2018 ANNUAL REPORT

CHOPPIES
Great value for your money!

CONTENTS

Directors Report

The directors have pleasure in presenting their report on the consolidated and separate financial statements of Choppies Enterprises Limited for the year ended 30th June 2018.

1. General Information

Choppies Enterprises Limited is a company registered and domiciled in the Republic of Botswana and listed on the Botswana Stock Exchange ("BSE"). The company has a secondary listing on the Johannesburg Stock Exchange ("JSE"). The company registration number is 2004/1681.

2. Nature of business

The business of the group is concentrated in the retail supermarket industry. Choppies Enterprises Limited and its subsidiaries operate in Botswana, South Africa, Zimbabwe, Zambia, Kenya, Tanzania, Namibia and Mozambique. Choppies Enterprises Ltd operates as an investment holding company.

3. Financial Position and Results

The financial position and results for the year are reflected in the Annual Financial Statements set out on pages 19 to 98.

4. Stated capital

At the reporting date the total number of shares in issue was 1 303 628 341.

5. Dividends

The board has considered it not prudent to declare a dividend for the period under review.

6. Directorate

Details of directors and movements during the period to date is given on page 103 of the Annual Report.

7. Events after the reporting period

The directors are not aware of any material events, except for those stated in Note 39 of the Annual Financial Statements, which occurred after the reporting date and up to the date of this report.

8. Going concern

The directors believe that the company and group have adequate financial resources to continue its operations for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

9. Secretaries

DPS Consulting Services (PTY) LTD (Appointed on 29 November 2019)
P.O. Box 1453
Gaborone, Botswana

Corporate Services (PTY) Limited (Resigned on 29 November 2019)
P.O. Box 406
Kgale Mews
Gaborone, Botswana

10. Registered Address

Plot 50371
Fairground office Park
Gaborone, Botswana

11. Independent Auditor

PricewaterhouseCoopers (Appointed on 26 February 2018 and resigned on 25 September 2019)
Plot 50371, Fairground office Park
Gaborone, Botswana

12. Date of authorisation for issue of financial statements

The Annual Financial Statements have been authorized for issue by the directors on 13 December 2019.

Report of the audit and risk committee

This report has been prepared by the Audit and Risk Committee ("ARC") of Choppies Enterprises Limited ("the Company") in respect of the 2018 financial year. It is not a legal requirement in Botswana to provide such a report but in the spirit of good governance and in terms of the King IV code, it has been considered appropriate to issue this report.

Reason for the delay in publication of results

Upon the appointed of new external auditors, PricewaterhouseCoopers (PwC), the Board and the new auditors initiated an exercise to re-assess several past accounting practices and policies. The reassessment exercise included historical purchase price allocations on business acquisitions, depreciation and amortization accounting, valuation of inventory and impairment assessment of property, plant and equipment, intangible assets and deferred tax assets. The reassessment of the accounting policies and practices took more time than expected and had a material impact on the current and prior period financial statements.

Furthermore, the Board initiated a legal and a forensic investigation on some of the matters raised by the auditors. Considering that the outcome of the legal and forensic investigations could have an impact on accounting recognition, measurement and disclosures, PwC could not conclude on the finalization of the financial statements until these were concluded. These reports were only concluded and released during September 2019 and hence the delay in the publication of the 2018 audited annual financial statements.

Change in membership

The chairperson of the ARC during the 2018 financial year, Mr. Robert N Matthews, resigned from the board on the 19th of February 2019. In addition, Mr. Sydney A Muller, another member, resigned on the 22nd of October 2018.

At an Extraordinary General Meeting of shareholders ("the EGM") held on the 4th of September 2019, the directors making up the then members of the ARC were not re-elected to the Board.

At a meeting of the Board on the 9th of September 2019, the newly elected independent non-executive directors, Mr. Tom Pritchard and Ms. Carol-Jean Harward, were appointed as members of the ARC with the former voted as the chairperson of the ARC.

Charter

One of the first duties of the newly elected members of the ARC was to re-visit the charter of the committee. A new charter was drawn up incorporating the principles of the King IV code. This charter was approved by the Board.

Membership

The charter of the ARC makes provision for three (3) independent non-executive directors as members. Currently, with only two members, the ARC is not compliant with its own charter. With the expansion of the Board, a third member with the required experience and qualifications will be appointed to fill the vacancy. The chairman of the board and other directors attend the meetings by invitation but do not have voting rights. Furthermore, the CEO, CFO and auditors attend meetings of the ARC by invitation. Other executives may be requested to attend some sections of meetings as required.

Attendance by members at meetings during the 2018 financial are set out in the table below.

Integrated Reporting

One of the responsibilities of the ARC is to review the Company Integrated Report and to recommend the approval thereof to the Board. Following the late publication of the 2018, and consequently the 2019 financial results, the Board has decided to prioritize the preparation of the respective annual financial statements and accordingly to provide the minimum information as required by the Botswana Companies Act, the BSE and regulatory authorities. These minimum requirements are incorporated in an Annual Report which has been reviewed by the ARC. The Group will continue with providing an Integrated Report from the 2020 financial year.

Corporate governance

In terms of the ARC charter, underpinned by the requirements of King IV, the ARC must report on specific responsibilities assigned to it by the Board. In the circular to the EGM referred to above the Legal Report (as defined in the circular) refer to lack of good corporate governance in the Company. The report continues to recommend that "…. *there is an urgent need and requirement to overhaul the governance structure at Choppies to bring it up to international best practice standards*." The Board, having accepted this important recommendation, assigned this responsibility to the ARC and to report back on its recommendations for approval by the Board.

The ARC identified the following gaps in the governance structure: i) lack of levels of authority (approvals framework); ii) lack of a committee of the Board to act as an mechanism to evaluate and monitor business acquisitions and disposals; iii) the absence of a code of ethics and business practices; and iv) the re-assessment of the various Board committees including their charters as a point of departure. Consequently, the following recommendations from the ARC were approved by the Board and actioned by management:

1. Approvals Framework
   A fundamental part to any form of good governance is a clear definition of the levels of authority of the various decision makers in an organization. The absence of such a policy was at the center of breakdown in governance at the Company as pointed out in reports presented at the EGM.

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

2. Code of Business Conduct and Ethics
   This "Code" is also a first for the Group. The Code was drawn up from best practices in the corporate world. It is intended to nurture a culture of integrity, responsibility, accountability, transparency and fairness, and to sustain the confidence and trust of all the Company's stakeholders. Compliance with the Code is mandatory by all employees and stakeholders of the Company. Amongst others, the Code covers the following:
   - Compliance with laws and regulations
   - Policy on human rights
   - Conflict of interest
     - Outside activities, employment and directorships
     - Nepotism
     - Relationships with clients, customers and suppliers
     - Gifts, hospitality and favours
     - Solicitation of gifts, sponsorships and money
     - Personal investments
   - Safety, health and environmental responsibility
   - Political support and government relations
   - Protecting company funds and assets
   - Accurate and timeous record keeping
   - Dealing with outside persons and organisations
   - Privacy and confidentiality of information
   - Contravention of the Code – implications
   - Tip-off anonymous

3. Governance structure
   In reviewing the governance structure of the Choppies Group, the ARC acknowledged that the Board should retain full and effective control of the Group and that it is ultimately accountable and responsible for the performance of the Group. The board charter was changed to comply with the King IV requirements. This includes responsibility for reviewing and guiding corporate strategy through the establishment of key policies and objectives; understanding the key risks faced by the Group; determining the risk appetite, tolerance and preferences of the Group and the processes in operation to mitigate these. The Choppies Board has overall responsibility for the management of the Group and for maximising shareholder value. In discharging its responsibilities, the Board is supported by the executive and senior management, together with the various board committees and other governance forums and panels.

   The ARC recommended the following board committees, each with its own charter or terms of reference:
   - The Audit and Risk committee
     This is an existing board committee. The charter of this committee was fundamentally changed to comply with the requirements of King IV. The committee deals with matters such as recommending approval of the Group financial results, review of the Integrated Report, approval of the internal audit plan; the combined assurance model; review of the Group's internal financial controls; recommendations on dividend proposals to the Board; external auditors' appointment and reports.

   - Investment committee
     This is a new, long overdue committee of the Board. It operates under its own charter and its responsibilities include:
     - To make recommendations to the Board in respect of proposed new investments and capital expenditure as well as disposals in terms of the Company's Approvals Framework;
     - To monitor progress of major capital investments by way of the investment progress schedule together with post-implementation reviews;
     - To approve internal processes relating to capital expenditure and investment proposals, including all documentation required to be completed;
     - To review the funding mechanisms of above investments or capital expenditure.

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

   - Human Resources/Remuneration and Nominations Committee
     The mandate of this committee is currently under review. This applies mainly to remuneration where the principles of King IV need to be considered and the impact on the Group determined. In the interim the remuneration committee will continue, human resources covered by the Social and Ethics committee and nominations of new directors by the Board.

The Company published a King III compliance checklist in previous Integrated Reports. The publication of a similar checklist for 2018 was not considered appropriate by the ARC – the main reason being the collapse of corporate governance as detailed in the Legal Report as well as the subsequent Counsel Report referred to below. In addition, the members of the ARC were not around in 2018 and thus, completion of such a checklist will have to be done on pure speculation.

Significant matters in relation to the annual financial statements

The 2018 Group and Company annual financial statements have been reviewed by the ARC.

The external auditors, PwC, did not express an opinion on the Group or Company results stating that: "*We do not express an opinion on the consolidated and separate financial statements of Choppies Enterprises Limited (the "Company") and its subsidiaries (together the "Group"). Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements*".

The auditor's report is set out on pages 5 to 12 of the 2018 annual financial statements. The ARC has considered the disclaimer and comment on the basis of the disclaimer as follows:

- Legal and forensic investigations
  Some of the reasons for the disclaimer stemmed from the legal and forensic investigations initiated by the Board and were shared with shareholders on the Company's website and in the circular for the EGM. These reports were referred to as the "Legal Report" issued by the Desai Law Group and the "Forensic Report" in respect of work done by Ernst & Young ("EY"). Following the EGM the newly constituted Board appointed independent Counsel to conduct a holistic review of all reports, rebuttals, facts and available evidence and to advise the Board on any further action. The "Counsel Report" was recently released and is on the Company's website. PwC had insight into the Counsel Report before issuing their audit report

  The ARC members did their own review of all the above-mentioned reports. In addition, the ARC raised numerous aspects out of these reports with management especially, but not limited to, the effect thereof on the fairness of the 2018 annual financial statements. Management's rebuttals and position papers to PwC were reviewed and challenged where considered appropriate. The ARC conducted separate sub-audit committees for the South African and Zimbabwean operations with the lead audit partners responsible present. Several meetings with the lead partner on the consolidated results were held to attempt to get to the bottom of various issues raised. This includes the group ARC meeting with the full board in attendance.

  The ARC members, that were appointed to the board following the EGM were not part of the developments giving rise to the Legal and Forensic Reports and it was therefore important to try and keep continuity.

  Based on the limited time the ARC members were with the company, they had to come to their own conclusions on the matters raised in the above reports and to consider the recommendation to the board on the fairness of the 2018 annual financial statements, taking cognisance of the audit disclaimer.

- Accounting for bulk sales transactions and business acquisitions in South Africa
  The background to these transactions is comprehensively covered in the PwC report as well in the Counsel Report.

  PwC concluded that "*As a result of the inconsistency of explanations received with respect to the nature of inventory included in the bulk sales transactions and with respect to the commercial substance of the bulk sales transactions themselves, contradictory evidence relating to the actual dates of contracting for the business acquisitions and the agreed purchase considerations, the delayed recognition of liabilities for the business acquisitions and the subsequent impairment of assets arising from these, we were unable to obtain sufficient and appropriate audit evidence over the existence and valuation of these bulk sales transactions, the business acquisition transactions and resultant impairment charges*."

  Counsel concluded: "*The EY report demonstrates that there is a significant possibility that stock losses were fraudulently manipulated in the Company's records. If this is so, then, self-evidently the persons responsible would be guilty of far more than a failure of corporate governance; they would be guilty of knowingly defrauding the company's shareholders by attempting to procure the preparation of annual financial statements that would have misrepresented the worth and trading activities of the Company*."

  The ARC concluded that there was a business rationale for the bulk sales system. It was however never used as intended and certainly caused a lot of confusion amongst employees, including internal audit, as pointed out in the Forensic Report. In addition, there certainly were governance breakdowns and incorrect recording of the stores acquisitions. There appears to be no cash losses to the Group and that the net result of these transactions could have been to hide stock losses in the price of store acquisitions which were impaired anyway.

  The ARC understands that PwC must accept the more sceptical scenario as to what actually transpired as outlined in the International Auditing Standards. The ARC fully supports Counsel's recommendation to conduct further investigations into this matter.

- Accounting for bulk sales transactions in Zimbabwe
  PwC concluded on this matter: "*Due to the unavailability of records for the cash receipt transactions, we were unable to obtain sufficient and appropriate audit evidence confirming cash collections of BWP44.3 million by individual branches with respect to these bulk sales. Accordingly, we were unable to conclude on the occurrence of cash payments for capital projects made from such cash receipts.*".

  It is a business practice in Zimbabwe to use cash collections towards payments to suppliers. The existing accounting evidence and controls over these receipts, coupled with the questions around bulk sales, led to the adverse audit report. The ARC has requested management to strengthen controls over cash receipts to avoid a re-occurrence of this practice.

- Accounting for Payless Supermarkets (Pty) Ltd
  PwC were unable to support or refute the Group's practice not to consolidate Payless.

  The ARC has seen the same source documents and information that could have possibly led to a view to consolidate this company in accordance with IFRS 10. The ARC is, however comfortable to continue not to consolidate this company. The Group has no shareholding in Payless nor board representation, there is no management agreement in place, the loan to Payless is written off in full and the company is making losses for which the loss on impairment of the loan to Payless may be an indicative proxy. In addition, the ARC understands that the latest audited annual financial statements for this company is as far back as 2016. The ARC will certainly not recommend consolidation of unaudited accounts. Finally, the predecessor auditor issued opinions in 2016 and 2017 motivating the non-consolidation of this company under IFRS 10.

- Completeness and accuracy of related party disclosures
  PwC could not conclude on the completeness of the existing related party disclosures.

The ARC concurs with the auditor's conclusion. The ARC is however satisfied with the process followed by management to ensure previously unreported disclosures are now recorded. This is, however an ongoing exercise and systems and disclosure procedures need to be firmed up.

- Audit evidence relating to opening balances and prior year restatements
  PwC conclude: "*Under the circumstances, we were unable to obtain sufficient and appropriate evidence allowing us to conclude that all material prior period restatements were identified, or to determine whether all the recorded restatements were processed in the appropriate amount and period*".

