

Abridged Audited Group Financial results for the twelve months ended **30 June 2022**

Group retail sales	Group operating profit	Group profit after tax	Group basic EPS	Group net cash generated from operating activities
 13.3%	 23.5%	 141.7%	 105.8%	 22.5%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

Figures in Pula millions	Audited 12 Months ended 30 June 2022 BWPM	Audited 12 Months ended 30 June 2021 BWPM
Continuing operations		
Revenue	6 097	5 376
Retail sales	6 042	5 331
Cost of sales	(4 735)	(4 142)
Gross profit	1 307	1 189
Other operating income	55	45
Expenditure	(1 083)	(1 008)
Loss on disposal of plant and equipment	(2)	–
Expected credit loss movement	(7)	17
Administrative expenses	(834)	(857)
Selling and distribution expenses	(35)	(16)
Foreign exchange gains/(losses) on lease liability	28	(19)
Contingent consideration on sale of South African operations	(20)	–
Foreign exchange gains on Zimbabwean legacy debt receipts	15	–
Other operating expenses	(220)	(134)
Net monetary loss on Zimbabwe entities	(8)	1
Operating profit before interest	279	226
Finance costs	(99)	(110)
Profit before taxation	180	116
Taxation	(35)	(34)
Profit from continuing operations	145	82
Loss from discontinued operations	–	(22)
Total profit/(loss) for the period	145	60
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(113)	(75)
Exchange differences on translating foreign operations in hyperinflationary currency	75	34
	(38)	(41)
Total comprehensive income for the year	107	19
Profit/(loss) for the period attributable to:		
Owners of the parent	140	69
Non-controlling interest	5	(9)
	145	60
Total comprehensive income/(loss) for the year attributable to		
Owners of the parent	140	85
From continuing operations	–	(16)
From discontinued operations	140	69
Non-controlling interests		
From continuing operations	5	(3)
From discontinued operations	–	(6)
	5	(9)
Total comprehensive income/(loss) attributable to		
Owners of the parent	103	25
Non-controlling interests	4	(6)
	107	19
Basic earnings/(loss) per share (thebe)		
Continuing operations	10.7	6.5
Discontinuing operations	–	(1.3)
	10.7	5.2
Diluted earnings/(loss) per share (thebe)		
Continuing operations	10.7	6.5
Discontinuing operations	–	(1.3)
	10.7	5.2

HEADLINE EARNINGS PER SHARE COMPUTATION

Figures in Pula millions	Audited 12 Months ended 30 June 2022 BWPM	Audited 12 Months ended 30 June 2021 BWPM
Basic earnings		
Loss on disposal of asset	140	69
Impairment losses on non-current assets	2	2
Contingent consideration on sale of South African operations	–	14
Headline earnings	20	–
Number of shares for basic earnings	1 303 628 341	1 303 628 341
Weighted average number of shares	1 303 628 341	1 303 628 341
Diluted weighted average number of shares	1 304 603 341	1 303 628 341
Basic HEPS - thebe	12.4	6.5
Diluted HEPS - thebe	12.4	6.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

Figures in Pula millions	Audited 30 June 2022 BWPM	Audited 30 June 2021 BWPM
ASSETS		
Non-current assets		
Property, plant and equipment	1 195	1 160
Right of use assets	538	507
Goodwill	597	580
Intangible assets	48	60
Investments in new projects	4	5
Current assets		
Inventories	691	544
Amounts due from related entities	461	341
Advances and deposits	4	5
Trade and other receivables	56	44
Current tax receivable	75	65
Restricted cash	10	10
Cash and cash equivalents	85	74
Total assets	1 886	1 704
EQUITY AND LIABILITIES		
Equity		
Stated capital	(341)	(448)
Treasury shares	906	906
Hyperinflationary reserve	(30)	(30)
Foreign currency translation reserve	269	194
Retained loss	(586)	(474)
Non-controlling interests	(798)	(938)
Non-current liabilities		
Long-term borrowings	1 133	1 207
Lease liabilities	530	616
Deferred taxation liabilities	587	572
Current liabilities		
Trade and other payables	16	19
Amounts due to related entities	1 094	945
Current portion of long-term borrowings	717	568
Current portion of lease liabilities	44	44
Current tax payable	87	86
Bank overdraft	157	150
	21	29
Total liabilities	68	68
Total equity and liabilities	2 227	2 152
	1 886	1 704

