances	1 738	2 021	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>44 296</b>	<b>39 092</b>	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Advances to suppliers are prepayments for inventory and services.				
<b>20. Trade and other receivables</b>				
Gross trade receivables	132 426	134 075	-	-
Loss allowance	(127 085)	(128 576)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net trade receivables	5 341	5 499	-	-
Other receivables	24 702	21 610	-	-
Rebate receivables	25 468	28 218	-	-
Value added tax	8 299	8 318	137	2 433
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>63 810</b>	<b>63 645</b>	<b>137</b>	<b>2 433</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Other receivables include balances relating to counterparties for transacting in money transfers, electricity and satellite television subscriptions.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 20. 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 a provision matrix to measure the expected credit loss (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. Rebate receivables 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:

Group	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
<b>Expected credit loss rate:</b>				
Not past due: 4.75% (2020: 6.26%)	3 517	(167)	6 857	(429)
Past due 1 - 30 days: 12.92% (2020: 13.28%)	240	(31)	1 709	(227)
Past due 31 -60 days 23.89% (2020: 23.42%)	180	(43)	222	(52)
Past due 61 -90 days: 36.54% (2020: 34.50%)	52	(19)	258	(89)
More than 91 days past due: 100.0% (2020: 100.0%)	2 918	(2 918)	3 716	(3 716)
Specific debtors Payless	123 907	(123 907)	124 063	(124 063)
<b>Total</b>	<b>130 814</b>	<b>(127 085)</b>	<b>136 825</b>	<b>(128 576)</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 20. 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:

<b>Opening balance</b>	<b>128 576</b>	<b>166 621</b>	-	-
Specific provision on Payless	-	3 208	-	-
Specific provision of South African debtors	-	(29 464)	-	-
Transferred to discontinued operations	-	(9 993)	-	-
Reversal of prior year provision	(1 491)	(1 796)	-	-
<b>Closing balance</b>	<b>127 085</b>	<b>128 576</b>	-	-

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

### 21. Restricted cash

#### Cash and cash equivalents held by the entity that are not available for use by the group

Cash and cash equivalents - Restricted cash Zimbabwe	5 143	12 845	-	-
--	-------	--------	---	---

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 ZWL and the continued uncertainty regarding Zimbabwe's legislative framework, exchange controls and economy. Further the company did not have the necessary control clearance from the Reserve Bank of Zimbabwe to externalise funds by 30 June 2021.

### 22. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 745	3 980	-	-
Bank balances	67 175	56 747	441	465
<b>Total cash and bank balances</b>	<b>73 920</b>	<b>60 727</b>	<b>441</b>	<b>465</b>
Bank overdraft	(67 525)	(148 788)	-	-
<b>6 395</b>	<b>(88 061)</b>	<b>441</b>	<b>465</b>	

The Group has the following banking facilities:

- A new facility called Facility D - raised during March 2021 with a consortium of banks as described under note 30. Facility D is a BWP50 000 000 overdraft facility from Absa Bank of Botswana Limited, Stanbic Bank of Botswana Limited and First National Bank of Botswana Limited, secured by a cross-company guarantee of BWP50 000 000 issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP50 000 000 issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date BWP 47 612 441 of this facility was utilised. The facility is payable in full by March 2022.
- BWP20 000 000 overdraft facility from First Capital Bank Botswana Limited payable July 2021. This facility is unsecured.
- The facilities at June 2020 of BWP 149 000 000 was settled in full during March 2021.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company
Figures in BWP Thousand		

### 23. Discontinued operations or disposal groups or non-current assets held for sale

During the financial year 2020, 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 exited these countries during the 2020 financial year. The Mozambique operations were closed and the assets transferred to Choppies Zambia.

At the end of the current financial year we transferred any remaining assets and liabilities to continuing business. The remaining assets relating to the disposal group are BWP 5.1 million which are all considered recoverable. The remaining liabilities relating to the disposal group are BWP 69.0 million which will be settled by the Group in the ordinary course of business.

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

	2021	2020	2021	2020	2021	2020
	Consolidated discontinued operations		South Africa region		Other regions	
Revenue	-	2 396 644	-	2 355 498	-	41 146
Cost of sales	-	(1 967 235)	-	(1 927 478)	-	(39 757)
Net profit before tax	-	429 409	-	428 020	-	1 389
Expenses	(19 455)	(751 539)	-	(677 670)	(19 455)	(73 869)
Other (losses)/income	-	(46 482)	-	13 478	-	(59 960)
Net interest	(2 812)	(9 760)	-	(1 984)	(2 812)	(7 776)
Tax	-	58	-	-	-	58
Net loss after tax	(22 267)	(378 314)	-	(238 156)	(22 267)	(140 158)
<b>Loss on remeasurement and disposal</b>						
Loss before tax on disposal	-	(91 249)	-	(91 249)	-	-
	<b>(22 267)</b>	<b>(469 563)</b>	-	<b>(329 405)</b>	<b>(22 267)</b>	<b>(140 158)</b>
<b>Assets and liabilities</b>						
	2021	2020	2021	2020	2021	2020
	Consolidated discontinued operations		South Africa region		Other regions	
<b>Non-current assets held for sale</b>						
Property, plant and equipment	-	31 001	-	-	-	31 001
<b>Current assets</b>						
Advances and deposits	-	1 354	-	-	-	1 354
Trade and other receivables	-	10 624	-	-	-	10 624
Cash and cash equivalents	-	6 102	-	-	-	6 102
	<b>-</b>	<b>18 080</b>	-	-	-	<b>18 080</b>
	<b>-</b>	<b>49 081</b>	-	-	-	<b>49 081</b>
<b>Liabilities of disposal groups</b>						
Borrowings and bank overdraft	-	115 477	-	-	-	115 477
Current tax payable	-	331	-	-	-	331
Trade and other payables	-	51 991	-	-	-	51 991
	<b>-</b>	<b>167 799</b>	-	-	-	<b>167 799</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company
Figures in BWP Thousand		

### 23. Discontinued operations or disposal groups or non-current assets held for sale (continued)

	2021	2020	2021	2020	2021	2020
	Consolidated	discontinued	South Africa	region	Other regions	
<b>Equity</b>						
Foreign currency translation reserve	4 349	(6 857)	-	-	4 349	(6 857)
<b>Cash flows from discontinued operations</b>						
Operating activities	(42 718)	(457 255)	-	-	(27 852)	(457 255)
Investing activities	-	26 465	-	-	-	26 465
Financing activities	(38 337)	18 087	-	-	(38 337)	18 087
	<b>(81 055)</b>	<b>(412 703)</b>	-	-	<b>(66 189)</b>	<b>(412 703)</b>

### 24. Stated capital

Stated capital	2021	2020	2021	2020	2021	2020
1 303 628 341 (2020: 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.