  The ARC only recently became aware of the statutory financial statements of subsidiaries still outstanding for prior periods, mainly 2017 but in some instances 2016 as well. The ARC was in contact with the predecessor auditor to speed up and finalize this process.

  The extent of prior year restatements are material. Of the reported equity of P1 514 million in 2017 P481 million or 32% were written off as prior year restatements. Full details of these are set out in note 38 of the annual financial statements.

  These write-offs are indicative of extremely poor financial control and procedures as well as a general lack of knowledge of IFRS by financial staff. The ARC is acutely aware that a major overhaul of the financial hygiene and staff is needed to arrest the current situation before starting to rebuild.

- Inability to obtain sufficient appropriate audit evidence – South African components
  In addition to the above prior period errors, PwC commented that: "*Having expended all reasonable avenues to obtain the required level of audit evidence, we were still unable to conclude, as the accounting systems and processes did not create an environment that supported our ability to obtain sufficient and appropriate audit evidence on the financial information*".

The list of examples of above-mentioned problems experienced by the South African team of PwC on the audit of the SA component goes on and on. Although the SA operations were recently disposed of, the 2019 and 2020 audits will be challenging.

The auditors close their report:" The *potential interaction of the multiple uncertainties outlined above and their possible cumulative effect on the financial statements have resulted in us being unable to form an opinion on the consolidated and separate financial statements as a whole*".

The ARC cannot fault this unfortunate conclusion and consequently recommended the approval of the Group and Company annual financial statements by the Board, having to consider the disclaimed audit opinion.

Risk management

The ARC is an integral component of the risk management process and specifically, the ARC must oversee:

- Financial reporting risks;
- Internal financial controls;
- Fraud risks as it relates to financial reporting;
- IT risks as it relates to financial reporting; and
- Business risks.

The ARC shall furthermore review the risk areas of the Company's operations to be covered in the scope of the internal and external audits.

The Company maintains a register of all identified areas of risk that may impact the Group and suggested appropriate controls for mitigation. This register was reviewed by the ARC. It is clearly out of date as it was last updated in September 2017. The ARC has recommended to the Board that a workshop be held in the next few months to update the risks and mitigation proposals, which has been approved by the Board. Furthermore, due to the outdated status of the register, the ARC has decided it serves no purpose to include a summary thereof in the Annual Report.

To comply with the terms of its Charter and King IV, the ARC has to disclose material losses and the subsequent causes that the Company has suffered for the period under review. The following are reported:

- Trade Receivables, long outstanding, fully provided for in the SA operations:
  - Debtor 1 ZAR27.9 million
  - Debtor 2 ZAR13.6 million

Debtor 1 is part of the review of the bulk sales investigation suggested in the Counsel Report. This debtor originated in April 2018 and no payments were made on this account.

Debtor 2 continues to pay off smaller amounts on the outstanding debt.

- Loan to Payless fully provided for P103 million

- The Group has recorded inventory losses of P206 million in the current financial year (compared to P40 million in 2017 and P63 million in 2016).

In view of the improvements in inventory counting procedures, these results may indicate that historical inventory losses would have been understated as a result of the shortcomings in the physical counting procedures identified in the current financial year, with a consequential overstatement of inventory and understatement of cost of sales as reported in the historical annual financial statements.

Given the nature of this matter, and specifically the absence of inventory count results for prior periods based on the revised count procedures and inability to reperform historical inventory counts applying the revised procedures, it is impracticable to make any retrospective adjustment to the financial position and results as previously reported.

Information technology ("IT") governance

The IT department does not have a charter or terms of reference. This will have to be addressed as with IT policies and procedures. The head of IT reports to the CEO. Much of the past two years were taken up in the rolling out of Oracle Financials (EBS) covering point of sale to general ledger in the Group's Botswana operations. This will be a major step towards integrated financial systems. The Long term plan is to include the Group consolidation into the financial system.

Once Oracle EBS has been rolled out in Botswana and a post implementation review satisfactorily completed, it will be expanded to other territories.

Finance function and CFO

The Company changed CFO's three times in the past three years, with an acting one at present. This unfortunate situation had a ripple effect throughout a mostly leaderless finance department. Key regional finance heads resigned as well, thereby further disrupting continuity.

The Company is currently in the process of appointing a CFO, based in Botswana, with extensive hands-on listed company experience with blue chip companies, including retail, in South Africa.

There is an urgent need for such a new CFO to critically assess and where necessary, make key appointments to bolster the finance department. A total overhaul of the accounting systems and procedures, including internal controls, also need to be done and documented. Knowledge of IFRS needs to be embedded into the company.

The lack of proper, accurate and timeous management accounts will be a priority action point in 2020. The new Oracle financial system should assist greatly in this respect.

Internal audit

Internal audit at Choppies, for all practical purposes, does not exist. There are only three staff members for the whole group. The Head of the internal audit position has been vacant since September 2018 and hence the ARC could not be provided with an internal audit charter nor an audit plan.

Needless to say, an internal audit department has to be built up from scratch. This is a major weakness in assisting the ARC, Board and shareholders with the necessarily comfort of checks and balances. There is simply no combined assurance model in the Group and relying on external audit to perform this function is insufficient. Much work lies ahead in rebuilding the necessary assurance framework.

Compliance

The ARC could not be provided with any assurances that the Company and Group complied with applicable laws and regulations. There is no compliance model in place.

The ARC obtained some assurances in their capacity as directors that compliance with laws and regulations are in place. The situation certainly improved with the appointment of a company lawyer with demonstrable knowledge of the local regulations.

External audit

Independence

The ARC has no concerns regarding the external auditor's independence.

Fees non-audit services PwC

The external auditors assisted with the drafting of financial statements of the Group's subsidiaries for the year ended 30 June 2018, with the exception of that entity, which was a defined Public Interest Entity. The fees for this non-audit service (performed by an engagement team independent of the audit team) amounted to P1,023,500, which is less than 20% of the base fee allocated to the Botswana operations.

Fees – audit services PwC

Fees for audit services can be analysed as follows:

	Botswana	South Africa	Zimbabwe	Zambia	Approximate BWP Equivalent
Originally proposed fees	BWP 5 258 750	R 2 625 000	$ 72 500	ZMK 350 000	BWP 8 428 120
Additional fees estimated and approved on 09 February 2019	BWP 2 603 547	R 6 137 936	$ 59 563	ZMK 119 000	BWP 8 082 665
	BWP 7 862 297	R 8 762 936	$ 132 063	ZMK 469 000	BWP 16 510 785
Additional amounts billed for uncosted activities *	BWP 818 866	R 2 895 581	$ -	ZMK -	BWP 3 046 236
	BWP 8 681 163	R 11 658 517	$ 132 063	ZMK 469 000	BWP 19 557 020

* This table excludes Namibia (PwC - NAD175,000), as well as Kenya, Tanzania (both audited by PKF) and Mozambique (audited by BDO).

The originally proposed fees (P8,428,120) were recommended to and approved by the Board in January 2018.

Additional audit fees of P8,082,665 were recommended by management and approved by the ARC in February 2019. These additional fees did not include certain elements, which could not be estimated at that date. An amount of P3,046,236 for such uncosted elements was further approved by management subsequent to February 2019.

The original fee estimate more than doubled due to additional audit work done around, amongst others; prior period accounting restatements, the Legal and Forensic Reports and additional audit activities necessitated by shortcomings in the Group's accounting systems and processes and - in especially the North West region of South Africa - the lack of preparedness for audit.

The fee of P19 557 020 requires a confirmatory vote by shareholders.

<u>Appointment external auditor 2019</u>

PwC resigned as external auditors of the Company/Group with effect from the completion of the 2018 financial year. The ARC invited proposals from all the larger audit firms in Botswana for independent external audit services from the 2019 financial year. At the date of this report the company has not yet appointed a new auditor but are in discussions.

Going concern

The ARC reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the Company and are comfortable in its recommendation to the Board regarding the annual financial statements that the company will be a going concern for the next financial period, as well as the year to December 2020.

Conclusion

The past three and a half months has been a very challenging period for the newly appointed audit committee members. The ARC members have acted independently and with due regard to their duties as directors and members of the ARC, which was taken very seriously. In this report we trust we allowed shareholders an insight into the Company in terms of our charter.

The ARC acknowledge that the Company seriously lacks the governance and financial hygiene standards expected from a listed public company. Having said that, the ARC is encouraged by the co-operation from management to restore these weaknesses. Shareholders must be made aware that the process of rebuilding will take time and the ARC is committed to support management and the Board to restore any lost confidence.

Tom Pritchard

Audit and risk committee chairperson
18 December 2019

Board and committee meetings attendances 1 July 2017 - 30 June 2018				
Director	Board meetings	Audit and Risk Committee meetings	Remuneration Committee meetings	Social and Ethics Committee meetings
His Excellency Festus Mogae* (Chairman)	2/5	2/2	1/1	2/2
Ramachandran Ottapathu (CEO)	5/5	2/2	1/1	2/2
Farouk Ismail#	3/5	2/2	1/1	2/2
Dorcas Kgosietsile*	5/5	2/2	1/1	2/2
Robert Matthews*	5/5	2/2	1/1	2/2
Sydney Muller*	5/5	2/2	1/1	2/2
Sanooj Pullarote	4/5	2/2	1/1	2/2
Ronald Tamale*	4/5	2/2	1/1	2/2
Committee Members				
Andrew Choppin				2/2

\# Non-Executive
* Independent Non-executive

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 consolidated and separate statements of financial position at 30 June 2018 and the consolidated and separate statements of profit or loss and other comprehensive Income, consolidated and separate statements of changes in equity and cash flows for the year then ended, the accounting policies and the notes to the consolidated and separate financial statements, In accordance with International Financial Reporting Standards ("IFRS").

The directors are also responsible for such internal control as the directors determine is 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 made an assessment of the ability of the company and its subsidiaries (the "Group") to continue as going concerns and have no reason to believe these businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial are fairly presented in accordance with IFRS.

Approval of the consolidated and separate financial statements

Having considered the disclaimed audit opinion of the auditors as set out on pages 5 to 12, for the year to 30 June 2018, the Board of Directors approved the consolidated and separate financial statements of Choppies Enterprises Limited, as Identified in the first paragraph, on 10 December 2019, and these are signed on their behalf by:

Ramachandran Ottapathu
Director

Farouk Essop Ismail
Director

Declaration by the company secretary

For the year ended 30th June 2018

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

DPS Consulting Services (Proprietary) Limited,
Company Secretary,
Date: 13/12/2019

DPS CONSULTING SERVICES
(PTY) LTD
P.O. BOX 1453
GABORONE
TEL: 3952011 FAX: 3973901

Independent Auditor's Report

To the Shareholders of Choppies Enterprises Limited

Our disclaimer opinion

We do not express an opinion on the consolidated and separate financial statements of Choppies Enterprises Limited (the "Company") and its subsidiaries (together the "Group"). Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

We were engaged to audit the consolidated and separate financial statements of Choppies Enterprises Limited set out on pages 19 to 98 which comprise:

- the consolidated and separate statements of financial position as at 30 June 2018;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the significant accounting policies; and
- the notes to the consolidated and separate financial statements.

Basis for disclaimer of opinion

Introduction – legal and forensic investigations

The Company has made various public announcements on a number of matters which were identified during August and September 2018, and which had delayed preparation of these consolidated and separate financial statements.

Having considered the nature and extent of the matters identified, the Company's Board appointed two legal firms and an expert forensic auditor to independently investigate the facts and circumstances relating to:

- the nature and extent of the relationship between the Group's Botswana businesses and Payless Supermarkets (Pty) Ltd;
- the nature and extent of the relationship between the Group's Botswana businesses and a group of companies operating in Botswana under the trade name "Fours Cash & Carry";
- the validity of sales transactions made in bulk by the Group's South African and Zimbabwean businesses during March and April 2018;
- money laundering allegations involving the Group's Zimbabwean business;
- the validity of agreements for and payments made with respect to business acquisitions made by the Group's South African businesses during October 2016, May 2017, July 2017 and October 2017; and

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone
P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, S K K Wijesena

- the identification of and reporting about related party transactions by the Group.

The results of these investigations, including responses by members of the executive management potentially implicated in the investigation reports, were made available through public announcements during August 2019.

As part of our audit, the Company allowed us access to the legal and forensic investigation teams and their reports, as well as the detailed responses of management and professional advisors potentially implicated.

There are a number of instances where no definitive conclusions could be drawn from these reports and the responses thereto. These are expanded on in further detail below.

Accounting for bulk sales transactions and business acquisitions in South Africa

During March and April 2018 the Company's South African subsidiary, Choppies Supermarkets South Africa (Pty) Ltd ("CSSA"), entered into a series of bulk credit sales transactions. These transactions - which related to inventory items which the Group has explained were either obsolete or surplus to trading requirements - contributed BWP88.9 million and BWP83.5 million to the consolidated Revenue and Cost of Sales, respectively.

CSSA received BWP100.7 million (including Value Added Taxation of BWP11.7 million) in cash in settlement of the bulk sales. Within a short time period of such receipts, payments amounting to BWP86.7 million were made by CSSA to a related party of the customer in the bulk sales transactions, pursuant to liabilities for business acquisitions made during the 2017 and 2018 financial years.

Until we had identified these as business acquisitions in accordance with IFRS, CSSA accounted for these purchase transactions as asset acquisitions on a cash basis, thus not recognising liabilities arising therefrom. Upon identifying these as business acquisitions, goodwill and tangible assets amounting to BWP88.2 million and BWP25.8 million, respectively, were recognised and the prior period results were restated to reflect this. At the end of the year, cumulative impairment charges amounting to BWP88.2 million have been recognised against goodwill arising from these business acquisitions.

In April 2018, the Company's subsidiary, Choppies Warehousing Services (Pty) Ltd ("CWS"), entered into a series of sales transactions. These transactions - which related to inventory items the Group has explained were short dated - contributed BWP18.7 million and BWP17.9 million to the consolidated Revenue and Cost of Sales respectively. These sales were made to the same customer as in the bulk sales transactions. To date no payment has been received in settlement of these sales transactions, and the related receivable has been fully impaired.

As a result of the inconsistency of explanations received with respect to the nature of inventory included in the bulk sales transactions and with respect to the commercial substance of the bulk sales transactions themselves, contradictory evidence relating to the actual dates of contracting for the business acquisitions and the agreed purchase considerations, the delayed recognition of liabilities for the business acquisitions and the subsequent impairment of assets arising from these, we were unable to obtain sufficient and appropriate audit evidence over the occurrence and accuracy of these bulk sales transactions, and the valuation and accuracy of the business acquisition transactions and resultant impairment charges.