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2022

Figures in Pula millions	Audited 12 Months ended 30 June 2022 BWPM	Audited 12 Months ended 30 June 2021 BWPM
Profit before taxation	180	116
Non-cash and other adjustments	319	396
Changes in working capital	8	(69)
Cash generated from operations	507	443
Taxation paid	(44)	(22)
Cash flows of discontinued operations	–	(43)
Net cash generated from/(consumed by) operating activities	463	378
Net cash (used in)/generated from investing activities	(115)	(60)
Net cash used in financing activities	(324)	(225)
Net movement in cash and cash equivalents	24	93
Cash and cash equivalents at beginning of the year	6	(88)
Cash balances from discontinued operations	–	2
Effect of translation of foreign entities	(13)	(1)
Cash and cash equivalents at end of the year	17	6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

Figures in Pula millions	Stated capital	Treasury shares	Foreign currency translation reserve	Hyper-inflationary reserve	Retained earnings/(loss)	Attributable to equity holders	Non-controlling interest	Total
Balance as at 1 July 2020 (Audited)								
Total comprehensive (loss)/income for the period	906	(30)	(396)	160	(1 007)	(367)	(100)	(467)
Profit/(loss) for the year	-	-	(78)	34	69	25	(6)	19
Other comprehensive (loss)/income	-	-	-	-	69	69	(9)	60
Balance as at 30 June 2021 (Audited)								
Total comprehensive (loss)/income for the period	906	(30)	(474)	194	(938)	(342)	(106)	(448)
Profit for the year	-	-	(112)	75	140	103	4	107
Other comprehensive (loss)/income	-	-	-	-	140	140	5	145
Balance as at 30 June 2022 (Audited)								
Revenue	906	(30)	(586)	269	(798)	(239)	(102)	(341)

OPERATING SEGMENTAL INFORMATION

for the year ended 30 June 2022

Figures in Pula millions	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	Total for continuing operations
JUNE 2022 (Audited)						
Statement of profit or loss and other comprehensive income						
Revenue	4 254	1 843	276	786	781	6 097
Retail sales	4 209	1 833	275	783	775	6 042
Adjusted EBITDA	405	101	5	59	37	506
Movement in credit loss allowance	(2)	(5)	-	-	(5)	(7)
Loss on disposal of plant and equipment	(2)	-	-	-	-	(2)
Foreign exchange gains/(losses) on lease liability	-	28	-	28	-	28
Contingent consideration on sale of South African operations	(20)	-	-	-	-	(20)
Foreign exchange gains on Zimbabwean legacy debt receipts	-	15	-	-	15	15
EBITDA	381	139	5	87	47	520
Depreciation and amortisation	(190)	(51)	(14)	(21)	(16)	(241)
Operating profit/(loss) (EBIT)	191	88	(9)	66	31	279
Statement of financial position						
Assets	1 223	663	141	260	262	1 886
Liabilities	1 121	1 106	200	394	512	2 227
JUNE 2021 (Audited)						
Statement of profit or loss and other comprehensive income						
Revenue	4 188	1 188	154	495	539	5 376
Retail sales	4 145	1 186	154	495	537	5 331
Adjusted EBITDA	431	56	4	40	13	487
Movement in credit loss allowance	17	-	-	-	-	17
Foreign exchange gains/(losses) on lease liability	-	(19)	-	(19)	-	(19)
EBITDA	448	37	4	21	12	485
Depreciation and amortisation	(201)	(58)	(10)	(38)	(10)	(259)
Operating profit/(loss) (EBIT)	247	(21)	(6)	(17)	2	226
Statement of financial position						
Assets	1 225	479	100	151	228	1 704
Liabilities	1 198	954	144	336	474	2 152