### 25. 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 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 BWP 30 720 000, to the Choppies Group Incentive Trust. There has been no issue of shares during the year (2020: Nil).

Total number of shares held by the trust	12 000 000	12 000 000	-	-
Key management personnel	100 000	100 000	-	-
Senior employees	1 375 000	1 375 000	-	-
	<b>1 475 000</b>	<b>1 475 000</b>	-	-

Value of shares held by the trust	29 615 835	29 615 835	-	-
-----------------------------------	------------	------------	---	---

### 26. Hyperinflationary translation reserve

Opening balance	158 920	71 392	-	-
Exchange differences on translating foreign operations in hyperinflationary economy	34 010	87 528	-	-
	<b>192 930</b>	<b>158 920</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company
Figures in BWP Thousand	2021	2020

### 26. Hyperinflationary translation reserve (continued)

This reserve is used to report the exchange differences on translating subsidiaries which is based in hyperinflationary economy. The Zimbabwe Dollar (ZW\$) functional currency in which one of the subsidiaries operates continues to be hyper-inflationary and the results of its operations have been prepared in terms of the IAS 29 "Financial Reporting in Hyper-inflationary Economies".

### 27. Foreign currency translation reserve

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

Opening balance	(396 412)	(294 849)	-	-
Exchange differences on translating foreign operations	(75 012)	(103 801)	-	-
Exchange differences on translating foreign operations attributable to non-controlling interest	(2 540)	2 238	-	-
	<b>(473 964)</b>	<b>(396 412)</b>	-	-

Foreign currency translation reserve comprises of:

Foreign currency translation reserve - continuing operations	(473 964)	(389 555)	-	-
Foreign currency translation reserve - discontinued operations	-	(6 857)	-	-
	<b>(473 964)</b>	<b>(396 412)</b>	-	-

### 28. 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.

### 29. Long term borrowings

#### Bank Borrowings held at amortised cost

##### Secured

First National bank of Botswana Limited	64 219	-	-	-
Absa Bank of Botswana Limited	292 906	266 342	-	-
Stanbic Bank of Botswana Limited	163 161	180 095	-	-
ABSA Bank South Africa Limited	7 339	-	-	-
Absa Bank Kenya Plc	24 173	-	-	-
<b>Unsecured</b>			-	-
Loan from shareholders	107 074	101 517	-	-
Shanta Retail Holding Limited	43 619	-	-	-
	<b>702 491</b>	<b>547 954</b>	-	-

#### Non-current liabilities

Term loans	616 362	355 665	-	-
------------	---------	---------	---	---

#### Current liabilities

Current portion of long term loans	86 129	192 289	-	-
	<b>702 491</b>	<b>547 954</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 29. Long term borrowings (continued)

#### Absa Bank of Botswana Limited, Stanbic Bank of Botswana Limited and First National Bank of Botswana Limited

The lenders have made available three term facility loans: -

Facility	End Date	Absa	Stanbic	FNB	Total Facility	Balance at June 2021
Facility A1	Feb-2023	72 000 000	41 000 000	16 000 000	129 000 000	103 286 478
Facility B	Feb-2026	150 000 000	84 000 000	33 000 000	267 000 000	267 000 000
Facility C	Mar-2026	84 000 000	47 000 000	19 000 000	150 000 000	150 000 000
<b>Total</b>		<b>306 000 000</b>	<b>172 000 000</b>	<b>68 000 000</b>	<b>546 000 000</b>	<b>520 286 478</b>

- Facility A1 is repayable by way of monthly equal instalments commencing in March 2021 and ending in February 2023.
- Facility B is repayable by way of monthly equal instalments commencing in March 2023 and ending in February 2026.
- Facility C is repayable in by way of a lump sum in March 2026.

Facility A1 is part of a basket of facilities including the Absa Bank of SA loan (facility A2) and Absa Bank of Kenya loan (facility A3) as detailed in the notes below and the Bank Overdraft (facility D) as detailed in note 22.

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 the Botswana prime lending rate. Interest accrues on a day-to-day basis and is calculated based on 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.

These loans were used to settle the facility loans from Absa Bank and Stanbic shown under the prior year, in full in March 2021 with the remaining funds used towards the repayment of the bank overdraft, capital expenditure, operating expenses and general corporate purposes, including the payment of all fees and expenses relating to the implementation of the facilities.

#### Absa South Africa Bank Limited

The lenders have made available a term facility loan: -

Facility	End Date	Absa ZAR	Nominal amount BWP	Balance at June 2021 BWP
Facility A2	Jan-2023	12 129 084	8 972 544	7 339 442

Facility A2 is repayable by way of monthly equal instalments commencing in March 2021 and ending in January 2023.

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 the South African prime lending rate. Interest accrues on a day-to-day basis and is calculated based on 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.

#### Absa Bank of Kenya Plc

In the prior year the outstanding balance was transferred to liabilities for disposal group. The facility was for KSH 300 000 000. During the current financial year the Kenyan Shilling loan was transferred from the Kenyan subsidiary to Botswana and converted to a US Dollar loan.

The lenders have made available a US Dollar term facility loan: -

Facility	End Date	Absa US\$	Nominal amount BWP	Balance at June 2021 BWP
Facility A3	Feb-2023	2 800 000	31 080 000	24 173 026

Facility A3 is repayable by way of monthly equal instalments commencing in March 2021 and ending in February 2023.

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 the Libor lending rate. Interest accrues on a day-to-day basis and is calculated based on 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

### 29. Long term borrowings (continued)

Facility loans A to C are subject to financial covenants. Under the terms of the major borrowing facilities, the Botswana Group\* is required to comply with the following financial covenants, calculated on the basis that IAS 17 - Leases is still applied:

- Botswana Group gross debt to EBITDA ratio must not exceed 2.0 times;
- Botswana Group interest cover ratio (EBITDA divided by finance charges) must be minimum of 1.2 times;
- Botswana debt service cover ratio (free cash flow divided by the debt service costs) must be a minimum of 1.2 times.

The Botswana Group has complied with these covenants throughout the reporting period. As at the reporting date, these ratios measure as follows:-

	2021	2020
• Gross debt to EBITDA	1.1	N/A
• Interest Cover ratio	5.2	N/A
• Debt service cover ratio	2.0	N/A

\*The Botswana Group consists of the parent company and the Botswana subsidiary - Choppies Distribution Centre (Pty) Ltd.

### Shanta Retail Holding Limited

In August 2019, the Group obtained a short term loan for USD 4 million to further finance the working capital requirements of Choppies Enterprises Kenya Limited from the minority shareholder Shanta Retail Holding Limited. Choppies Enterprises Limited issued a guarantee for the loan and entered into convertible loan agreement with a minority shareholder of Shanta Retail Holding Limited on the condition that, the loan amount will be converted in to shares in the event that Choppies Enterprises Limited defaults on repayment when due.