Accounting for bulk sales transactions in Zimbabwe

During March and April 2018, the Company's Zimbabwe subsidiary, Nanavac Investments (Pvt) Ltd ("Nanavac"), entered into a series of bulk credit sales transactions. These transactions contributed BWP59.4 million and BWP59.4 million to the consolidated Revenue and Cost of Sales, respectively.

BWP15.1 million with respect to these sales was receipted into Nanavac's bank accounts. Management indicated that the balance was received in cash, and was held for use in the business, specifically to pay for capital projects at various store locations (i.e., included in tangible assets as capital work-in-progress).

Due to the unavailability of records for the cash receipt transactions, we were unable to obtain sufficient and appropriate audit evidence confirming cash collections of BWP44.3 million by individual branches with respect to these bulk sales. Accordingly, we were unable to conclude on the occurrence of cash payments for capital projects made from such cash receipts.

Accounting for Payless Supermarkets (Pty) Ltd

Payless Supermarkets (Pty) Ltd ("Payless") owns and operates a chain of supermarkets in Botswana. The Group has no equity interest in Payless, but – at 30 June 2018 – was owed BWP103 million on loan account by Payless. The Group held security through pledge of shares held by the majority shareholder in Payless and deed of hypothecation over the moveable assets of Payless. This loan was fully impaired at the balance sheet date.

The legal investigation indicated that the majority shareholder of Payless had allowed the Group to control Payless' operations.

As set out in Note 1.22, the Group, in preparing the consolidated financial statements concluded that it had no control over Payless as defined in IFRS 10 Consolidated Financial Statements ("IFRS 10"). Accordingly, the Group has not included the financial results, assets and liabilities of Payless in the consolidated financial statements.

Owing to contradictions between management's assessment of control in accordance with IFRS 10, the findings of the legal investigation and the results of our own audit procedures, we were unable to obtain sufficient appropriate audit evidence to support or refute the conclusion that the Group does not control Payless. If the control conclusion reflected in the financial statements is incorrect, this will have a material impact on the financial statements, which we were not able to quantify.

Completeness and accuracy of related party disclosures

The forensic investigation identified more than one hundred potential related parties, which had not been identified and reported on as such in prior financial periods. These were related to the Group through common shareholding or directors and had been identified by reference to publicly available information. In addition to the identification of these related parties, the forensic investigation specifically noted limitations on the availability and reliability of complete information about shareholdings and directorships in South Africa, Botswana and Zimbabwe.

In determining the impact of this on disclosures in the financial statements, the Group requested the revised confirmations of directors' interests in other entities. The Group also considered whether the parties identified through the forensic investigation were still economically active and - where this was determined to be the case - obtained confirmations of recorded transactions and balances from the counterparty to support amounts and balances included in the financial statements.

As set out in Note 33, the Group has identified that it had transacted with or had outstanding balances with forty five of those entities identified through the forensic investigation.

We obtained evidence over the additional disclosures through the revised declarations of interests and confirmations from the identified related parties. We also tested to ensure that those entities identified by the forensic investigation, which the Group identified as no longer economically active, had been deregistered with the relevant authority.

However, given the unreliability of the public information regarding shareholders and directorships, and considering the extent of previously undisclosed related parties and transactions, we have not been able to conclude on the completeness of the existing related party disclosures.

Audit evidence relating to opening balances and prior year restatements

The statutory financial statements of eighty three of the Group's Botswana subsidiaries and all of the Group's South African subsidiaries have not been issued for up to two years preceding the current financial year. Corresponding figures for these entities were audited by the predecessor auditor to enable Choppies Enterprises Limited to prepare consolidated financial statements for the year ended 30 June 2017.

We were required to obtain evidence over the opening balances presented in the financial information to comply with International Standards on Auditing. During the course of our audit for the year ended 30 June 2018, multiple misstatements relating to the prior period(s) were identified in these and other entities of the Group. The impact of correcting these are disclosed in Note 38 to the financial statements.

This required the Group to exercise significant judgement in determining the correct accounting periods in which to record and at which amounts to quantify the corrections. With respect to the restatements relating to:

- accounting for earlier business combinations (including allocation of goodwill to specific Cash Generating Units);
- depreciation on property, plant and equipment;
- impairment of non-financial assets; and
- derecognition of previously recognised deferred tax assets,

the absence of detailed records supporting the accounting decisions of prior periods required management to apply best endeavours in order to determine appropriate values and timings for the restatements without the inappropriate use of hindsight.

With respect to certain matters - including the full impairment of the loan receivable from Payless (refer Note 6), inventory losses identified through improved verification procedures (refer Note 38) and impairment of investments in and loans to subsidiaries (refer Note 6) - the Group recorded full adjustments in the current period (without restating prior periods) because it was not possible to properly determine whether these related to the current or prior periods.

The nature and significance of these restatements indicate an increased risk of undetected further misstatements in prior periods.

Under the circumstances, we were unable to obtain sufficient and appropriate evidence allowing us to conclude that all material prior period restatements were identified, or to determine whether all the recorded restatements were processed in the appropriate amount and period.

Inability to obtain sufficient appropriate audit evidence – South African components

In addition to the prior period errors noted above, we identified a number of material and pervasive misstatements in the financial information (prepared for consolidation purposes) of the Group's South African subsidiaries for the period ended 30 June 2018. While the identified misstatements have been adjusted in the consolidated financial statements, the nature and significance of these errors have increased the risk of further undetected misstatements. Having expended all reasonable avenues to obtain the required level of audit evidence, we were still unable to conclude, as the accounting systems and processes did not create an environment that supported our ability to obtain sufficient and appropriate audit evidence on the financial information.

Conclusion

We have considered the collective audit evidence obtained in light of the matters outlined above. The results of the legal and forensic investigations, detailed responses thereto from management and other evidence we obtained during the audit indicate interpretations and explanations of the same facts and circumstances, which conflict and differ from one another.

The potential interaction of the multiple uncertainties outlined above and their possible cumulative effect on the financial statements have resulted in us being unable to form an opinion on the consolidated and separate financial statements as a whole.

Our audit approach

Overview

Overall group materiality

Overall group materiality: BWP27 million, which represents 0.25% of consolidated revenue.

Group audit scope

The Group consists of fifteen components. We performed full scope audits on eleven financially significant components (the Company, all the components in Botswana, South Africa, Zimbabwe and Zambia). We also scoped in one other component (the Kenyan component), on which we performed audit procedures on certain account balances and transactions. Analytical review procedures were performed on the remaining components, which we considered insignificant for audit purposes.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements;

for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*BWP27 million*
How we determined it	*0.25% of the consolidated revenue*
Rationale for the materiality benchmark applied	*We chose consolidated revenue as the benchmark because, in our view, revenue is the key measure against which the performance of the Group is likely to be evaluated by users. We determined revenue to be a more appropriate benchmark than profit before taxation, as the Group's profitability has been volatile, and is not reflective of the operations of the Group relative to revenue, as some of the components are in start-up or growth phases.* *We applied 0.25% to consolidated revenue to determine materiality, which is lower than the normal quantitative materiality threshold applied to revenue. This was determined to be appropriate with reference to the financial statements as a whole. We considered a range of appropriate materiality values based on the elements of the financial statements. Revenue is the most significant individual financial statement line item and is larger than profit, total assets and total liabilities. We also took cognisance of the Group's significant exposure to third party liabilities, with related debt covenant requirements. Accordingly, in order to determine a materiality that is reflective of the financial statements as a whole, a quantitative materiality threshold lower than the norm was determined to be appropriate.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of the Company and ninety five subsidiaries. Based on the nature of operations and domicile of each subsidiary we determined that the Group consisted of fifteen components for purposes of our group audit, namely:

- the Company,
- six components (each a separate subsidiary) in Botswana engaged in wholesale, logistics, support and retail trading activities,
- a single component in Botswana engaged in retail trading activities (consisting of seventy seven separate subsidiaries),
- a single component in South Africa engaged in wholesale, logistics, support and retail trading activities (consisting of four separate subsidiaries);
- five components engaged in retail trading activities in Zimbabwe, Zambia, Namibia, Tanzania and Mozambique (each consisting of a single subsidiary), and
- one component engaged in retail trading activities in Kenya (consisting of three separate subsidiaries).

We identified financially significant components as those with a significant contribution to the consolidated revenue and net assets of the Group. Based on this, all eight of the Botswana components (including the Company), the South African component, the Zimbabwean component and the Zambian component were determined to be financially significant to the Group, and therefore subject to full scope audits. We also assessed the sufficiency of work planned over material line items in the consolidated financial statements, and included the Kenyan component in the scope of our group audit to perform audit procedures on certain account balances and transactions, based on it's contribution to consolidated net assets. The remainder of the components were considered to be insignificant to the Group individually and in aggregate, and we performed analytical review procedures at a Group level on these components.

All audit work on the Botswana components and insignificant components was performed by the Group engagement team, whilst component auditors performed audit work on the other in- scope components. This, together with additional procedures performed at the Group level, including testing of consolidation journals, intercompany eliminations and review of audit work performed by component auditors, provided us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

PricewaterhouseCoopers

Individual Practicing Member: Rudi Binedell **Gaborone**

Registration number: 20040091 **13 December 2019**

Statements of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Pula thousand	Note(s)	2018	2017 Restated*	2018	2017
Revenue	3	10 791 295	8 709 308	25 876	33 771
Cost of sales		(8 728 879)	(6 865 568)	-	-
Gross profit		**2 062 416**	**1 843 740**	**25 876**	**33 771**
Other operating income	4	52 119	40 722	-	-
Gain (losses) on disposal of plant and equipment	5	3 044	(2 831)	-	-
Impairment losses	6	(334 669)	(167 265)	(331 375)	-
Administrative Expenses		(1 730 252)	(1 431 117)	(483)	(221)
Selling and distribution expenses		(76 655)	(16 902)	-	-
Other operating expenses		(292 224)	(302 500)	-	-
Operating (loss) profit	6	**(316 221)**	**(36 153)**	**(305 982)**	**33 550**
Finance income	7	3 543	10 930	-	-
Finance costs	8	(78 702)	(54 551)	-	-
(Loss) profit before taxation		**(391 380)**	**(79 774)**	**(305 982)**	**33 550**
Taxation	9	(53 129)	(90 032)	-	-
(Loss) profit for the year		**(444 509)**	**(169 806)**	**(305 982)**	**33 550**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(1 114)	12 357	-	-
Other comprehensive income for the year net of taxation	25	**(1 114)**	**12 357**	**-**	**-**
Total comprehensive (loss) income for the year		**(445 623)**	**(157 449)**	**(305 982)**	**33 550**
(Loss) profit attributable to:					
Owners of the parent		(418 075)	(159 620)	(305 982)	33 550
Non-controlling interest		(26 434)	(10 186)	-	-
		(444 509)	**(169 806)**	**(305 982)**	**33 550**
Total comprehensive (loss) income attributable to:					
Owners of the parent		(420 013)	(146 135)	(305 982)	33 550
Non-controlling interest		(25 610)	(11 314)	-	-
		(445 623)	**(157 449)**	**(305 982)**	**33 550**
Earnings per share					
Basic earnings per share and diluted earnings per share					
Basic (loss) earnings per share (thebe)	10	(32.07)	(12.36)		
Diluted (loss) earnings per share (thebe)	10	(32.07)	(12.36)		
Headline earnings and diluted headline earnings per share					
Basic (loss) earnings per share (thebe)	10	(6.84)	0.75	-	-
Diluted (loss) earnings per share (thebe)	10	(6.84)	0.75	-	-

***For details of the restatement, refer to note 38 on page 87.**

Choppies Enterprises Limited

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Statements of Financial Position as at 30 June 2018

		Group			Company	
Figures in Pula thousand	Note(s)	2018	2017 Restated*	2016 Restated *	2018	2017
Non-Current Assets						
Property, plant and equipment	11	1 275 628	1 157 644	1 076 997	-	-
Goodwill	12	178 983	223 472	294 476	-	-
Investments in subsidiaries	13	-	-	-	282 964	524 024
Deferred taxation assets	14	5 795	35 925	46 512	-	-
Investments in new projects	15	107 392	45 633	95 560	-	-
		1 567 798	**1 462 674**	**1 513 545**	**282 964**	**524 024**
Current Assets						
Inventories	16	956 504	974 975	685 397	-	-
Amounts due from related entities	17	22 425	35 863	7 655	331 256	422 066
Other financial assets	18	2 190	3	3	-	-
Advances and deposits	19	80 830	93 611	83 212	-	-
Trade and other receivables	20	202 576	241 629	191 450	-	20
Taxation refundable		17 646	2 045	-	-	-
Restricted cash	21	41 375	15 445	15 266	-	-
Cash and cash equivalents	22	121 376	214 460	117 191	477	430
		1 444 922	**1 578 031**	**1 100 174**	**331 733**	**422 516**
Total Assets		**3 012 720**	**3 040 705**	**2 613 719**	**614 697**	**946 540**
Equity						
Stated capital	23	906 196	906 196	875 476	906 196	906 196
Treasury shares	23	(29 616)	(30 720)	-	-	-
Foreign currency translation reserve	25	5 999	7 936	(5 549)	-	-
Retained (loss) profit		(280 257)	168 778	364 907	(305 379)	26 479
Equity Attributable to Equity Holders of Parent		602 322	1 052 190	1 234 834	600 817	932 675
Non-controlling interest	13	(26 058)	(17 825)	(6 511)	-	-
		576 264	**1 034 365**	**1 228 323**	**600 817**	**932 675**
Liabilities						
Non-Current Liabilities						
Long-term borrowings	27	708 755	558 220	402 965	-	-
Straightlining lease obligation	28	73 274	74 988	55 175	-	-
Deferred taxation liabilities	14	41 910	33 380	-	-	-
		823 939	**666 588**	**458 140**	**-**	**-**
Current Liabilities						
Trade and other payables	29	1 312 289	1 024 572	693 968	202	187
Amounts due to related entities	17	42 675	71 085	12 213	13 678	13 678
Current portion of long-term borrowings	27	106 730	114 091	116 026	-	-
Current portion of straightlining lease obligation	28	32 355	5 851	4 651	-	-
Taxation payable		12 020	13 176	20 027	-	-
Bank overdraft	22	106 448	110 977	80 371	-	-
		1 612 517	**1 339 752**	**927 256**	**13 880**	**13 865**
Total Liabilities		**2 436 456**	**2 006 340**	**1 385 396**	**13 880**	**13 865**
Total Equity and Liabilities		**3 012 720**	**3 040 705**	**2 613 719**	**614 697**	**946 540**