The Zambian and Zimbabwean operating segments are now identified as a reportable segment in the current period due to their contribution to revenue exceeding the quantitative threshold of ten percent. The prior period segment data presented for comparative purposes have been restated to reflect the new reportable segments. By default, the Namibia operating segment is disclosed despite its contribution to revenue not exceeding the quantitative threshold of ten percent. The prior-period segment data presented for comparative purposes have been restated to reflect Adjusted EBITDA. Adjusted EBITDA in the operating segmental information is EBITDA excluding foreign exchange rate differences on IFRS 16 lease liabilities, profit or loss on sale of assets, Zimbabwean legacy debt receipts as well as income or expenditure of a capital nature.

COMMENTARY

1. NATURE OF BUSINESS

Choppies Enterprises Limited ("the Company") is a Botswana-based investment holding company operating in the retail sector in Southern Africa. Dual-listed on the Botswana Stock Exchange ("BSE") and Johannesburg Stock Exchange ("JSE"), its operations are food and general merchandise retailing as well as financial service transactions supported by centralised distribution channels through distribution and logistical support centres.

Each week, approximately 1.8 million customers visit 161 stores across four formats in four countries. With annual revenue of BWP 6.1 billion, Choppies employs over 9 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The abridged consolidated financial results and financial position of the Group are extracted from the audited Group annual financial statements prepared in accordance with the requirements of the BSE Limited ("BSE Listings Requirements") and JSE Limited ("JSE Listings Requirements"), as well as the requirements of the Botswana Companies Act, as amended.

The reports have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS").

The accounting policies used in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous year and the methods of computation are consistent with those of the previous annual financial statements.

Any investment or similar decisions by stakeholders should be based on the consideration of the complete Group annual financial statements, which are available for inspection at the Company's registered office.

3. DIRECTORS' RESPONSIBILITY FOR THE CONDENSED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the abridged audited Group financial results and financial position of the Company in accordance with BSE and JSE Listings Requirements and the Companies Act of Botswana.

4. GOING CONCERN

Due mainly to trading profits, the Group's negative equity reduced from BWP 448 million as at June 2021 to BWP 341 million as at June 2022.

In ensuring the ability of the Group to operate as a going concern for at least the following 12 months, the Board considered the detailed cash flow forecasts as prepared by management, undertakings of financial support by the funding shareholders, the economic outlook of the countries in which it operates as well as the intensity of global credit conditions which have turned more negative.

The Board, relying on the presentations by management, concluded that the Group would be a going concern for the foreseeable future.

5. GROUP RESULTS

The Group's retail sales increased by 13.3% to BWP 6 042 million (2021: BWP 5 331 million), driven by seven new stores coupled with strong volume and price growth in the Rest of Africa. The Group's like-for-like sales growth was 10.2%.

In spite of the challenging trading conditions, Botswana continued to show a modest sales growth.

In Pula terms, gross profit grew by 9.9% to BWP 1 307 million (2021: BWP 1 189 million) despite the challenging economic environment. The gross profit margin decline was related to higher-than-expected supply chain costs, including fuel and managing prices due to higher cost inflation.

Total operating costs increased by 7.4%, mainly driven by new stores and hyperinflation in Zimbabwe.

Group EBITDA increased by 7.2% and adjusted EBITDA, which excludes foreign exchange gains and losses on lease liabilities from the Zambian operations, movements in credit loss allowances and Zimbabwean legacy debt receipts, increased by 3.7%.

Operating profit increased by 23.5% from BWP 226 million to BWP 279 million as costs grew at a slower rate than gross profit.

EBIT margins consequently improved from 4.2% to 4.6%.