The loan is interest free and has no fixed repayment terms. The loan was included under liabilities for disposal group in the prior year.

The loan is guaranteed by the founding shareholders in their personal capacity. If this loan is called before the Group has enough cash to cater for it, the founding shareholders have agreed to settle it in their personal capacity and then agree suitable terms of repayment with CEL.

### Loan from founding 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 intercreditor agreement, the founding shareholders effected a payment of BWP 100 million on 19 October 2019 to the agent for the lenders. The capital of the loan bears interest at a rate equal to 0.5% 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.

At the reporting date, borrowings payables were as follows:

#### Cash flows within one year

Capital repayments	86 129	192 289	-	-
Interest	38 931	22 549	-	-
	<b>125 060</b>	<b>214 838</b>	-	-

#### Cash flows within two to five years

Capital repayments	616 362	356 665	-	-
Interest	81 387	17 120	-	-
	<b>697 749</b>	<b>373 785</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020
<b>29. Long term borrowings (continued)</b>				
<b>Total</b>				
Capital repayments	702 491	547 954	-	-
Interest	120 318	39 669	-	-
	<b>822 809</b>	<b>587 623</b>	-	-
<b>30. Lease liabilities</b>				
<b>Minimum lease payments due</b>				
- within one year	196 035	203 065	-	-
- in second to fifth year inclusive	495 485	537 638	-	-
- later than five years	205 552	197 938	-	-
	<b>897 072</b>	<b>938 641</b>	-	-
less: future finance charges	(175 426)	(185 656)	-	-
<b>Present value of minimum lease payments</b>	<b>721 646</b>	<b>752 985</b>	-	-
<b>Present value of minimum lease payments due</b>				
- within one year	149 445	153 116	-	-
- in second to fifth year inclusive	393 709	434 075	-	-
- later than five years	178 492	165 794	-	-
	<b>721 646</b>	<b>752 985</b>	-	-
Non-current liabilities	572 201	599 869	-	-
Current liabilities	149 445	153 116	-	-
	<b>721 646</b>	<b>752 985</b>	-	-

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 statement of financial position 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 12).

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) Limited

#### Finance lease liabilities

These lease liabilities are secured over motor vehicles with a net book value of BWP 1 889 313 (2020: BWP 68 605 271). These liabilities bear interest at the South African prime lending rate less 0.5%-1% per annum and are repayable in 24-36 monthly instalments.

### Wesbank Botswana Limited

#### Finance lease liabilities

These lease liabilities were repaid in full during the financial year.

### Alensy Energy Solutions (Pty) Ltd

These lease liabilities are secured over solar equipment with a net book value of BWP 1 620 868 (2020: BWP nil). These liabilities bear interest at the South African prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company
Figures in BWP Thousand	2021	2020

### 30. Lease liabilities (continued)

#### 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:

Variable lease (concession) payments	(3 537)	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.

Total cash outflow for leases for the year ended 30 June 2021 was BWP 162 153 058 (2020: BWP 162 910 002).

Additional information on the right-of-use assets by class of assets is as follows:

	30 June 2021		
	Carrying amounts (note 12)	Depreciation expense	Impairment
Buildings	580 319	168 413	-
Motor vehicles	1 889	752	-
	<b>582 208</b>	<b>169 165</b>	-

	30 June 2020		
	Carrying amounts (note 12)	Depreciation expense	Impairment
Buildings	666 282	157 891	-
Motor vehicles	68 605	9 404	-
Aircraft	37 214	1 170	-
	<b>772 101</b>	<b>168 465</b>	-

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.

### 31. Deferred tax

The movement in deferred taxation is analysed as follows:

#### Reconciliation of deferred tax liability

At beginning of year	(29 062)	(32 262)	-	-
Business combination	1 747	-	-	-
Charge to the profit or loss	8 609	(1 310)	-	-
Foreign exchange differences including effects of hyper inflation	161	4 510	-	-
	<b>(18 545)</b>	<b>(29 062)</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020
<b>31. Deferred tax (continued)</b>				
Accelerated capital allowances on items of property, plant and equipment	(39 744)	(46 120)	-	-
Lease liabilities	124 848	128 652	-	-
Right of use asset	(104 394)	(110 211)	-	-
Advances and Deposits	-	(54)	-	-
Provisions	-	131	-	-
Tax losses carried forward	2 205	-	-	-
Unrealised Forex Loss	(1 460)	(1 460)	-	-
	<b>(18 545)</b>	<b>(29 062)</b>	-	-

## 32. Changes in liabilities arising from financing activities

### Reconciliation of liabilities arising from financing activities - Group - 2021

	Opening balance	Discontinued operations	Foreign exchange movements	New loans	Interest non-cash movements	Repayments	Closing balance
Borrowings	547 954	115 518	(2 958)	555 649	7 074	(520 746)	702 491
Finance lease liabilities	753 316	-	17 469	113 014	-	(162 153)	721 646
<b>Total liabilities from financing activities</b>	<b>1 301 270</b>	<b>115 518</b>	<b>14 511</b>	<b>668 663</b>	<b>7 074</b>	<b>(682 899)</b>	<b>1 424 137</b>

Repayments relating to borrowings of BWP 520 745 626 are split on the statement of cash flows between continuing operations of BWP 482 408 846 and discontinued operations of BWP 38 336 780.

### Reconciliation of liabilities arising from financing activities - Group - 2020

	Opening balance	Discontinued operations	Foreign exchange movements	Adjustment on movements transition to IFRS 16	New loans	Interest non-cash movements	Repayments	Closing balance
Borrowings	618 871	(71 233)	1 955	-	100 000	1 517	(103 156)	547 954
Lease liabilities	54 284	(17 556)	(976)	880 474	-	-	(162 910)	753 316
<b>Total liabilities from financing activities</b>	<b>673 155</b>	<b>(88 789)</b>	<b>979</b>	<b>880 474</b>	<b>100 000</b>	<b>1 517</b>	<b>(266 066)</b>	<b>1 301 270</b>

There is no financing activity in the company, CEL.

## 33. Trade and other payables

Trade payables	440 889	413 565	-	-
Other payables	110 379	98 532	781	9 963
Withholding tax payable	2 652	2 239	-	-
Vat payables	6 897	1 852	-	-
Consideration payable to Kind Investment (Pty) Ltd	7 644	55 037	3 630	55 037
	<b>568 461</b>	<b>571 225</b>	<b>4 411</b>	<b>65 000</b>

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 38.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 34. 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 BWP 27 million in favour of Absa Bank of Botswana Limited in respect of an overdraft facility of BWP 53 million and a guarantee of BWP 40 million in favour of Standard Chartered Bank Botswana Limited in respect of an overdraft facility of BWP 40 million.