***For details of the restatement, refer to note 38 on page 87.**

Choppies Enterprises Limited

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Statements of Changes in Equity

Figures in Pula thousand	Stated capital	Preference shares	Foreign currency translation reserve	Treasury shares	Retained (loss) profit	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Group								
Opening balance as previously reported	875 476	87	(35 400)	-	634 823	1 474 986	(1 393)	1 473 593
Adjustments								
Prior period restatement*	-	(87)	29 851	-	(269 916)	(240 152)	(5 118)	(245 270)
Balance at 01 July 2016 as restated*	**875 476**	**-**	**(5 549)**	**-**	**364 907**	**1 234 834**	**(6 511)**	**1 228 323**
Loss for the year	-	-	-	-	(159 620)	(159 620)	(10 186)	(169 806)
Other comprehensive income	-	-	13 485	-	-	13 485	(1 128)	12 357
Total comprehensive Loss for the year	**-**	**-**	**13 485**	**-**	**(159 620)**	**(146 135)**	**(11 314)**	**(157 449)**
Issue of ordinary shares to share incentive trust	30 720	-	-	(30 720)	-	-	-	-
Dividends paid	-	-	-	-	(36 509)	(36 509)	-	(36 509)
Total distributions to owners of company recognised directly in equity	**30 720**	**-**	**-**	**(30 720)**	**(36 509)**	**(36 509)**	**-**	**(36 509)**
Balance at 30 June 2017*	**906 196**	**-**	**7 936**	**(30 720)**	**168 778**	**1 052 190**	**(17 825)**	**1 034 365**

***For details of the restatement, refer to note 38 on page 87.**

Statements of Changes in Equity

Figures in Pula thousand	Stated capital	Preference shares	Foreign currency translation reserve	Treasury shares	Retained (loss) profit	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Group								
Opening balance as previously reported	906 196	87	(29 679)	(30 720)	682 216	1 528 100	(13 211)	1 514 889
Adjustments								
Prior period restatement*	-	(87)	37 615	-	(513 438)	(475 910)	(4 614)	(480 524)
Balance at 01 July 2017 as restated*	**906 196**	**-**	**7 936**	**(30 720)**	**168 778**	**1 052 190**	**(17 825)**	**1 034 365**
Loss for the year	-	-	-	-	(418 075)	(418 075)	(26 434)	(444 509)
Other comprehensive income	-	-	(1 937)	-	-	(1 937)	824	(1 113)
Total comprehensive Loss for the year	**-**	**-**	**(1 937)**	**-**	**(418 075)**	**(420 012)**	**(25 610)**	**(445 622)**
Share granted in terms of the share incentive scheme	-	-	-	1 104	-	1 104	-	1 104
Other equity adjustments	-	-	-	-	(831)	(831)	-	(831)
Minority contribution to share capital	-	-	-	-	-	-	17 377	17 377
Dividends paid	-	-	-	-	(30 129)	(30 129)	-	(30 129)
Total distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**1 104**	**(30 960)**	**(29 856)**	**17 377**	**(12 479)**
Balance at 30 June 2018	**906 196**	**-**	**5 999**	**(29 616)**	**(280 257)**	**602 322**	**(26 058)**	**576 264**

***For details of the restatement, refer to note 38 on page 87.**

Statements of Changes in Equity

Figures in Pula thousand	Stated capital	Retained (loss) profit	Total equity
Company			
Balance at 01 July 2016	**875 476**	**26 700**	**902 176**
Profit for the year	-	**33 550**	**33 550**
Total comprehensive income for the year	**-**	**33 550**	**33 550**
Issue of shares	30 720	-	30 720
Dividends paid	-	(33 771)	(33 771)
Total distributions to owners of company recognised directly in equity	**30 720**	**(33 771)**	**(3 051)**
Balance at 01 July 2017	**906 196**	**26 479**	**932 675**
Loss for the year	-	(305 982)	(305 982)
Total comprehensive Loss for the year	**-**	**(305 982)**	**(305 982)**
Dividends paid	-	(25 876)	(25 876)
Total distributions to owners of company recognised directly in equity	**-**	**(25 876)**	**(25 876)**
Balance at 30 June 2018	**906 196**	**(305 379)**	**600 817**

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Statements of Cash Flows

		Group		Company	
Figures in Pula thousand	Note	2018	2017 Restated*	2018	2017
Cash flows from operating activities					
Loss before taxation		(391 380)	(79 774)	(305 982)	33 550
Adjustments for:					
Depreciation and amortisation		207 579	201 613	-	-
(Gains) losses on disposals plant and equipment		(3 044)	2 831	-	-
Finance income		(3 543)	(10 930)	-	-
Finance costs		78 702	54 551	-	-
Impairment losses		334 669	167 265	331 375	-
Movements in straightlining lease obligation		24 790	21 013	-	-
Vesting of treasury shares		1 104	-	1 104	-
Changes in working capital:					
Inventories		39 263	(283 146)	-	-
Movement in trade and other receivables		(92 757)	(50 179)	20	(20)
Movement in advances and deposits		12 781	(10 399)	-	-
Movement in amount due from related entities		13 441	(28 207)	72 934	67 050
Movement in trade and other payables		287 717	330 606	16	23
Movement in amount due to related entities		(28 410)	58 872	-	(4)
Cash generated from operations		**480 912**	**374 116**	**99 467**	**100 599**
Interest received	7	3 543	10 930	-	-
Dividends paid		(30 129)	(36 509)	(25 876)	(33 771)
Taxation paid		(34 399)	(45 783)	-	-
Net cash generated from operating activities		**419 927**	**302 754**	**73 591**	**66 828**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(389 204)	(234 494)	-	-
Proceeds on disposal of property, plant and equipment		26 127	12 493	-	-
Acquisition of businesses	32	(155 719)	(86 961)	-	-
Investment in subsidiaries		-	-	(73 544)	(97 677)
Purchase of financial assets		(2 187)	-	-	-
Investment in new projects		(73 712)	(29 975)	-	-
Increase in restricted cash		(25 930)	(179)	-	-
Net cash used in investing activities		**(620 625)**	**(339 116)**	**(73 544)**	**(97 677)**
Cash flows from financing activities					
Proceeds from issues of ordinary shares	23	-	-	-	30 720
Financing obtained from third parties		352 846	260 699	-	-
Capital payments of long-term liabilities		(209 672)	(107 379)	-	-
Minority contribution to share capital		17 377	-	-	-
Interest paid	8	(78 702)	(54 551)	-	-
Net cash generated from financing activities		**81 849**	**98 769**	**-**	**30 720**

Statements of Cash Flows

		Group		Company	
Figures in Pula thousand	Note(s)	2018	2017 Restated*	2018	2017
Net movement in cash and cash equivalents		**(118 849)**	**62 407**	**47**	**(129)**
Cash and cash equivalents at beginning of the year		103 483	36 820	430	559
Effect of translation of foreign entities		30 294	4 256	-	-
Cash and cash equivalents at end of the year	22	**14 928**	**103 483**	**477**	**430**

***For details of the restatement, refer to note 38 on page 87.**

Significant accounting policies

Corporate information

Choppies Enterprises Limited (CEL) 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 2004/1681. The consolidated financial statements comprise the company and its subsidiaries (collectively referred to as "the group").

The business of the group is concentrated in the retail supermarket industry. The group operates in Botswana, South Africa, Zambia, Kenya, Tanzania, Mozambique, Zimbabwe and Namibia.

1. Statement of compliance

The consolidated and separate financial statements ("the financial statements") are prepared in accordance with the International Financial Reporting Standards ("IFRS") and the Johannesburg Stock Exchange requirements. The financial statements were approved by the Board of Directors on 10 December 2019.

1.1 Basis of preparation

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

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

The financial statements are prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The financial statements incorporate the following accounting policies which are consistent with those applied in the previous year, except where otherwise stated.

Judgements made by management 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 1.22.

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 6).

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 to sell off the cash-generating unit exceeds the carrying amount of goodwill. An impairment loss is recognised in profit or loss in the year in which it is identified. An impairment loss in respect of goodwill is not reversed.

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

Significant accounting policies

1. Statement of compliance (continued)

1.2 Consolidation (continued)

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

Non-controlling interest ("NCI")
NCIs are disclosed separately in the group statement of financial position and statement of profit or loss and other comprehensive income. NCIs are viewed as equity participants of the group and all transactions with NCIs are therefore accounted for as equity transactions and included in the group statement of changes in equity.

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

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

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

1.3 Property, plant and equipment

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

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

Item	Depreciation Rate
Buildings	2.50%
Plant and machinery	
• Bakery equipment	5%-25%
• Butchery and takeaway equipment	6%-20%
• Refrigeration equipment	7%-15%
• Cold-room and compressors, generators	5%-14%
• Electrical and fittings	7%-15
• Others	15%
Office equipment, furniture and fixtures	
• Shelving	7%-14%
• Check out tills	7%-15%
• Drop safes	3.5%-5%
• Others	10%
Motor vehicles	10%-25%
IT equipment	10%-33%
Leasehold improvements	Over the lease term
Aircraft	25%

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

Significant accounting policies

1. Statement of compliance (continued)

1.3 Property, plant and equipment (continued)

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 cognizance of advice from external experts.

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

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

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

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

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

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

1.4 Impairment of assets

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset. Examples of loss events include financial difficulty and default on payments by the counterparty.

An impairment loss in respect of the financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are assessed for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

Impairment losses are recognised in profit or loss and reflected in an allowance account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in profit or loss.

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 its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Significant accounting policies

1. Statement of compliance (continued)

1.4 Impairment of assets (continued)

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.

1.5 Leases

Finance leases – lessee

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

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

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

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

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

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

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

Operating leases – lessee

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

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

1.6 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.

Significant accounting policies

1. Statement of compliance (continued)

1.7 Tax and deferred taxation

Deferred tax assets and liabilities

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

Deferred tax is not recognised for:

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

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

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

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

Tax expenses

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

Dividends withholding tax

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

Significant accounting policies

1. Statement of compliance (continued)

1.8 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits are 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.

Gratuities

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

Defined contribution plans

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

1.9 Share based payments

Equity-settled share-based options
The group introduced an employee share incentive scheme during the current year. The shares are held in a trust, Choppies Group Share Incentive Trust until they are granted to employees. The shares are held in and remain under the control of the trust until such shares are vested to employees.

On the grant date, fair value of the equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity 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.

1.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable and is stated net of VAT, related rebates and discounts granted. Revenue from the sale of fast moving consumer products comprises retail sales to customers. Revenue from services rendered comprises commission received on sale of airtime.

Revenue from sale of goods is recognised in profit or loss when the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The aforesaid conditions are met at point of sale.

Choppies Enterprises Limited is an investment holding entity and dividend income is classified as revenue. Dividend income is recognised in profit or loss on the date on which the company’s right to receive payment is established.

Significant accounting policies

1. Statement of compliance (continued)

1.11 Interest income

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

1.12 Interest costs

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

1.13 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 2/2015 issued by the South African Institute of Chartered Accountants as required by the Johannesburg Stock Exchange Listings Requirements.

1.14 Dividend per share

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

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

Stated capital
Ordinary shares 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.

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
- Retained (loss) profit - includes all current and prior period retained (loss) profits.
- Treasury shares - refer to accounting policy 1.16

1.16 Treasury shares

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

1.17 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.

1.18 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.

1.19 Operating segments

The group discloses segmental financial information which is being used internally by the entity's chief operating decision maker ("CODM") 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 CODM and for which discrete financial information is available. Operating segments, per geographical regions, are aggregated for reporting purposes.

Significant accounting policies

1. Statement of compliance (continued)

1.20 Translation of foreign currencies

Transactions in foreign currencies

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at the weighted average rate of exchange for the year, except to the extent that the translation differences are allocated to NCI. Profits or losses arising on the translation of assets and liabilities of foreign entities are recognised in other comprehensive income and presented within equity and shown separately in a foreign currency translation reserve.

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

1.21 Financial instruments

Recognition and derecognition

A financial instrument is initially recognised when the group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, which includes directly attributable transaction costs in the case of financial assets and financial liabilities not at fair value through profit or loss. Subsequent measurement for each category is specified in the sections below.

Non-derivatives financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Financial assets

The principal financial assets comprise the following:

Cash and cash equivalents

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 an integral part of the group's cash management, are included as a component of cash and cash equivalents for the purpose of the statements of cash flows. Cash and cash equivalents and bank overdrafts are measured at amortised cost using the effective interest method, less accumulated impairment losses.

Quoted investments

Quoted equity securities are originally recognised at the fair value of consideration paid to acquire these securities. The equity securities are subsequently measured at their quoted price, which is derived from the securities exchange on which these securities are listed. Changes in the fair value of the investment are recognised in profit or loss at each reporting date. Quoted investments are classified as financial assets designated at fair value through profit or loss.

Trade and other receivables including amounts due from related entities

Trade and other receivables, including amounts due from related entities, are subsequently measured at amortised cost using the effective interest method, less an impairment accrual. Trade and other receivables including amounts due from related entities are classified as loans and receivables.

Significant accounting policies

1. Statement of compliance (continued)

1.21 Financial instruments (continued)

Advances and deposits

Advances and deposits consist of balances paid to third parties either in advance or to comply with contractual requirements. These amounts are recognised at the original amounts paid. Advances and deposits are classified as loans and receivables.

Financial liabilities

The principal financial liabilities comprise the following:

Trade and other payables

Liabilities for trade and other amounts payable, including amounts due to related entities, which are normally settled on 30 to 90-day terms, are measured at amortised cost using the effective interest method. Trade and other payables, including amounts due to related entities, are classified as financial liabilities at amortised cost.

Interest bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received and include acquisition charges associated with the borrowing/loan. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on settlement. Interest-bearing loans and borrowings are classified as financial liabilities at amortised cost.

For liabilities carried at amortised cost, any gain or loss is recognised in profit or loss when the liability is derecognised, as well as through the amortisation process.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are included in profit or loss in the period in which the change arises.

Contingent liabilities

Contingent liabilities relate to guarantees or collateral issued to financial institutions and suppliers in respect of banking facilities granted or provision of goods and services to group companies. Certain companies in the group also provide financial support to fellow subsidiary companies whose total liabilities exceed total assets at the reporting date.

Contingent liabilities are not recognised on the statement financial position until the contingency becomes probable and the amount of the liability can be reasonably estimated.

1.22 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate annual financial statements in conformity with IFRS requires management, 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.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Significant accounting policies

1. Statement of compliance (continued)

1.22 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Trade receivables

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

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

Fair value estimation

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

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, management 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

Management 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 life 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 cognizance of advice from external experts.