The effective tax rate reduced from 29.3% to 19.4% due to unrecognised tax losses in Zambia.

The Group's negative equity reduced by BWP 107 million from BWP 448 million to BWP 341 million mainly due to trading profits.

The Group's inventory grew 35.2% reflecting the higher costs of goods due to inflation and increased inventory buys over the past quarter to address global supply chain constraints.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP 62 million in net debt over the past 12 months. Net cash generated was BWP 458 million, up 23.8% from last year's BWP 378 million. Free cash flow of BWP 19 million (2021: BWP 85 million) was generated during the year. Capital expenditure increased to BWP 115 million (2021: BWP 60 million) as we invested in new stores and maintained our distribution fleet. The Group settled gross debt of BWP 103 million.

6. OPERATIONAL OVERVIEW

Botswana

Sales from Botswana increased by 1.5% as the business continued to show strong resilience in an increasingly challenging economic environment. The Botswana economy experienced elevated inflation, high unemployment, and lower economic growth.

Operating expenditure was managed well, increasing by 2.5% despite two new stores and decreasing by 0.1% after excluding once-off bad debt recoveries from last year's costs.

Due to highly challenging trading conditions, EBITDA reduced by 15.0% and by 6.0% after excluding once-off bad debt recoveries and the contingent consideration on the sale of South African operations. The EBIT margin remains healthy at 4.5% (2021: 6.0%).

Rest of Africa (Namibia, Zambia and Zimbabwe)

The segment has shown a significant improvement in EBIT moving into profitability of BWP 88 million from last year's EBIT loss of BWP 21 million. EBITDA grew by 275.7% and adjusted EBITDA, which excludes the foreign exchange gain and losses on lease liabilities and Zimbabwean legacy debt receipts, increased by 77.2%.

Sales increased by 54.6%, driven by five new stores, inflation and volume growth.

Operating expenditure grew 38.2%, driven by inflation in Zambia and Zimbabwe and five new stores.

The adjusted EBITDA margin is a healthy 5.5% versus the 4.8% for the prior period.

7. EVENTS AFTER REPORTING DATE

More stores were added in the various segments and all segments continue to do well in the challenging territories.

8. AUDIT OPINION

The Group's annual financial statements have been audited by Mazars who issued an unmodified audit opinion.

A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial information identified in the auditor's report.

The auditor's report does not necessarily report on all the information in these abridged financial statements. Shareholders are therefore advised that to obtain a complete understanding of the auditor's engagement, they should obtain a copy of the auditor's review report together with the accompanying financial information from the Company's registered office and on the Company website.

Mazars' report is published on XNews and SENS simultaneously with this abridged release of results and is also available on the Group's website: <https://choppiesgroup.com/investor-relations/>.

This abridged financial information has not been reviewed by the Group's external auditor and has been extracted from the audited annual financial statements.

9. CHANGES IN BOARD MEMBERS

As reported in our June 2021 Annual Integrated Report, the Company appointed a new independent non-executive director, Mr Valentine Chitalu, as recommended by the nominations committee and approved by the Board with effect from 5 August 2021. Mr Chitalu has also been appointed to the audit and risk committee, the investment committee, social and ethics committee and remuneration committee.

10. DIVIDEND

The board decided that it is prudent at this period not to declare a dividend (2021: Nil).

For and on behalf of the Board

D. K. Corea

Chairman

20 September 2022

R. Ottapathu

CEO

REGISTERED OFFICE

Plot 50371, Fairgrounds office park, Gaborone, Botswana.

SPONSORS

BSE: Stockbrokers, Botswana. JSE: PSG Capital

COMPANY SECRETARY

DPS Consulting Services (Pty) Ltd

Plot 28892 (portion of plot 50370), Twin Towers, West Wing, first floor, Fairground, Gaborone.

AUDITORS

Mazars

Plot 139, Finance Park, Gaborone, Botswana.