Choppies Enterprises Limited has the following guarantees issued for Nanavac Investments (Pvt) Limited:

Beneficiaries	2021 US\$'000	2020 US\$'000	2021 BWP'000	2020 BWP'000
Delta Corporation Limited	800	800	8 724	8 193
National Foods Operations Limited	2 000	700	21 810	7 168
Dairibord Zimbabwe (Pvt) Limited	1 000	1 000	10 905	10 241
Unilever Zimbabwe (Pvt) Limited	800	800	8 724	8 193
Lobel's Biscuits (Pvt) Limited	400	-	4 362	-
Zimbabwe Sugar Sales (Pvt) Limited	479	479	5 224	5 655
	<b>5 479</b>	<b>3 779</b>	<b>59 749</b>	<b>39 450</b>

The guarantees are callable on demand.

Choppies Enterprises Limited has the following guarantees issued for Choppies Enterprises Kenya Limited:

Beneficiaries	2021 KES'000	2020 KES'000	2021 BWP'000	2020 BWP'000
Kapa Oil Refineries Limited	-	20 000	-	1 972
Unga Limited	-	27 000	-	2 662
Del Monte Kenya Limited	-	10 000	-	986
Tiger Brands (EA) Limited	-	20 000	-	1 972
	<b>-</b>	<b>77 000</b>	<b>-</b>	<b>7 592</b>

Choppies Enterprises Limited has the following guarantees issued for Choppies Supermarkets Tanzania Limited:

Beneficiaries	2021 TZS'000	2020 TZS'000	2021 BWP'000	2020 BWP'000
Tanzanian Breweries Limited	10 000	10 000	47	46
Bonite Bottlers Limited	7 500	7 500	35	34
	<b>17 500</b>	<b>17 500</b>	<b>82</b>	<b>80</b>

Choppies Enterprises Limited has the following guarantees issued for Choppies Supermarket Mozambique LDA:

Beneficiaries	2021 MZN'000	2020 MZN'000	2021 BWP'000	2020 BWP'000
Cervejas De Mozambique, S.A.R.L	-	3 000	-	511

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020

### 34. Contingent liabilities (continued)

Choppies Supermarkets SA (Pty) Limited had the following guarantees at the date of disposal (as per the closing sale agreement):

Beneficiaries	2021	2020	2021	2020
	ZAR'000	ZAR'000	BWP'000	BWP'000
Consumer Goods and Services	138	138	105	94
Southern African Music Rights Organisation	561	561	428	381
Delareyville Municipality	1 892	1 892	1 444	1 286
QWIX Technology	780	780	1 595	530
Barakaat Property Investments (Mondeor Lease)	499	499	381	339
Recyquip Engineering and Manufacturing (Pty) Ltd	1 282	1 282	979	871
Mont Catering & Refrigerations SA (Pty) Ltd	6 709	6 709	5 121	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
	<b>11 861</b>	<b>44 474</b>	<b>10 053</b>	<b>30 233</b>

•Guarantees for Tanzania and Mozambique will be released once supplier dues are fully settled.

•Guarantees to South Africa expire on 30 September 2021.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 35. Business combinations

On 1 October 2020, Jexman Holdings Proprietary Limited, a wholly owned subsidiary of Choppies Distribution Centre (Pty) Ltd, purchased 100% of the shares in the Botswana subsidiary of Uae Exchange International Holdings Limited. The Group rebranded the business as MonyGlob (Pty) Ltd trading as MonyGlob Bureau De Change. MonyGlob's business and principal activities are money transfer and foreign exchange.

The acquisition expands the Group's presence in areas previously under-serviced by Choppies and are expected to increase revenue and earnings in the future. As a socially responsible corporate Group, the Group retained all staff working in the acquired business and employed additional staff to enhance the management team.

The net assets of the acquired businesses are summarised as follows.

#### Fair value of assets acquired and liabilities assumed

Property, plant and equipment	8 881	-	-	-
Deferred tax	1 746	-	-	-
Trade and other receivables	933	-	-	-
Current tax receivable	217	-	-	-
Cash and cash equivalents	3 385	-	-	-
Lease liabilities	(7 625)	-	-	-
Trade and other payables	(1 612)	-	-	-
<b>Total identifiable net assets</b>	<b>5 925</b>	-	-	-

#### Acquisition date fair value of consideration paid

Purchase consideration	(5 925)	-	-	-
------------------------	---------	---	---	---

The acquisition-related costs amounted to BWP 179 000. These costs have been expensed in the year of acquisition and are included in professional charges in the statement of profit or loss.

The fair value of the trade and other receivables approximates its gross contractual cash flows and amounts.

The amount of losses of MonyGlob (Pty) Ltd since acquisition date at 01 October 2020 included in the consolidated profit is BWP 1 103 912. The amount of losses of MonyGlob (Pty) Ltd for the current reporting period as though the acquisition date for MonyGlob (Pty) Ltd had been as of the beginning of the reporting period at 01 July 2020 is BWP 3 480 488.

The acquisition is currently impacted by the pandemic and especially due to the lack of tourism.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company		
Figures in BWP Thousand	2021	2020	2021	2020

### 36. Related parties

Subsidiaries

Refer to note 14

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

##### Amounts due from related entities (subsidiaries)

Choppies Distribution Centre (Pty) Ltd	-	-	141 222	206 459
Nanavac Investments (Pty) Ltd	-	-	35 093	35 093
Nanavac Investments (Pty) Ltd - impairment	-	-	(17 879)	(17 879)
Choppies Supermarkets Limited (Zambia)	-	-	9 546	9 546
Choppies Supermarkets Namibia (Pty) Limited	-	-	476	476
	-	-	<b>168 458</b>	<b>233 695</b>

The balances are unsecured, interest-free and repayable on demand. In the company an impairment reversal of BWP 2 517 (2020: BWP 14 105 194) was recognised for amounts due from related party, Choppies Supermarket SA (Pty) Ltd. No other impairment losses have been recognised during the financial year.

Related entities are third parties in which one or both of the founding shareholders or their immediate family members have significant control through ownership or directorship.

These balances are trading related, are based on mutually agreed terms and conditions, unsecured and interest-free and are payable under normal trading terms.