Restricted cash

Restricted cash deposits include an amount of P41.375 million (2017: P15.445 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 USD 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 2018.

Business combinations

Management 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.

Significant accounting policies

1. Statement of compliance (continued)

1.22 Significant judgements and sources of estimation uncertainty (continued)

Control assessment of Payless

During 2014, the company (CEL group which includes Choppies Distribution Centre (Pty) Ltd (CDC)) entered into a loan agreement with another retail group company, Payless Supermarkets (Pty) Ltd (Payless), a privately owned company with individuals as shareholders. The company extended facility to pay off the creditors of Payless and also provide guarantee to suppliers to supply Payless. The total amount over the period has added up to P 103m. Loan agreement also indicates the rate of interest payable, which is linked to Bank's prime rate of interest and payment term covering a period of five years. As a security the movable and immovable assets of the Payless are secured through a hypothecation clause. Furthermore, one of the shareholders of Payless has provided personal guarantee for the loan through a personal guarantee and sub-ordination of his shares, should default happen. The personal guarantee agreement has clauses which indicate that the company (CEL) can either take over the shares of Payless, if, it wants to or sell the shares to outsiders to recover its loan amount or liquidate the assets of the company to take back its loan.

The company as at 30 June 2018 has not been a shareholder of Payless nor does it have any individual sitting on the board of Payless. To secure the loan, the company has taken over the finance function of Payless whereby the accounting personnel operate from the company premises and one bank signatory is from the CEL and one from Payless. The company does not decide on the financial operations independently and all financial decisions are taken along with Payless shareholder giving acceptance for the same. Parallel to the loan agreement, the company entered into another agreement with Payless, to make the Payless Supermarkets (Pty) Ltd a part of its buying group. Buying group means, Payless will be supplied goods from the company to take advantage of the buying power the company exercises with various suppliers and also to earn a rebate.

The company passes part of the rebate to Payless group at its discretion. Apart from Payless there are a few other entities to which the company has provided such finance facility to be part of the buying group. The company is not the only supplier to Payless nor is there any restriction from where Payless can make its purchases.

Management has reassessed its involvement in Payless in accordance with IFRS 10’s control definition and guidance. It has concluded that Payless is not a subsidiary as the company does not have outright control over the operations of Payless Supermarkets (Pty) Ltd. The company is not an investor in Payless and only acted as a financier to Payless as detailed in the loan agreements and the buying group agreements. As required by IFRS 10, CEL does not meet the definitions, namely

- Power over the investee; - The Group is not an investor in Payless and does not control the board of Payless. The group does not have any equity holding in Payless and thus the loan provided by group cannot be interpreted as an investment in the books of the group (even with reference to conceptual framework definition of loan given to subsidiary). The operations of Payless are independent of company's influence, including fixing of selling price for products or identifying the purchases to be done for the company.
- Exposure, or rights, to variable returns from its involvement with the investee; - CEL does not have any right to vary the return the company can get from Payless for the amount loaned to the company. The rate of return is fixed as per the loan agreement and no amendment to the same has been effected. CEL is not entitled to any dividend or other form of returns being a lender to Payless. By CEL making Payless part of the buying group, CEL is entitled to returns in the form of rebates from suppliers for purchases done by Payless through CEL buying group. In this arrangement CEL does not have any exposure or right to variable return, considering that all purchases are done by the operations team of Payless. Payless operations team is not restricted to buy only through the buying group, and their total purchases for the year shows that they were buying from outside the group as well. Thus CEL did not have any exposure to amend the returns to its favour. Again CEL did not act in this case as in investor and the buying group arrangement was a pure trade transaction to facilitate better operations for Payless group.
- The ability to use its power over the investee to affect the amount of the investor’s returns – As part of the agreement, CEL was entitled to support Payless by handling their accounting and finance function. As management we see this as a service provided and also to protect the interest of the company in recovering the loan provided.

Significant accounting policies

1. Statement of compliance (continued)

1.22 Significant judgements and sources of estimation uncertainty (continued)

Acquisition of shares in Four Group

During September 2015, the company and the Fours Group entered into an agreement for cooperation as a buying group, together with an attendant suite of loan and security agreements.

Over a period of time, additional Fours Group entities were included in the buying group arrangement and started enjoying the benefits of the buying group agreement. The necessary compliance processes arising out of the buying group agreement (such as execution of deeds of adherence), were not followed and security arrangements by the additional entities (such as distinct and separate deeds of hypothecation) were not implement.

During August 2016, the group CEO obtained a 50% shareholding in the Fours group. This was obtained without the approval of the Board, but the Board of Directors have accepted (subsequent to year-end) that the shares were acquired for CEL's beneficial ownership. The Group CEO has signed a Declaration of Trust that the shares are held on behalf of the company as additional security.

The Group has not accounted for this share transaction as in the absence of Board approval, the transfer was deemed void upon initiation.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2017
• Amendments to IAS 7: Disclosure initiative	01 January 2017
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2018 or later periods.

Definition of a business - Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a 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 01 January 2020.

The group expects to adopt the amendment for the first time in the 2021 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.

Presentation of Financial Statements: Disclosure initiative

The amendment is to clarify and align 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 01 January 2020.

The group expects to adopt the amendment for the first time in the 2021 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.

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

The amendment is to clarify and align 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 01 January 2020.

The group expects to adopt the amendment for the first time in the 2021 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.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations (continued)

Prepayment Features with Negative Compensation - Amendment to IFRS 9

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

The effective date of the amendment is for years beginning on or after 01 January 2019.

Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.

The effective date of the amendment is for years beginning on or after 01 January 2019.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 01 January 2019.

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 01 January 2019.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 January 2019.

The group expects to adopt the interpretation for the first time in the 2020 consolidated and separate annual financial statements.

It is unlikely that the interpretation will have a material impact on the group's consolidated and separate annual financial statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations (continued)

- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

2. New Standards and Interpretations (continued)

The group expects to adopt the standard for the first time in the 2020 consolidated and separate annual financial statements.

The group is unable to reliably estimate the impact of the standard on the consolidated and separate annual financial statements.

Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards deleted certain short term exemptions concerning disclosures of financial assets, employee benefits and investment entities from IFRS 1.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The group expects to adopt the amendment for the first time in the 2019 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.

Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 01 January 2018.

The group expects to adopt the interpretation for the first time in the 2019 consolidated and separate annual financial statements.

It is unlikely that the interpretation will have a material impact on the group's consolidated and separate annual financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group expects to adopt the standard for the first time in the 2019 consolidated and separate annual financial statements.

The impact of this standard has not been fully assessed and the group is unable to reliably estimate the impact of the standard on the consolidated and separate annual financial statements, however, adoption of this may result in more disclosure than is currently provided in the consolidated and separate annual financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group expects to adopt the standard for the first time in the 2019 consolidated and separate annual financial statements.

The impact of this standard has not been fully assessed and it is unlikely that the standard will have a material impact on the group's consolidated and separate annual financial statements.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations (continued)

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated and separate annual financial statements.

The impact of this standard has not been fully assessed and it is unlikely that the standard will have a material impact on the group's consolidated and separate annual financial statements.

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand	Group 2018	Group 2017 Restated	Company 2018	Company 2017
3. Revenue				
Sale of goods	10 791 295	8 709 308	-	-
Dividend income	-	-	25 876	33 771
	10 791 295	**8 709 308**	**25 876**	**33 771**
4. Other operating income				
Commissions received on telephone, electricity and ZESA	27 586	23 264	-	-
Rental income (including ATMs)	8 292	9 054	-	-
Employee tax incentive income	9 224	3 584	-	-
Transportation income	2 307	2 634	-	-
Miscellaneous income	4 710	2 186	-	-
	52 119	**40 722**	**-**	**-**
5. Other operating gains (losses)				
Gains/(losses) on disposals				
Property, plant and equipment	3 044	(2 831)	-	-
6. Operating (loss) profit				
Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:				
Auditor's remuneration - external				
Audit fees - current year	3 238	1 071	-	-
Audit fees - prior year	3 640	3 041	-	-
Non-audit services	27	34	-	-
	6 905	**4 146**	**-**	**-**
Consulting and professional service fees	18 268	15 068	27	-
Employee costs				
Salaries, wages, bonuses and other benefits	770 417	556 535	-	-
Defined contribution expense	18 129	18 994	-	-
Total employee costs	**788 546**	**575 529**	**-**	**-**
Leases				
Operating lease charges				
Premises	375 955	309 082	-	-
Depreciation and amortisation				
Depreciation of property, plant and equipment	207 579	197 933	-	-
Amortisation of intangible assets	-	3 680	-	-
	207 579	**201 613**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand	Group 2018	Group 2017 Restated	Company 2018	Company 2017
6. Operating (loss) profit (continued)				
Impairment losses				
Property, plant and equipment	77 143	39 553	-	-
Goodwill	125 696	127 712	-	-
Investment in subsidiaries	-	-	313 496	-
Loan to Nanavac Investments (Pty) Ltd	-	-	17 879	-
Payless Supermarkets (Pty) Ltd (included in trade receivables)	103 109	-	-	-
Impairment of trade receivables	16 067	-	-	-
Impairment of other receivables	12 654	-	-	-
	334 669	**167 265**	**331 375**	**-**
Donations				
Donations paid	3 036	3 196	-	-
Cost of sales				
Cost of inventory	8 710 407	7 155 146	-	-
7. Investment income				
Interest income				
From investments in financial assets:				
Bank and other cash	3 543	4 426	-	-
Interest received - Payless Supermarkets (Pty) Ltd	-	6 504	-	-
Total interest income	**3 543**	**10 930**	**-**	**-**
8. Finance costs				
Bank overdraft and borrowings	62 879	54 551	-	-
Interest paid on accounts payable	15 823	-	-	-
Total finance costs	**78 702**	**54 551**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand	Group 2018	Group 2017 Restated	Company 2018	Company 2017
9. Taxation				
Major components of the tax expense				
Current				
Income tax - current period	19 077	39 360	-	-
Income tax - recognised in current tax for prior periods	(1 435)	(2 473)	-	-
	17 642	**36 887**	**-**	**-**
Deferred				
Originating and reversing temporary differences	35 487	53 145	-	-
	53 129	**90 032**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting loss	(391 380)	(79 774)	(305 982)	33 550
Tax at the applicable tax rate of 22% (2017: 22%)	(86 104)	(17 550)	(67 316)	7 381
Tax effect of adjustments on taxable income				
Prior year under (over) provision	(1 435)	(2 473)	-	-
Tax losses disregarded	136 543	120 568	-	-
Disallowed expenses	24 546	6 918	72 903	46
Exempt income	-	-	(5 587)	(7 427)
Effects of different tax rate	(20 421)	(17 431)	-	-
	53 129	**90 032**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017
10. Earnings and dividend per share				
Basic earnings per share and diluted earnings per share				
Basic and diluted earnings per share				
Basic earnings per share (thebe)	(32.07)	(12.36)	-	-
Diluted earnings per share (thebe)	(32.07)	(12.36)	-	-

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

The calculation of basic and diluted earnings per share is based on:				
Profit for the year attributable to owners of the company (Pula)	(418 075)	(159 620)	-	-
The weighted average number of ordinary shares in issue during the year				
Weighted average number of shares:				
Issued ordinary share at 1 July	1 303 628	1 291 629	-	-
Weighted average number of shares newly issued	-	4	-	-
Weighted average number of ordinary shares at 30 June	**1 303 628**	**1 291 633**	**-**	**-**
	2018	**2017**		
Basic	1 303 628	1 291 629	-	-
Diluted	1 303 628	1 291 633	-	-

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 per share (thebe)	(6.84)	0.75	-	-
Diluted headline earnings per share (thebe)	(6.84)	0.75	-	-
Reconciliation between earnings and headline earnings				
Profit for the year attributable to owners of the company (Pula)	(418 075)	(159 620)	-	-
Re-measurement				
(Profit) loss on disposal of plant and equipment	(3 044)	2 831	-	-
Tax effect on re-measurement	(2 782)	(669)	-	-
Impairment losses	334 669	167 265	-	-
Headline earnings	**(89 232)**	**9 807**	**-**	**-**
The weighted average number of ordinary shares in issue during the year				
Diluted earnings (loss)	(418 075)	(159 620)	-	-
Adjusted for:				
Basic	1 303 628	1 303 628	-	-
Diluted	1 303 628	1 303 628	-	-
The number of shares in issue at the end of the year	1 303 628	1 303 628	-	-
Dividends per share				
Dividend per share	2.31	2.80	-	-
Dividend declared and paid	30 129	36 509	-	-
Ordinary shares eligible for dividend	1 303 628	1 303 628	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand

11. Property, plant and equipment

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Opening balance								
Opening balance as previously reported	58 399	546 412	245 484	204 774	5 882	80 646	64 490	1 206 087
Prior period restatement	(5 041)	40 096	(88 314)	8 036	5 403	(13 726)	5 103	(48 443)
Net book value at 01 July 2017 (Restated)	**53 358**	**586 508**	**157 170**	**212 810**	**11 285**	**66 920**	**69 593**	**1 157 644**
Additions	13 136	182 076	78 252	101 909	60	54 108	-	429 541
Disposals and scrappings	-	(1 645)	(108)	(36 811)	-	(79)	-	(38 643)
Disposals and scrappings - accumulated depreciation and impairment	-	384	31	15 137	-	8	-	15 560
Transfers from investments in new projects (note 15)	-	7 171	4 781	-	-	-	-	11 952
Foreign exchange movements	906	(6 494)	12 745	(12 624)	(7 090)	(3 147)	-	(15 704)
Depreciation	(4 361)	(79 560)	(34 079)	(55 398)	(955)	(29 372)	(3 854)	(207 579)
Impairment loss	(9 033)	(49 200)	(9 464)	(3 445)	-	(6 001)	-	(77 143)
Net book value at 30 June 2018	**54 006**	**639 240**	**209 328**	**221 578**	**3 300**	**82 437**	**65 739**	**1 275 628**
Made up as follows:								
Cost	81 130	1 084 400	358 169	392 397	7 691	201 767	81 741	2 207 295
Accumulated depreciation	(11 790)	(353 356)	(123 122)	(164 977)	(4 391)	(107 988)	(16 002)	(781 626)
Accumulated impairment	(15 334)	(91 804)	(25 719)	(5 842)	-	(11 342)	-	(150 041)
	54 006	**639 240**	**209 328**	**221 578**	**3 300**	**82 437**	**65 739**	**1 275 628**

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2017

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Opening balance								
Opening balance as previously reported	30 908	483 701	221 521	197 458	5 717	79 173	64 490	1 082 968
Prior period restatement	(3 097)	46 679	(73 906)	29 601	(1 075)	(7 884)	3 711	(5 971)
Net book value at 01 July 2016 (Restated)	**27 811**	**530 380**	**147 615**	**227 059**	**4 642**	**71 289**	**68 201**	**1 076 997**
Additions	28 444	120 624	13 491	54 646	1 062	30 246	-	248 513
Disposals and scrappings	(2)	(990)	(1 254)	(25 421)	(447)	(317)	-	(28 431)
Disposals and scrappings - accumulated depreciation and impairment	-	146	34	12 896	-	31	-	13 107
Transfers from investments in new projects (note 15)	-	47 941	31 961	-	-	-	-	79 902
Foreign exchange movements	6 319	(4 240)	(5 296)	3 323	6 475	(1 539)	-	5 042
Depreciation	(2 912)	(86 288)	(21 035)	(57 376)	(447)	(29 916)	41	(197 933)
Impairment loss	(6 301)	(21 065)	(8 346)	(2 317)	-	(2 874)	1 350	(39 553)
Net book value at 30 June 2017 (Restated)	**53 359**	**586 508**	**157 170**	**212 810**	**11 285**	**66 920**	**69 592**	**1 157 644**
Made up as follows:								
Cost	67 654	947 194	269 642	340 664	14 721	153 669	81 741	1 875 285
Accumulated depreciation	(7 994)	(317 692)	(96 217)	(125 457)	(3 436)	(81 408)	(12 149)	(644 353)
Accumulated impairment	(6 301)	(42 994)	(16 255)	(2 397)	-	(5 341)	-	(73 288)
	53 359	**586 508**	**157 170**	**212 810**	**11 285**	**66 920**	**69 592**	**1 157 644**

Notes to the Consolidated and Separate Financial Statements

11. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

Movable assets with a net book value of P701 304 750 (2017: P557 926 920) in respect of Choppies Supermarket SA (Pty) Limited, Motopi Holdings SA (Pty) Limited and Choppies Warehousing Services (Pty) Limited are encumbered under a term loan facility with Rand Merchant Bank Limited per note 27.

Movable assets with a net book value of P184 058 958 (2017: P1 134 821 631) limited to P27 000 000 are encumbered under an overdraft facility with Barclays Bank of Botswana as disclosed in note 22.

Lease liabilities are secured over motor vehicles and aircraft with a net book value of P274 641 485 (2017: P267 752 245) and plant and equipment with a net book value of P468 574 714 (2017: P437 901 765) as disclosed in note 27.

Immovable assets with a net book value of P23 345 849 (2017: P24 145 261) are encumbered under a term facility with Barclays Bank of Mozambique as disclosed in note 27.

Notes to the Consolidated and Separate Financial Statements

12. Goodwill

Reconciliation of goodwill and intangible assets - Group - 2018	Goodwill	Software	Carrying amount
Opening balance as previously reported	516 554	-	516 554
Prior period restatement	(293 082)	-	(293 082)
Carrying amount at 1 July 2017 (Restated)	223 472	-	223 472
Additions	94 590	-	94 590
Impairments	(125 696)	-	(125 696)
Effect of movements in exchange rates	(13 383)	-	(13 383)
	178 983	**-**	**178 983**

Comprising of:	Goodwill	Software	Carrying amount
Cost	729 581	2 934	732 515
Accumulated amortisation	(746)	(2 934)	(3 680)
Accumulated impairment losses	(549 852)	-	(549 852)
	178 983	**-**	**178 983**

Reconciliation of goodwill and intangible assets - Group - 2017	Goodwill	Software	Carrying amount
Opening balance as previously reported	510 620	-	510 620
Prior period restatement	(219 078)	2 934	(216 144)
Carrying amount at 1 July 2016 (Restated)	291 542	2 934	294 476
Additions	66 510	-	66 510
Amortisation	(746)	(2 934)	(3 680)
Impairments	(127 712)	-	(127 712)
Effect of movements in exchange rates	(6 122)	-	(6 122)
	223 472	**-**	**223 472**

Comprising of:	Goodwill	Software	Carrying amount
Cost	647 628	2 934	650 562
Accumulated amortisation	(746)	(2 934)	(3 680)
Accumulated impairment losses	(424 156)	-	(424 156)
	222 726	**-**	**222 726**

The valuation of goodwill at reporting date was determined by comparing the value in use of the cash generating units ("CGUs"), that the goodwill is allocated to, the carrying amounts of the assets and liabilities within the CGUs. The value in use is determined by comparing the present value of estimated incremental future cash flows to the carrying amount. This was based on five-year cash flow projections based off the most recent budgets approved by management and extrapolations of cash flows. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market in which the CGU operates.

Notes to the Consolidated and Separate Financial Statements

12. Goodwill (continued)

Goodwill asset is allocated to the CGUs (mainly individual stores) of the main operations as follows:	Group 2018	Group 2017	Company 2018	Company 2017
Goodwill				
Choppies Supermarkets South Africa (Pty) Limited	13 113	14 757	-	-
Nanavac Investments (Pvt) Limited (Zimbabwe)	137 424	151 744	-	-
Mafila Holdings (Pty) Limited (Botswana)	3 271	3 271	-	-
SupaSave (Pty) Limited and MegaSave (Pty) Limited (Botswana)	19 974	22 667	-	-
Choppies Enterprises Kenya Limited	5 001	31 033	-	-
	178 783	**223 472**	**-**	**-**

The following assumptions were applied in the evaluation of goodwill:
Discount rate is 14%-22% (2017: 4%-20%).

Average sales growth rate	Group 2018 %	Group 2017 %	Company 2018	Company 2017
In Botswana	2 - 4	2 - 4	-	-
In South Africa	3.5	3.5	-	-
In Zimbabwe	8	8	-	-
In Kenya	10	10	-	-
Terminal value growth rate	7 - 6	7 - 6	-	-

Five year average inflation rate'	Group 2018	Group 2017	Company 2018	Company 2017
In Botswana	3.90 %	3.90 %	-	-
In South Africa	5.70 %	5.70 %	-	-
In Zimbabwe	8.00 %	8.00 %	-	-
In Kenya	4.30 %	4.30 %	-	-

Five year gross profit margin	Group 2018 %	Group 2017 %	Company 2018	Company 2017
In Botswana	15	15	-	-
In South Africa	14	14	-	-
In Zimbabwe	7 - 17	7 - 17	-	-
In Kenya	15	15	-	-

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

13. Investment in subsidiaries

Choppies Enterprises Limited held the following interests in the stated capital of subsidiaries consolidated into these financial statements. The company has 95 subsidiaries, 86 of which are considered to be material to the group.

- 89 subsidiaries are wholly owned including Choppies Group Share Incentive Trust Scheme.
- In 4 subsidiaries majority shares are held.
- In the Zimbabwean subsidiary, Nanavac Investments (Pvt) Limited, the group holds less than the majority shares but has a 93% economic interest and has control by way of tacit agreement with the other shareholder.
- Non-controlling interests have a material interest in one subsidiary (refer below).

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

Company

Investment in subsidiaries	-	-	282 964	524 024
Reconciliation of investment in subsidiaries				
Opening balance at beginning of the year	-	-	524 024	426 347
Acquisitions during the year	-	-	73 544	97 677
Capital reduction	-	-	(4)	-
Share incentive trust reduction	-	-	(1 104)	-
Impairments during the year	-	-	(313 496)	-
	-	**-**	**282 964**	**524 024**

Figures In Pula	**% Ownership 2018**	**Carrying value of investment 2018**	**% Ownership 2017**	**Carrying value of investment 2017**
Abbas Enterprises (Pty) Limited	100 %	3 000	100 %	3 000
Accrete Investments (Pty) Limited	100 %	100	100 %	100
Amphora (Pty) Limited	100 %	100	100 %	100
Asklite (Pty) Limited	100 %	100	100 %	100
Atladis (Pty) Limited	100 %	100	100 %	100
Beavers Investments (Pty) Limited	100 %	4 779 146	100 %	4 779 146
Bell Garden (Pty) Limited	100 %	100	100 %	100
Bestlite Investments (Pty) Limited	100 %	100	100 %	100
Best Strategy (Pty) Limited	100 %	100	100 %	100
Bowerbird (Pty) Limited	100 %	2 364 913	100 %	2 364 913
Catbird (Pty) Limited	100 %	100	100 %	100
Chathley Enterprises (Pty) Limited Choppies	100 %	5 035 746	100 %	5 035 746
Distribution Centre (Pty) Limited Choppies	100 %	770 933	100 %	100
Logistics Proprietary Limited Choppies	100 %	733	100 %	733
Supermarkets Namibia (Pty) Limited Choppies	100 %	98	100 %	2 932
Supermarkets Tanzania Limited	75 %	12 904 576	75 %	458 047
Choppies Supermarkets Tanzania Limited-Impairment	-	(12 904 576)	-	-
Choppies Enterprises Kenya Limited	75 %	178 878 293	75 %	118 878 801
Choppies Distribution Centre Kenya Limited	75 %	10 716	75 %	10 716
Choppies Group Share Incentive Trust Scheme	100 %	29 615 835	100 %	30 720 000
Choppies Supermarket Mozambique Limitada	90 %	33 613 445	90 %	33 613 445
Choppies Supermarket Mozambique Limitada-impairment	-	(33 613 445)	-	-
Choppies Supermarkets Limited (Zambia)	90 %	47 158	90 %	11 089
Choppies Supermarkets SA (Pty) Limited	100 %	266 977 421	100 %	266 686 757
Choppies Supermarkets SA (Pty) Limited-impairment	-	(266 977 421)	-	-

Notes to the Consolidated and Separate Financial Statements

13. Investment in subsidiaries (continued)

Choppies Warehousing Services (Pty) Limited	100 %	900	100 %	900
Crystal Shine (Pty) Limited	100 %	100	100 %	100
Daisy Gardens (Pty) Limited	100 %	290 273	100 %	290 273
Deluxe (Pty) Limited	100 %	5 778 525	100 %	5 778 525
Dhalia (Pty) Limited	100 %	1 000	100 %	1 000
Dostana Investments (Pty) Limited	100 %	1 000	100 %	1 000
Dragon Gold (Pty) Limited	100 %	100	100 %	100
Enchanted Oaks (Pty) Limited	100 %	100	100 %	100
Flowting Ideas (Pty) Limited	100 %	100	100 %	100
F & A Enterprises (Pty) Limited	100 %	734 973	100 %	734 973
Freshtake Holdings (Pty) Limited	100 %	4 033 916	100 %	4 033 916
Ganga (Pty) Limited	100 %	1 000	100 %	1 000
Genuine Passions (Pty) Limited	100 %	688 755	100 %	688 755
Gliftwood (Pty) Limited	100 %	100	100 %	100
Gobrand Holdings (Pty) Limited	100 %	100	100 %	100
Golden Irish (Pty) Limited	100 %	100	100 %	100
Godavari (Pty) Limited	100 %	100	100 %	100
Good Track (Pty) Limited	100 %	100	100 %	100
Gritnit (Pty) Limited	100 %	100	100 %	100
Heaven Hill (Pty) Limited	100 %	100	100 %	100
Heritic Holdings (Pty) Limited	100 %	100	100 %	100
Highland Haven (Pty) Limited	100 %	100	100 %	100
Himalayas (Pty) Limited	100 %	100	100 %	100
Hoovernit (Pty) Limited	100 %	100	100 %	100
Jarapino Ventures (Pty) Limited	100 %	100	100 %	100
Jobfine Holdings (Pty) Limited	100 %	100	100 %	100
Kaar Distributors & Marketing Services (Pty) Limited	100 %	2 170 082	100 %	2 170 082
Kanye Friendly Grocer (Pty) Limited	100 %	439 264	100 %	439 264
Karling Investments (Pty) Limited	100 %	100	100 %	100
Kings Rifle (Pty) Limited	100 %	100	100 %	100
Leaf Motifs (Pty) Limited	100 %	100	100 %	100
Lisboa Trading (Pty) Limited	100 %	3 017 120	100 %	3 017 120
Macha Investments (Pty) Limited	100 %	2 489 757	100 %	2 489 757
Mafila Holdings (Pty) Limited	100 %	150 000	100 %	150 000
Maypearl (Pty) Limited	100 %	100	100 %	100
Million Touch (Pty) Limited	100 %	100	100 %	100
Monthe Vista (Pty) Limited	100 %	100	100 %	100
Motopi Holdings (Pty) Limited	100 %	3 365 538	100 %	3 365 538
Motopi Holdings SA (Pty) Limited	100 %	100	100 %	100
Naivasha (Pty) Limited	100 %	100	100 %	100
Nanavac Investments (Pvt) Limited**	49 %	-	49 %	855
Ndongolela Investments (Pty) Limited	100 %	100	100 %	100
New Page (Pty) Limited	100 %	100	100 %	100
Ollur Investments (Pty) Limited	100 %	2 005 193	100 %	2 005 193
Ourluck Investment (Pty) Limited	100 %	425 020	100 %	425 020
Path for Glory (Pty) Limited	100 %	100	100 %	100
Pucko Investments (Pty) Limited	100 %	2 849 148	100 %	2 849 148
Pearland (Pty) Limited	100 %	100	100 %	100
Right Time Holdings (Pty) Limited	100 %	100	100 %	100
Rigil (Pty) Limited	100 %	100	100 %	100
S & F Enterprises (Pty) Limited	100 %	100	100 %	100
Sarfrosh Holdings (Pty) Limited	100 %	16 331 720	100 %	16 331 720
Shopper's Paradise (Pty) Limited	100 %	1 300 000	100 %	1 300 000
Smart Buy Holdings (Pty) Limited	100 %	100	100 %	100
Smoothsail Holdings (Pty) Limited	100 %	100	100 %	100
Spin and Shine (Pty) Limited	100 %	100	100 %	100
Summer Queen (Pty) Limited	100 %	100	100 %	100

Notes to the Consolidated and Separate Financial Statements

13. Investment in subsidiaries (continued)

Sunrise Holdings (Pty) Limited	100 %	239 247	100 %	239 247
SupaSave (Pty) Limited and MegaSave (Pty) Limited	100 %	14 332 511	100 %	14 332 511
Taffeta Roses (Pty) Limited	100 %	100	100 %	100
Tampatrail Investments (Pty) Limited	100 %	100	100 %	100
Tanglewood (Pty) Limited	100 %	100	100 %	100
To Domore Holdings (Pty) Limited	100 %	100	100 %	100
Topshape Holdings (Pty) Limited	100 %	1 000	100 %	1 000
Torinby Investments (Pty) Limited	100 %	100	100 %	100
Roadtight (Pty) Limited	100 %	100	100 %	100
Velocity (Pty) Limited	100 %	100	100 %	100
Walrus (Pty) Limited	100 %	100	100 %	100
Wayside Supermarket (Pty) Limited	100 %	805 936	100 %	805 936
White Baite (Pty) Limited	100 %	100	100 %	100
Wolf Lake (Pty) Limited	100 %	100	100 %	100
Well Done (Pty) Limited	100 %	100	100 %	100
		282 963 949		**524 023 658**

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest 2018	2017
Nanavac Investments (Pvt) Limited	Zimbabwe	51 %	51 %
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 Limitada	Mozambique	10 %	10 %

Nanavac Investments (Pvt) Limited ("Nanavac") includes the Group's operations in Zimbabwe where legislation required an indigenous shareholding of at least 51% in all businesses. To comply with this requirement, the Group entered into an agreement with the minority shareholders of Nanavac (the Mphoko's) that gave the Group the power over the board, financial decision making and right to receive returns of Nanavac.