##### Amounts due from related entities (third parties)

Adam's Apple (Pty) Ltd	-	26	-	-
Admiral Touch (Pty) Ltd	31	50	-	-
Alpha Direct Insurance Company (Pty) Ltd	-	9	-	-
Arcee (Pty) Ltd	53	75	-	-
Auto World (Pty) Ltd	82	-	-	-
Bagpiper (Pty) Ltd	41	72	-	-
Balance Fortune (Pty) Ltd	12	9	-	-
Boitumelo Foundation	-	319	-	-
Cottonvale (Pty) Ltd	1	27	-	-
Distrion Botswana (Pty) Ltd	28	-	-	-
Electrometric Enterprises (Pty) Ltd	-	7	-	-
Farouk Ismail	-	2	-	-
Feasible Investments (Pty) Ltd	60	60	-	-
Gainville (Pty) Ltd	18	-	-	-
Golkonda Holding (Pty) Ltd	-	40	-	-
Honey Guide (Pty) Ltd	66	32	-	-
Ilo Industries (Pty) Ltd	251	623	-	-
JB Sports Holdings (Pty) Ltd	-	41	-	-
Kala Hari Medical Distributors (Pty) Ltd	1 753	-	-	-
Keriotic Investments (Pty) Ltd	1 027	1 676	-	-
Lubsoga (Pty) Ltd	1	-	-	-
Mackinnon Holdings (Pty) Ltd	2	5	-	-
Mediland Health Care Distributors (Pty) Ltd	-	59	-	-
Mont Catering and Refrigeration (Pty) Ltd	1	9	-	-
Ovais Investments (Pty) Ltd	43	-	-	-
Pennywise Investments (Pty) Ltd	6	6	-	-
Princeton (Pty) Ltd	4	11	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020
<b>36. Related parties (continued)</b>				
RBV Consultants (Pty) Ltd	466	818	-	-
Real Plastic Mould (Pty) Ltd*	95	(34)	-	-
Rootlet (Pty) Ltd	6	6	-	-
Shaysons Investments (Pty) Ltd	80	153	-	-
Solace (Pty) Ltd	225	566	-	-
Strides of Success (Pty) Ltd	5	1	-	-
The Far Property Company (Pty) Ltd	9	11	-	-
Vet Agric Suppliers (Pty) Ltd	924	721	-	-
Zcx Investments (Pty) Ltd	20	14	-	-
	<b>5 310</b>	<b>5 414</b>	-	-

The balances are trading related, are based on mutually agreed terms and conditions, unsecured and interest free and repayable under normal trading terms.

\*Negative values are advance payments received.

### Amounts due to related entities (third parties)

Adam's Apple (Pty) Ltd	-	280	-	-
Admiral Touch (Pty) Ltd	390	268	-	-
Alpha Direct Insurance Company (Pty) Ltd	-	4 600	-	-
Anuksha (Pty) Ltd	16	21	-	-
Arcee (Pty) Ltd	998	314	-	-
Auto World (Pty) Ltd	58	-	-	-
Bagpiper (Pty) Ltd	439	363	-	-
Balance Fortune (Pty) Ltd	2 345	350	-	-
Bargen (Pty) Ltd	104	-	-	-
Browallia (Pty) Ltd	-	7	-	-
Cottonvale (Pty) Ltd	13	33	-	-
Distron Botswana (Pty) Ltd	1 660	571	-	-
Distron Zambia (Pty) Ltd	614	108	-	-
ETG (Pty) Ltd	4	-	-	-
Electrometic Enterprises (Pty) Ltd	885	854	-	-
Feasible Investment (Pty) Ltd	2 708	4 789	-	-
Ghanzi Highway Filling Station (Pty) Ltd	33	11	-	-
Honey Guide (Pty) Ltd	3 429	5 886	-	-
Ilo Industries (Pty) Ltd	3 211	11 402	-	-
Industrial Filling Station (Pty) Ltd	28	20	-	-
Kala Hari Medical Distributors (Pty) Ltd	11	-	-	-
Kamoso Africa (Pty) Ltd	216	-	-	-
Keriotic Investments (Pty) Ltd	18 081	30 862	-	-
Keriotic Investments SA (Pty) Ltd	-	776	-	-
Mackinnon Holdings (Pty) Ltd	49	22	-	-
Mall Motors Botswana (Pty) Ltd	-	8	-	-
Mediland Health Care Distributors (Pty) Ltd	-	11	-	-
Mont Catering and Refrigeration (Pty) Ltd	90	187	-	-
Mont Catering and Refrigeration SA (Pty) Ltd	526	920	-	-
Part Quip (Pty) Ltd	52	-	-	-
Pennywise Investments (Pty) Ltd	5	68	-	-
Pharma Futura (Pty) Ltd	386	-	-	-
Pinestone (Pty) Ltd	336	269	-	-
Prosperous People (Pty) Ltd	62	56	-	-
RBV Consultants (Pty) Ltd	4 032	6 482	-	-
RBV Consultants SA (Pty) Ltd	-	90	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020
<b>36. Related parties (continued)</b>				
Real Plastic Mould (Pty) Ltd	1 071	451	-	-
Shaysons Investments (Pty) Ltd	248	26	-	-
Shree Trading (Pty) Ltd	19	-	-	-
Solace (Pty) Limited	483	3 355	-	-
The Far Property Company Ltd	-	4 205	-	-
Vet Agric Suppliers (Pty) Ltd	1 103	5 088	-	-
Whitecoral (Pty) Ltd	29	20	-	-
Zcx Investment (Pty) Ltd	-	21	-	-
	<b>43 734</b>	<b>82 794</b>	-	-
<b>Related party transactions</b>				
<b>Purchase of goods or services from related entities</b>				
Adam's Apple (Pty) Ltd	-	4 606	-	-
Admiral Touch (Pty) Ltd	6 566	3 639	-	-
Alpha Direct Insurance Company (Pty) Ltd	-	6 443	-	-
Anuksha (Pty) Ltd	243	-	-	-
Arcee (Pty) Ltd	2 650	9 188	-	-
Ascending Returns (Pty) Ltd	-	698	-	-
Auto World (Pty) Ltd	465	-	-	-
Bagpiper (Pty) Ltd	238	6 067	-	-
Balance Fortune (Pty) Ltd	11 573	8 042	-	-
Bargen (Pty) Ltd	373	-	-	-
Botswana Telecommunications Corporation Ltd	-	7 461	-	-
Cottonvale (Pty) Ltd	74	33	-	-
Dinawa Farms (Pty) Ltd	110	-	-	-
Distrion Botswana (Pty) Ltd	7 632	3 290	-	-
Distrion Zambia (Pty) Ltd	-	3 997	-	-
Electrometic Enterprises (Pty) Ltd	5 006	5 703	-	-
Feasible Investment (Pty) Ltd	18 194	24 113	-	-
Ghanzi Highway Filling Station (Pty) Ltd	320	272	-	-
Honey Guide (Pty) Ltd	45 067	59 291	-	-
Ilo Industries (Pty) Ltd	49 722	67 428	-	-
Industrial Filling Station (Pty) Ltd	382	86	-	-
JB Sports Holdings (Pty) Ltd	-	125	-	-
Kala Hari Medical Distributors (Pty) Ltd	3 405	-	-	-
Kamoso Africa (Pty) Ltd	1 055	-	-	-
Keriotic Investments (Pty) Ltd	126 850	147 896	-	-
Longreach (Pty) Ltd	-	2	-	-
Mackinnon Holdings (Pty) Ltd	369	692	-	-
Mall Motors Botswana (Pty) Ltd	-	110	-	-
Mediland Health care distributors (Pty) Ltd	-	182	-	-
Megatop Holdings (Pty) Ltd	175	-	-	-
Mont Catering and Refrigeration (Pty) Ltd	2 163	11 610	-	-
Mont Catering and Refrigeration SA (Pty) Ltd	86	3 499	-	-
Part Quip (Pty) Ltd	742	-	-	-
Pearl Grey (Pty) Ltd	6	60	-	-
Pennywise Investments (Pty) Ltd	242	259	-	-
Pharma Futura (Pty) Ltd	13 060	-	-	-
Pinestone (Pty) Ltd	3 797	4 421	-	-
Prosperous People (Pty) Ltd	755	1 047	-	-
Q Tique 79 (Pty) Ltd	-	63	-	-
RBV Consultants (Pty) Ltd	29 166	35 043	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020
<b>36. Related parties (continued)</b>				
Real Plastic Mould (Pty) Ltd	11 921	17 370	-	-
Sariox (Pty) Ltd	532	-	-	-
Shaysons Investments (Pty) Ltd	1 192	2 921	-	-
Shree Trading (Pty) Ltd	200	-	-	-
Solace (Pty) Ltd	40 947	42 620	-	-
Vet Agric Suppliers (Pty) Ltd	99 611	102 243	-	-
Whitecoral (Pty) Ltd	141	289	-	-
Zcx Investment (Pty) Ltd	475	251	-	-
	<b>485 505</b>	<b>581 060</b>	-	-
<b>Sale/(sales returns) of stock to related entities</b>				
Adam's Apple (Pty) Ltd	-	365	-	-
Admiral Touch (Pty) Ltd	940	490	-	-
Alpha Direct Insurance Company (Pty) Ltd	-	271	-	-
Arcee (Pty) Ltd	637	765	-	-
Auto World (Pty) Ltd	1 382	-	-	-
Backwater Holdings (Pty) Ltd	-	4	-	-
Bagpiper (Pty) Ltd	538	833	-	-
Balance Fortune (Pty) Ltd t/a Quick	126	137	-	-
Boitumelo Foundation	107	660	-	-
Brass Lock (Pty) Ltd	-	18	-	-
Bull Shot (Pty) Ltd	-	93	-	-
Cottonvale (Pty) Ltd	131	129	-	-
Distrion Botswana (Pty) Ltd	28	3	-	-
Electrometic Enterprises (Pty) Ltd	86	86	-	-
Farouk Ismail	5	239	-	-
Feasible Investments (Pty) Ltd	579	647	-	-
Gainville (Pty) Ltd	80	-	-	-
Golkonda Holding (Pty) Ltd	-	454	-	-
Honey Guide (Pty) Ltd	112	512	-	-
Ilo Industries (Pty) Ltd	2 816	4 188	-	-
Kala Hari Medical Distributors (Pty) Ltd	2 429	-	-	-
Kamoso Africa (Pty) Ltd	3	-	-	-
Keriotic Investments (Pty) Ltd	6 700	11 411	-	-
Lubsoga (Pty) Ltd	29	-	-	-
Mackinnon Holdings (Pty) Ltd	67	148	-	-
Mediland Health Care Distributors (Pty) Ltd	-	349	-	-
Megatop Holdings Proprietary Limited	105	-	-	-
Mont Catering and Refrigeration (Pty) Ltd	12	69	-	-
Mont Catering and Refrigeration SA (Pty) Ltd	-	5	-	-
Ovais Investment (Pty) Ltd	383	401	-	-
Pennywise Investments (Pty) Ltd	60	-	-	-
Pharma Futura (Pty) Ltd	26	-	-	-
Princeton (Pty) Ltd	22	38	-	-
Prosperous People (Pty) Ltd	-	3	-	-
RBV Consultants (Pty) Ltd	3 073	4 588	-	-
Real Plastic Mould (Pty) Ltd	777	1 177	-	-
Rootlet (Pty) Ltd	81	-	-	-
Shaysons Investments (Pty) Ltd	258	731	-	-
Solace (Pty) Limited	3 196	3 535	-	-
Strides of Success (Pty) Ltd	47	15	-	-
Texo (Pty) Ltd	-	1	-	-
The FAR Property Company (Pty) Ltd	178	114	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020
<b>36. Related parties (continued)</b>				
Venta (Pty) Ltd	10	-	-	-
Venta (Pty) Ltd	-	118	-	-
Vet Agric Suppliers (Pty) Ltd	8 826	-	-	-
Weal (Pty) Ltd	-	23	-	-
Zappos (Pty) Ltd	-	4	-	-
Zcx Investment (Pty) Ltd	186	208	-	-
	<b>34 035</b>	<b>32 832</b>	-	-
<b>Rent paid to related entity</b>				
The FAR Property Company (Pty) Ltd*	58 744	68 411	-	-
<b>Interest on shareholder's loan</b>				
R Ottapathu	4 446	1 214	-	-
FE Ismail	1 111	303	-	-
	<b>5 557</b>	<b>1 517</b>	-	-