The Group also entered into an operational service agreement in September 2013 between Nanavac and Choppies Distribution Centre. However, as per the terms of these agreements, the approval of the Zimbabwe Investment Authority was to be obtained within 30 days of the agreements being signed. Since the approval was not obtained within the 30 day period, these agreements are deemed to have lapsed and hence are void.

Though the approval from the Zimbabwe Investment Authority was not obtained, the Group and the Mphoko's acted as if the agreements were valid, with the Group having power over the board, the right to receive dividends and other actions. The Group obtained legal opinion about its actions in terms of control which confirms that by the virtue of the parties' conduct over the last 6 years a tacit contract has arisen, which likely contains the same terms and conditions of the written agreements.

Based on such conclusions, the Group has included the results of Nanavac in accordance with IFRS 10 in preparation of the consolidated financial statements. In early 2019, the Group acquired the minority interest held by the Mphoko's.

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

Notes to the Consolidated and Separate Financial Statements

13. Investment in subsidiaries (continued)

2018

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
Nanavac Investments (Pvt) Limited	339 523	209 156	548 679	10 840	499 226	510 066	(2 260)
Choppies Supermarkets Limited (Zambia)	109 950	100 022	209 972	3 146	256 943	260 089	(5 017)
Choppies Enterprises Kenya Limited	76 304	85 586	161 890	5 934	91 964	97 898	(18 947)
Choppies Supermarkets Tanzania Limited	11 276	6 825	18 101	197	10 316	10 513	1 926
Choppies Supermarket Mozambique Limitada	31 354	13 381	44 735	9 885	19 703	29 588	(1 847)
Total	568 407	414 970	983 377	30 002	878 152	908 154	(26 145)
Non-controlling interest in all other subsidiaries							87
							(26 058)

The difference between the carrying amount of non-controlling interest and the non-controlling interest's proportionate share of the net assets of the subsidiary is represented by goodwill.

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss) before tax	Tax expense	Profit (loss)	Other comprehensive income	Total comprehensive income	Profit (loss) allocated to non-controlling interest
Nanavac Investments (Pvt) Limited	1 641 385	19 103	(4 289)	14 814	1 110	14 065	907
Choppies Supermarkets Limited (Zambia)	502 714	(31 354)	(6 335)	(37 689)	631	(37 057)	(3 769)
Choppies Enterprises Kenya Limited	407 699	(70 400)	(13 256)	(83 656)	2 338	(81 318)	(20 914)
Choppies Supermarkets Tanzania Limited	22 121	(7 994)	2 064	(5 930)	337	(5 603)	(1 485)
Choppies Supermarket Mozambique Limitada	24 820	(11 732)	-	(11 732)	144	(11 588)	(1 173)
Total	2 598 739	(102 377)	(21 816)	(124 193)	4 560	(121 501)	(26 434)

Notes to the Consolidated and Separate Financial Statements

13. Investment in subsidiaries (continued)

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
Nanavac Investments (Pvt) Limited	107 232	(82 219)	(150)	24 863
Choppies Supermarkets Limited (Zambia)	49 130	(40 869)	-	8 261
Choppies Enterprises Kenya Limited	(43 173)	(51 332)	75 426	(19 079)
Choppies Supermarkets Tanzania Limited	(14 358)	(4 563)	17 350	(1 571)
Choppies Supermarket Mozambique Limitada	5 460	(36)	(7 617)	(2 193)
Total	104 291	(179 019)	85 009	10 281

2017

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
Nanavac Investments (Pvt) Limited	284 761	224 141	508 902	27 108	201 260	228 368	(3 245)
Choppies Supermarkets Limited (Zambia)	92 847	64 335	157 182	1 685	168 594	170 279	(1 311)
Choppies Enterprises Kenya Limited	79 932	76 090	156 022	2 551	50 427	52 978	(11 654)
Choppies Supermarkets Tanzania Limited	5 548	4 014	9 562	9	1 724	1 733	(1 014)
Choppies Supermarket Mozambique Limitada	32 928	9 551	42 479	22 186	10 064	32 250	(688)
Total	496 016	378 131	874 147	53 539	432 069	485 608	(17 912)
Non-controlling interest in all other subsidiaries							87
Non-controlling interest per statement of financial position							(17 825)

Notes to the Consolidated and Separate Financial Statements

13. Investment in subsidiaries (continued)

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit before tax	Tax expense	Profit (loss)	Other comprehensive income	Total comprehensive income	Profit (loss) allocated to non-controlling interest
Nanavac Investments (Pvt) Limited	1 366 116	13 750	(3 997)	9 753	(1 281)	8 472	(510)
Choppies Supermarkets Limited (Zambia)	273 760	(19 987)	5 826	(14 161)	326	(13 835)	(1 416)
Choppies Enterprises Kenya Limited	289 825	(34 838)	8 611	(26 226)	(1 506)	(27 732)	(6 557)
Choppies Supermarkets Tanzania Limited	6 529	(5 550)	1 738	(3 812)	(61)	(3 873)	(953)
Choppies Supermarket Mozambique Limitada	8 053	(7 497)	(1)	(7 498)	62	(7 436)	(750)
Total	1 944 283	(54 122)	12 177	(41 944)	(2 460)	(44 404)	(10 186)

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
Nanavac Investments (Pvt) Limited	65 029	(11 753)	(59 394)	(6 118)
Choppies Supermarkets Limited (Zambia)	43 970	(35 654)	-	8 316
Choppies Enterprises Kenya Limited	13 190	(39 135)	44 101	18 156
Choppies Supermarkets Tanzania Limited	(5 300)	7 318	478	2 596
Choppies Supermarket Mozambique Limitada	(8 770)	(45 528)	48 856	(5 442)
Total	108 119	(124 752)	34 041	17 508

Notes to the Consolidated and Separate Financial Statements

13. Investment in subsidiaries (continued)

Increase in investments in subsidiaries

During the year in Tanzania and Kenya, there were conversions of the shareholder's loan into share capital amounting to P 12.5 million and P 60 million respectively.

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. Future performance was assessed based on cash flow projections for each of the 5 subsidiaries below and the following key assumptions:

	Choppies Supermarkets Tanzania Limited		Choppies Enterprises Kenya Limited		Choppies Supermarket Mozambique Limitada		Choppies Supermarkets SA (Pty) Limited	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue growth rates	10%	10%	15%	15%	8-9%	8-9%	2 - 10%	2 - 10%
Gross profit margins	17.22%	17.22%	17%	17%	22-23%	22-23%	13 - 20%	13 - 20%
Inflation rates	5.5%	5.5%	5%	5%	5%	5%	3 - 4%	3 - 4%
Terminal growth rates	6.2%	6.2%	6.042%	6.042%	4%	4%	1.8%	1.8%

Assessment for impairment of investment in subsidiaries

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). In this case, impairment is tested at cash-generating unit level, that is, at subsidiary level.

All investment in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each investment and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each investment and reflect current market assessments of the time value of money and asset-specific risk factors.

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.

Choppies Supermarkets Tanzania Limited (Tanzania)

The discounted cash flow value of the investment was negative and management has therefore considered to fully impair its investment in in Tanzania.

Choppies Supermarket Mozambique Limitada (Mozambique)

The discounted cash flow value of the investment in Mozambique is negative and management has therefore considered to fully impair its investment in in Mozambique.

Notes to the Consolidated and Separate Financial Statements

13. Investment in subsidiaries (continued)

Choppies Supermarkets SA (Pty) Limited (South Africa)

The discounted cash flow value of the investment in South Africa is negative and management has therefore considered to fully impair its investment in in South Africa.

Impairment of Choppies Enterprises Kenya Limited (Kenya)

The forecasts for all investments and cash generating units and the value in use calculations, took into account factors which could have been reasonably anticipated at 30 June 2018.

Choppies Enterprises Kenya Limited's cash flows were negatively impacted by the Group's inability to raise additional borrowings when it breached the loan conditions through late release of results resulting in the company's shares being suspended on both the Botswana Stock Exchange and Johannesburg Stock Exchange. Because these could not be reasonably foreseen at 30 June 2018, the impact of these were not taken into account in the impairment calculations. Therefore, impairments will be required with respect to and Kenya in the financial year ending 30 June 2019 for P178 878 293 in financial year ending 30 June 2019.

14. Deferred tax

	Group		Company	
Figures in Pula thousand	2018	2017	2018	2017
The movement in deferred taxation is analysed as follows:				
Reconciliation of deferred tax asset / (liability)				
At beginning of year	2 545	46 512	-	-
Charge to the income statement	(35 487)	(53 145)	-	-
Effects of exchange rate movements	(3 173)	9 178	-	-
	(36 115)	**2 545**	**-**	**-**
Accelerated capital allowances on items of property, plant and equipment	(107 591)	(73 136)	-	-
Deferred lease liabilities	23 526	20 213	-	-
Finance Leases	4 001	(1 939)	-	-
Advances and Deposits	(964)	(1 487)	-	-
Tax losses carried forward	44 578	118 216	-	-
Unrealised Forex Loss	335	(59 322)	-	-
	(36 115)	**2 545**	**-**	**-**

Deferred tax assets for unused tax losses are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

	Group 2018	Group 2017	Company 2018	Company 2017
Deferred tax liability	(41 910)	(33 380)	-	-
Deferred tax asset	5 795	35 925	-	-
Total net deferred tax liability	**(36 115)**	**2 545**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

14. Deferred tax (continued)

A deferred tax asset of P24 577 902 relating to Choppies Enterprises Kenya Limited was not recognised in the current year ended 30 June 2018. The directors do not expect that sufficient taxable profits will be generated against which the estimated tax loss will be utilised within the five-year period stipulated per Kenyan law and as per projected cash flows forecasts.

A deferred tax asset of P2 223 921 relating to Choppies Supermarket Mozambique Limitada was not recognised at the year ended 30 June 2017. The directors do not expect that sufficient taxable profits will be generated against which the estimated tax loss will be utilised within the five-year period stipulated per Mozambican law.

A deferred tax asset of P35 912 385 relating to Choppies Supermarkets SA (Pty) Limited was not recognised at the year ended 30 June 2017. The directors do not expect that sufficient taxable profits will be generated against which the estimated tax loss will be utilised within the stipulated time as per South African law.

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.

Investments in new projects is reconciled as follows:				
Balance at the beginning of the year	45 633	95 560	-	-
Amounts reclassified as additions to property, plant and equipment during the year (note 11)	(11 953)	(79 902)	-	-
Capital advanced during the year	73 712	29 975	-	-
	107 392	**45 633**	**-**	**-**

16. Inventories

Merchandise	937 619	945 449	-	-
Goods in transit	18 885	29 526	-	-
	956 504	**974 975**	**-**	**-**

17. Amounts due (from)/to related entities

Amounts due from related entities	22 425	35 863	331 256	422 066

The above balances were due from entities which are considered related entities through common ownership and were excluded from being consolidated into the Choppies Enterprises Limited group. Transactions with related entities are carried out on mutually agreed terms and conditions in the normal course of business. Refer to note 33 for the details of related party balances and transactions.

No significant credit risk is associated with amounts due from related entities.

Amounts due to related entities	(42 675)	(71 085)	(13 678)	(13 678)

The above balances were due to entities which are considered related entities through common ownership and were excluded from being consolidated into the Choppies Enterprises Limited group. These balances are trade related, unsecured, interest free and are repayable under normal trading terms. Refer to note 33 for the details of related party balances and transactions.

Current assets	22 425	35 863	331 256	422 066
Current liabilities	(42 675)	(71 085)	(13 678)	(13 678)
	(20 250)	**(35 222)**	**317 578**	**408 388**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

18. Other financial assets

At fair value through profit or loss - designated				
Investment in listed shares	3	3	-	-

The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2018 was P2.22 (2017: P2.73 per share).

Held to maturity				
Bank balances - call deposits	2 187	-	-	-
Total other financial assets	**2 190**	**3**	**-**	**-**
Current assets				
Held to maturity	2 187	-	-	-

19. Advances and deposits

Salary advance	3 677	3 113	-	-
Rent advance	3 166	2 948	-	-
Prepaid expenses	1 998	2 872	-	-
Rent deposit	15 144	15 641	-	-
Other deposits	3 629	3 941	-	-
Electricity deposit	5 113	3 347	-	-
Telephone deposit	92	91	-	-
Advance to suppliers	41 693	56 087	-	-
Other advances	6 317	5 570	-	-
	80 829	**93 610**	**-**	**-**

20. Trade and other receivables

Trade receivables	69 292	96 926	-	-
Other receivable	108 331	120 244	-	-
Value added tax	24 953	24 459	-	20
	202 576	**241 629**	**-**	**20**

Information about the group's exposure to credit and market risks and impairment losses for trade and other receivables, is included in note 35.