\*Rent paid is the actual rental payments as per lease agreements. Included in the statement of profit or loss and other comprehensive income is an interest expense of BWP 16 107 919 (2020: BWP 16 32 958) relating to the right-of-use asset.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

Figures in BWP Thousand	Group		Company	
	2021	2020	2021	2020

### 37. Directors' and key personnel remuneration

The table below provides key management personnel compensation during the year including directors. These amounts are included in employee costs in note 7.

#### Directors fees

##### Non - executive directors

His Excellency FG Mogae	-	200	-	-
W Mpai	-	267	-	-
DA Kgosietsile	-	467	-	-
FE Ismail	300	300	-	-
CJ Harward	767	533	-	-
DKU Corea	400	433	-	-
T Pritchard	733	567	-	-
	<b>2 200</b>	<b>2 767</b>	-	-

#### Salaries

##### Executive directors

FE Ismail	-	1 202	-	-
R Ottapathu*	7 572	9 839	-	-
H Stander	-	358	-	-
	<b>7 572</b>	<b>11 399</b>	-	-

\*Last year includes BWP 775 542 that was disclosed under other administrative expenses in note 7.

#### Retainer fees

##### Non - executive directors

His Excellency FG Mogae	-	88	-	-
FE Ismail	300	250	-	-
T Pritchard	366	305	-	-
DKU Corea	600	500	-	-
CJ Harward	300	250	-	-
	<b>1 566</b>	<b>1 393</b>	-	-

#### Salaries

##### Related to other key management personnel

M Rajcoomar	2 599	399	-	-
V Sanooj	1 881	1 539	-	-
	<b>4 480</b>	<b>1 938</b>	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 38. 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 and interest rates 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.

#### 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:

	2021	2020
<b>Interest cost</b>		
<b>Botswana</b>		
Absa Bank of Botswana Limited (overdraft)	Prime plus 0.17%	Prime less 2.5%
Stanbic Bank Botswana Limited (overdraft)	Prime plus 0.17%	-
First National Bank Botswana Limited (overdraft)	Prime plus 0.17%	-
Absa Bank of Botswana Limited (term loan)	Prime plus 0.81%	Prime
Stanbic Bank Botswana Limited (term loan)	Prime plus 0.81%	Prime less 2%
First National Bank Botswana Limited (term loan)	Prime plus 0.81%	-
Absa Bank Kenya PLC	Libor plus 3%	
Shanta Retail Holding Limited	-	-
Standard Chartered Bank Botswana Limited (overdraft)		Prime less 1%
Wesbank Botswana Limited	-	Prime less 2%

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 38. Risk management (continued)

#### South Africa

	2021	2020
Absa Bank of Botswana Limited	Prime plus 2%	Prime lending rate
Alensy Energy Solutions (Pty) Ltd	Prime plus 2%	-
Scania Finance Southern Africa	Prime less 2%	Prime less 2%

---

#### Zimbabwe

	2021	2020
Absa Bank of Zimbabwe Limited	-	3.5% above 3-month LIBOR
Absa Bank of Zimbabwe Limited (overdraft)	-	3.5% above 3-month LIBOR

---

#### Interest income

##### Botswana

	2021	2020
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%

---

The following are the Pula equivalent of the balances susceptible to interest rate risk:

In BWP'000	Group		Company	
	2021	2020	2021	2020
Long-term borrowings	(702 491)	(547 954)	-	-
Bank overdrafts	(67 525)	(148 788)	-	-
Call accounts denominated in Pula	1 971	2 829	-	-
Call accounts denominated in foreign currencies	-	539	-	-
Fixed deposits with banks	4 514	4 323	-	-

---

With average interest rates as noted, an increase/decrease of 5% (2020: 5%) in the current interest rates during the reporting period would have increased/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 BWP 1 953 (2020: BWP2 672) 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

### 38. Risk management (continued)

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.

Group		30 June 2021		30 June 2020	
		Foreign currency amount	BWP equivalent	Foreign currency amount	BWP equivalent
South African Rand denominated assets – balances with banks	ZAR'000	26 485	20 244	5 200	3 535
United States Dollar denominated assets – balances with banks	US\$'000	642	6 823	346	4 085
British Pound Sterling denominated assets – balances with banks	GBP'000	151	2 281	151	2 192
South African Rand denominated assets – Receivables	R'000	26 317	20 115	21 596	14 681
United States Dollar denominated assets – Receivables	US\$'000	314	3 337	307	3 625
South African Rand denominated liabilities	ZAR'000	(199 992)	(152 864)	(267 382)	(181 769)
United States Dollar denominated liabilities	US\$'000	(3 552)	(37 747)	(213)	(2 515)
<b>Year-end exchange rates</b>					
South African Rand			1.3083		1.4710
United States Dollar			0.0941		0.0847
British Pound Sterling			0.0662		0.0689
<b>Average exchange rates</b>					
South African Rand			1.3800		1.4036
United States Dollar			0.0901		0.0891
British Pound Sterling			0.0665		0.0706

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 2021	Group 2020
	Impact on profit before tax	Impact on profit before tax
South African Rand denominated assets – balances with banks	2 249	354
United States Dollar denominated assets – balances with banks	758	409
British Pound Sterling denominated assets – balances with banks	253	219
South African Rand denominated assets – Receivables	2 235	1 468
United States Dollar denominated assets – Receivables	371	363
South African Rand denominated liabilities	(16 985)	(18 177)
United States Dollar denominated liabilities	(4 194)	(252)
	<b>(15 313)</b>	<b>(15 616)</b>

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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 38. Risk management (continued)

#### 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 according to the geographical location of customers where applicable.

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 2021 was determined as follows, (refer to note 20).

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:

In BWP'000	2021	2020	2021	2020
Trade receivables - net of provision for impairment	5 341	5 499	-	-
Other receivables	24 702	21 610	-	-
Rebate receivables	25 468	28 218	-	-
Advances and deposits	44 295	39 092	-	-
Amounts due from related entities	5 310	5 414	168 458	233 695
Bank balances	67 175	56 747	441	465
	<b>172 291</b>	<b>156 580</b>	<b>168 899</b>	<b>234 160</b>

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

### 38. Risk management (continued)

#### 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:

In BWP'000	2021	2020	2021	2020
Long term borrowings	702 491	547 954	-	-
Amounts due to related entities	43 734	82 794	-	-
Bank overdrafts	67 525	148 788	-	-
Trade payables	440 889	413 565	-	-
Other payables	118 023	153 569	4 411	9 963
	<b>1 372 662</b>	<b>1 346 670</b>	<b>4 411</b>	<b>9 963</b>

The following are the contractual maturities of the non-derivative financial liabilities, including estimated interest payments and the impact of netting agreements:

Group 2021 - In BWP'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Long -term borrowings	702 491	(822 809)	(125 060)	(697 749)	-
Lease liabilities	721 646	(897 072)	(196 035)	(495 485)	(205 552)
Amounts due to related entities	43 734	(43 734)	(43 734)	-	-
Bank overdrafts	67 525	(67 525)	(67 525)	-	-
Trade payables	440 889	(440 889)	(440 889)	-	-
Other payables	118 023	(118 023)	(118 023)	-	-
	<b>2 094 308</b>	<b>(2 390 052)</b>	<b>(991 266)</b>	<b>(1 193 234)</b>	<b>(205 552)</b>
Group 2020 - In BWP'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Long -term borrowings	547 954	(586 096)	(214 828)	(371 268)	-
Lease liabilities	752 985	(938 641)	(203 065)	(537 638)	(197 939)
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	(98 532)	(98 532)	-	-
	<b>2 099 655</b>	<b>(2 268 416)</b>	<b>(1 161 572)</b>	<b>(908 906)</b>	<b>(197 939)</b>
Company 2021 - In BWP'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Other payables	4 411	(4 411)	(4 411)	-	-
Company 2020 - In BWP'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Other payables	65 000	(65 000)	(65 000)	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

	Group	Company
Figures in BWP Thousand	2021	2020

### 38. Risk management (continued)

#### 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.

### 39. 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 39. Fair value information (continued)

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Financial assets mandatorily at fair value	Financial assets at amortised costs	Financial liabilities at amortised costs	Fair value	Level 1	Level 2	Level 3	Total
<b>In BWP'000</b>								
<b>Group 2021</b>								
<b>Assets</b>								
<b>Financial assets</b>								
<b>Mandatorily at fair value through profit or loss:</b>								
Investment in shares	3	-	-	-	3	-	-	3
<b>Financial assets not measured at amortised cost</b>								
Advances and deposits	-	44 295	-	44 295	-	-	-	-
Trade and other receivables	-	30 043	-	30 043	-	-	-	-
Amounts due from related entities	-	5 310	-	5 310	-	-	-	-
Cash and cash equivalents	-	67 175	-	67 175	-	-	-	-
	<b>3</b>	<b>146 823</b>		<b>146 823</b>	<b>3</b>	-	-	<b>3</b>
<b>Liabilities</b>								
<b>Financial liabilities not measured at fair value</b>								
Long-term borrowings	-	-	702 491	702 491	-	-	-	-
Lease liabilities	-	-	721 646	721 646	-	-	-	-
Trade and other payables	-	-	568 461	568 461	-	-	-	-
Amounts due from related entities	-	-	43 734	43 734	-	-	-	-
Bank overdraft	-	-	67 525	67 525	-	-	-	-
	-	-	<b>2 103 857</b>	<b>2 103 857</b>	-	-	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

### 39. Fair value information (continued)

In BWP'000	Financial assets	Financial assets at fair value	Financial liabilities at amortised cost	Fair value	Level 1	Level 2	Level 3	Total
	mandatorily at fair value	costs	amortised costs					
<b>Group 2020</b>								
<b>Assets</b>								
<b>Financial assets</b>								
<b>measured at fair value</b>								
Investment in shares	3	-	-	-	3	-	-	3
<b>Financial assets measured at amortised cost</b>								
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	-	-	-	-
	<b>3</b>	<b>128 362</b>		<b>128 362</b>	<b>3</b>	-	-	<b>3</b>
<b>Liabilities</b>								
<b>Financial liabilities measured at amortised cost</b>								
Long term borrowings	-	-	547 954	547 954	-	-	-	-
Lease liabilities	-	-	752 985	752 985	-	-	-	-
Trade and other payables	-	-	571 225	571 225	-	-	-	-
Amounts due to related entities	-	-	82 794	82 794	-	-	-	-
Bank overdraft	-	-	148 788	148 788	-	-	-	-
	-	-	<b>2 103 746</b>	<b>2 103 746</b>	-	-	-	-
Carrying value is a reasonable approximation of fair value.								
<b>Company 2021</b>								
<b>Assets</b>								
<b>Financial assets measured at amortised cost</b>								
Amounts due from related entities	-	168 458	-	168 458	-	-	-	-
Cash and cash equivalents	-	441	-	441	-	-	-	-
	<b>-</b>	<b>168 899</b>		<b>168 899</b>	<b>-</b>	-	-	<b>-</b>
<b>Liabilities</b>								
<b>Financial liabilities measured at amortised cost</b>								
Other payables	-	-	4 411	4 411	-	-	-	-

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

### 39. Fair value information (continued)

In BWP'000	Financial assets mandatorily at fair value	Financial assets at amortised costs	Financial liabilities at amortised costs	Fair value	Level 1	Level 2	Level 3	Total
<b>Company 2020</b>								
<b>Assets</b>								
<b>Financial assets measured at amortised cost</b>								
Amounts due from related entities	-	233 695	-	233 695	-	-	-	-
Cash and cash equivalents	-	465	-	465	-	-	-	-
	<b>-</b>	<b>234 160</b>	<b>-</b>	<b>234 160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>								
<b>Financial liabilities measured at amortised cost</b>								
Other payables	-	-	65 001	65 001	-	-	-	-
	<b>-</b>	<b>-</b>	<b>65 001</b>	<b>65 001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Carrying value is a reasonable approximation of fair value.

### 40. Financial support

Choppies Distribution Centre (Pty) Ltd, a wholly owned subsidiary of Choppies Enterprises Ltd, 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 BWP'000	2021	2020
Choppies Supermarkets Namibia (Pty) Limited	43 498	41 001
Choppies Supermarkets Limited (Zambia)	184 396	152 167
Nanavac Investments (Pvt) Limited	246 363	200 115
	<b>474 257</b>	<b>393 283</b>

### 41. 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's negative equity reduced from BWP 467.1 million at June 2020 to BWP 448.4 million as at June 2021 mainly due to trading profits and hyperinflationary translation reserves exceeding currency weaknesses in Zimbabwe.

It is to be noted that the continuing operations contributed a profit after tax of BWP 81.9 million (2020: BWP 98.9 million). Going forward, operating profits from the continuing operations are expected to build-up value for the Group as management's focus will be on the operations that have an operating profit namely Botswana Zambia, Zimbabwe and Namibia, which should help stabilise the Group and restore equity.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 41. Going concern (continued)

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 and thus become cashflow positive.

Although there are conditions and events that create doubt around the entity's ability to continue as a going concern, the ability of the Group and Company to continue as a going concern is dependent on many factors and indicators. The Board has considered, amongst other, the following relating to financial, operating and legislation towards management's assessment of going concern. It should be stressed that the Board has relied on information as prepared by management, and as listed below.

#### Financial indicators

- The consolidated and individual subsidiary budgets for the 2022 financial year indicate that the ongoing operations will 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 twelve months to June 2022 and beyond to consider the impact of the working capital and essential capital expenditure;
- The restructured debt facility will allow more flexibility and headroom compared to the previous structure. The new debt is detailed under note 30.
- Based on the forecasts, management is confident that the Group will comply with all covenant requirements going forward.
- As at June 2021, there are no fixed term borrowings that have matured and the projections do not indicate any challenges in repayment of borrowings in the next twelve months.
- The founding shareholders have also provided personal sureties towards the Kenyan loan to the minority shareholder's amounting to BWP 43.6 million (2020: BWP 73.9 million), with recourse thereafter to the Group;

#### Operational indicators

- Management have 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.
- The impact of the COVID-19 pandemic has been assessed by the Board and management. The impact on the Group's businesses was limited due to its operations been classified as essential services and hence not fully closed during the lockdown periods. The duration and future impact of the COVID-19 pandemic remains unclear at this time.
- 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.
- Management is aware of the competition in the markets in which they operate. They are confident of retaining and increasing 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 and management. 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.
- Management is not aware of any key legislative change which can affect the Group going forward.

Consequently, the Board relying on managements assessment, is confident that both the Company and Group will continue as going concerns in the foreseeable future.

#### 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 in which we operate 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.

# Choppies Enterprises Limited

(Registration number BW00001142508)

Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021

## Notes to the Consolidated and Separate Financial Statements

---

### 41. Going concern (continued)

Since the Group trades in essential commodities, it is allowed to continue operating during the lockdown period however the impact of COVID-19 on the Group's business is expected to result in uncertainty going forward. The impact of the pandemic during the financial year in the regions in which we trade did have a negative impact on the operations of the company in comparison with the budget and last year. This indicates that in future, despite the fact that we are essential services, the impact of the pandemic would be harmful to our performance.

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 in which we operate.

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 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.

### 42. Events after the reporting period

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

**42.2** We do not expect any material effects on our logistics networks or any supply chain disruptions due to the recent civil unrest in South Africa.