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 (Refer to note 39)	41 375	15 445	-	-

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 Dollar and the continued uncertainty regarding Zimbabwe's legislative framework, exchange controls and economy. Moreover, the company did not have the necessary control clearance from the Reserve Bank of Zimbabwe to externalise funds by 30 June 2018.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

22. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	31 211	20 007	-	-
Bank balances	90 165	194 453	477	430
Bank overdraft	(106 448)	(110 977)	-	-
	14 928	**103 483**	**477**	**430**
Current assets	121 376	214 460	477	430
Current liabilities	(106 448)	(110 977)	-	-
	14 928	**103 483**	**477**	**430**

The group has the following banking facilities:

- P53 000 000 overdraft facility from Barclays Bank of Botswana Limited secured by a cross-company guarantee of P27 000 000 issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of Barclays Bank of Botswana Limited over movable assets limited to P27 000 000 issued by Choppies Enterprises Limited and its subsidiaries (refer to note 11). At the reporting date P48 624 509 (2017: P46 274 019) of this facility was utilised.
- P40 000 000 overdraft facility from Standard Chartered Bank Botswana Limited guaranteed by Choppies Enterprises Limited. At the reporting date P29 249 495 (2017: P30 355 979) of the facility was utilised.
- US$3 000 000 overdraft facility from Barclays Bank of Zimbabwe guaranteed by Choppies Enterprises Limited. As at the reporting date, P28 124 542 (2017: P26 862 558); US$2 699 956 (2017: US$623 129) of this facility was utilised.
- MZN50 000 000 overdraft facility from FNB Mozambique guaranteed by Choppies Distribution Centre. As at the reporting date, MZN43 969 527 (P8 682 924) (2017: P 7 484 175) of this facility was utilised.
- P40 000 000 overdraft facility from RMB Botswana Limited guaranteed by Choppies Enterprises Limited in sum of P40 million and letters of suretyship by 78 subsidiaries. At the reporting date P89 726 879 (2017: P Nil) of the facility was utilised.

The banking facilities have been granted to Choppies Distribution Centre (Pty) Limited, a wholly owned subsidiary of Choppies Enterprises Limited, and have been allocated within the group as required. The facilities are thus reflected in both the financial statements of the individual subsidiaries and in the consolidated group financial statements.

23. Stated capital and treasury shares

The movement in stated capital is analysed as follows:				
Balance at beginning of the year	1 303 628	1 291 628	1 303 628	1 291 628
Issue of ordinary shares	-	12 000	-	12 000
	1 303 628	**1 303 628**	**1 303 628**	**1 303 628**
Reconciliation of number of shares issued:				
Reported as at 01 July 2017	906 196	875 476	906 196	875 476
Shares purchased by subsidiaries	-	30 720	-	30 720
	906 196	**906 196**	**906 196**	**906 196**
Stated capital				
1 303 628 341 (2017: 1 291 628 341) 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.

On 22 May 2017 the group issued 12 000 000 shares valued at P30 720 000 to the Choppies Group Share Incentive Trust. The fair value on 22 May 2017 was based on the market price as on the date of issue.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

23. Stated capital and treasury shares (continued)

1 303 628 341 (2017: 1 303 628 341) issued ordinary shares at no par	906 196	906 196	906 196	906 196

Treasury shares

On 22 May 2017, the group issued 12 000 000 ordinary shares valued at P30 720 000, to the Choppies Group Incentive Trust. The fair value of the shares was based on the market price at the date of issue. The shares will be issued to employees as part of an employee share incentive scheme. The vesting of the shares will be dependent on service conditions stipulated in the trust deed. Of the 12 000 000 shares, 1 475 000 shares were granted to selected employees on 30 June 2018 at the market price of the shares on that date. No shares had vested to these employees at the reporting date. The shares remain under the control of the trust, and ultimately the group, until they have vested. As such, all 12 000 000 shares issued to the trust were classified as treasury shares at the reporting date.

24. Share based payments

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

On 22 May 2017, the group issued 12 000 000 ordinary shares valued at P30 720 000, to the Choppies Group Incentive Trust. A total number of 1 475 000 shares were granted to selected employees on 30 June 2018. These shares remain under the control of the trust and will vest in 3 years. It was accounted for according to IFRS 2 resulting in 441 661 shares with a value of P2.50 per share (being the market price as at 29 June 2018) charged to the statement of profit or loss for the year end 30 June 2018. Shares granted in terms of the scheme meet the definition of an equity-settled share-based payments.

	2018	**2017**		
Total number of shares issued to the trust by issuing new share capital	12 000 000	12 000 000	-	-
Key management personnel	100 000	100 000	-	-
Senior employees	1 375 000	1 375 000	-	-
	1 475 000	**1 475 000**	**-**	**-**
Total number of shares expensed through the income statement	441 661	-	-	-
Total number of shares held by the trust	11 558 339	12 000 000	-	-
Value of shares held by the trust	29 615 835	30 720 000	-	-

25. Foreign currency translation reserve

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

Opening balance (Restated)	7 936	(5 549)	-	-
Exchange differences on translating foreign operations	(1 113)	12 357	-	-
Exchange differences on translating foreign operations attributable to non-controlling interest	(824)	1 128	-	-
	5 999	**7 936**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

26. 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.

27. Long-term borrowings

Finance leases				
Scania Finance Southern Africa	65 378	34 942	-	-
Wesbank Botswana Limited	27 018	49 473	-	-
	92 396	**84 415**	**-**	**-**
Term loans				
Barclays Bank of Botswana Limited	76 117	275 118	-	-
Barclays Bank of Mozambique SA	14 413	22 038	-	-
Barclays Bank of Botswana Limited	350 000	-	-	-
Botswana Investment Fund Management Capital (Bifm Capital)	65 000	85 000	-	-
Rand Merchant Bank Limited	-	205 740	-	-
Stanbic Bank of Botswana Limited	215 000	-	-	-
Standard Bank of South Africa Limited	2 174	-	-	-
ABSA Bank South Africa Limited	385	-	-	-
	723 089	**587 896**	**-**	**-**
	815 485	**672 311**	**-**	**-**
Non-current liabilities				
Finance lease liabilities	92 396	84 415	-	-
Term loans	616 359	473 805	-	-
	708 755	**558 220**	**-**	**-**
Current liabilities				
Current portion of long term loans	106 730	114 091	-	-
	815 485	**672 311**	**-**	**-**

Scania Finance South Africa Limited
Finance lease liabilities
These lease liabilities are secured over motor vehicles with a net book value of P208 902 605 (2017: P198 161 104) and plant and equipment with a net book value of P468 574 714 (2017: P437 901 765). These liabilities bear interest at the South African prime lending rate less 2% per annum and are repayable in 48 monthly instalments.

Wesbank Botswana Limited
Finance lease liabilities
These lease liabilities are secured over an aircraft with a net book value of P65 738 879 (2017: P69 591 141). These liabilities bear interest at the Botswana prime lending rate less 2% per annum and are repayable in 36 monthly installments.

Barclays Bank of Botswana Limited
The facility is for US$20 000 000 for capital expenditure relating to the expansion of retail stores in Zimbabwe with the following conditions:

- Interest of 350 basis points above the benchmark rate (benchmark rate being three-month US$ LIBOR).
- Quarterly repayments of US$1 121 218 over five years commencing 1 April 2014.
- Secured by an unlimited guarantee provided by Choppies Enterprises Limited.

Notes to the Consolidated and Separate Financial Statements

27. Long-term borrowings (continued)

Barclays Bank of Mozambique SA
A facility of MZN124 000 000 for purchase of building in Maputo, Mozambique which was fully utilised as on 30 June 2017:

- Interest – Barclays Bank of Mozambique SA prime lending rate less 3.5% being 23.5% as on 30 June 2018.
- Quarterly repayment of MZN8 453 455 over a period over five years.
- Secured by a corporate guarantee from Choppies Enterprises Limited, mortgage of the underlying property including insurance with the bank and floating charge over all assets of Choppies Supermarket Mozambique, Limitada to the extent of the outstanding balance.

Botswana Investment Fund Management Capital ("Bifm Capital")
Promissory notes

Bifm subscribed to a promissory note issued by Winforever Investments (Pty) Limited (the holding company of the Choppies group of companies which legally changed its registered name to Choppies Enterprises Limited). Funds were disbursed for use by its wholly owned subsidiary, Choppies Distribution Centre (Pty) Limited ("CDC").

A term loan facility for P65 million with the following conditions:

- Interest rate of 9.10% per annum payable bi-annually.
- Repayments of P20 million on 31 December 2020 and 31 December 2021 and P25 million on 31 December 2022.

Securities

- Issuer deed of subordination, deed of cession and pledge.
- Choppies Distribution Centre (Pty) Limited guarantee, deed of hypothecation and deed of subordination.
- Insurance cover in respect of furniture and fittings.
- Deed of hypothecation over trade and other receivables of Choppies Distribution Centre (Pty) Limited.
- Deed of hypothecation over inventories of Choppies Distribution Centre (Pty) Limited and other subsidiaries to the extent of P65 000 000.
- Guarantee of P65 000 000 by Choppies Enterprises Limited.

Standard Bank of South Africa Limited
A facility of R1 100 000 for vehicle and asset finance, R1 000 000 for fleet management services, credit cards for R410 000,vehicle asset finance for R1700 000 and performance guarantees by the bank for R2 350 000 with the following conditions:

- Any security currently held by the bank in relation to the customer and additional parties shall constitute security.

ABSA Bank South Africa Limited
An overdraft facility for R60 000 000, financial guarantees for R5 394 000, Absa fleet card for R15 000 000 and Absa credit card for R250 000. Interest is payable at the Bank's prime interest rate and the facilities are subject to the following conditions:

- Cession of the borrower's investment account held with the Bank for the obligations of the guarantee.
- Limited guarantee for R60 000 000 by Choppies Enterprises Limited for the obligations of Choppies Supermarkets South Africa Proprietary Limited.

Barclays Bank of Botswana Limited and Stanbic Bank of Botswana Limited
The lenders have made available two term facility loans, "Facility A" amounts to P500 million (P350 million from Barclays Bank of Botswana Limited and P150 million from Stanbic Bank of Botswana Limited) and "Facility B" amounts to P65 million (from Stanbic Bank Botswana Limited). "Facility A" is towards the repayment of the existing facility, capital expenditure, operating expenses and general corporate purposes, including the payment of all fees and expenses relating to the implementation of the facility. Facility B is towards the repayment of the BIFM Bridge Facility.

Facility A is repayable by way of quarterly equal instalments commencing on the first interest payment date the expiry of the moratorium and ending on the final maturity date. Facility B is repayable in 3 installments on: (1) 3 January 2021, installment amount P20 Milion; (2) 3 January 2022, instalment amount P20 million; (3) 3 January 2023, instalment amount P25 million.

Interest is calculated based on, the rate of interest on each loan for interest period is the percentage rate per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being prime lending rate. Interest accrues on a day to day basis and is calculated on the basis of 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan. The facilities are subject to registered BIFM deeds as security for its obligation under the BIFM facility. The registered deeds are as follows;

Notes to the Consolidated and Separate Financial Statements

27. Long-term borrowings (continued)

- "BIFM Deed 1": the deed of hypothecation in the amount of P20 million for CDC's obligation to repay the capital instalment of P20 million due under the BIFM Facility on 3 January 2021.
- "BIFM Deed 2": the deed of hypothecation in the amount of P20 million for CDC's obligation to repay the capital instalment of P20 million due under the BIFM Facility on 3 January 2022.
- "BIFM Deed 3": the deed of hypothecation in the amount of P25 million for CDC's obligation to repay the capital instalment of P25 million due under the BIFM Facility on 3 January 2023.

Movable assets with a net book value of P701 304 750 (2017: P557 926 920) in respect of Choppies Supermarket SA (Pty) Limited, Motopi Holdings SA (Pty) Limited and Choppies Warehousing Services (Pty) Limited are encumbered under a term loan facility with Rand Merchant Bank Limited.

Movable assets with a net book value of P184 058 958 (2017: P1 134 821 631) limited to P27 000 000 are encumbered under an overdraft facility with Barclays Bank of Botswana.

	Group		Company	
Figures in Pula thousand	2018	2017	2018	2017
At the reporting date, finance lease payables were as follows:				
Cash flows within one year				
Capital repayments	39 266	37 105	-	-
Interest	5 459	4 347	-	-
	44 725	**41 452**	**-**	**-**
Cash flows within two to five years				
Capital repayments	53 130	44 188	-	-
Interest	4 107	3 390	-	-
	57 237	**47 578**	**-**	**-**
Total				
Capital repayments	92 396	81 293	-	-
Interest	9 566	7 737	-	-
	101 962	**89 030**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

28. Straightlining lease obligation

Non-current liabilities	(73 274)	(74 988)	-	-
Current liabilities	(32 355)	(5 851)	-	-
	(105 629)	**(80 839)**	**-**	**-**

The group has entered into various non-cancellable operating lease agreements in respect of rented premises. Leases are contracted for periods of up to 10 years, some with renewal options. Rental charges under these contracts escalate at fixed percentages of 5% to 10% per annum. Rentals comprise minimum monthly payments.

Balance at beginning of the year	80 839	59 826	-	-
Charge for the year	24 790	21 013	-	-
	105 629	**80 839**	**-**	**-**

The deferred operating lease liabilities reverse as follows:

Within 1 year	30 564	5 988	-	-
2 - 5 years	60 364	40 650	-	-
6 - 10 years	14 701	34 201	-	-
	105 629	**80 839**	**-**	**-**

The following future non-cancellable minimum lease rentals for premises occupied by the group are payable at the reporting date:

Within 1 year	299 461	251 312	-	-
2 – 5 years	930 129	828 529	-	-
6 - 10 years	307 846	379 884	-	-
	1 537 436	**1 459 725**	**-**	**-**

29. Trade and other payables

Trade payables	1 164 079	924 692	-	-
Other payables	143 045	94 695	202	187
Withholding tax payable	859	2 965	-	-
Accrued leave pay	4 306	2 220	-	-
	1 312 289	**1 024 572**	**202**	**187**

Trade and other payables are interest-free and have payment terms of up to 30 days.

The carrying value of trade and other payables approximates their fair values. Information of the group's exposure to currency and liquidity risks is included in note 35.

30. Dividends paid

Dividends	(30 129)	(36 509)	(25 876)	(33 771)

Notes to the Consolidated and Separate Financial Statements

31. 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 P27 million in favour of Barclays Bank of Botswana Limited in respect of an overdraft facility of P23 million and a guarantee of P40 million in favour of Standard Chartered Bank Botswana Limited in respect of an overdraft facility of P40 million.

Choppies Enterprises Limited provided a guarantee of P50 000 000 in favour of Banc ABC for banking facilities provided to a related company, Solace (Pty) Limited.

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

Beneficiaries	Expiry date	2018 US$'000	2017 US$'000	2018 P'000	2017 P'000
Delta Corporation Limited	Not applicable	800	800	8 193	8 193
National Foods Operations Limited	Not applicable	700	700	7 168	7 168
Dairybord Zimbabwe (Pvt) Limited	Not applicable	1 000	1 000	10 241	10 241
Unilever Zimbabwe (Pvt) Limited	Not applicable	800	800	8 193	8 193
Whirlwyn Trading (Pvt) Limited	Not applicable	50	50	512	512
		3 350	**3 350**	**34 307**	**34 307**

Choppies Enterprises Limited has the following guarantees issued for Choppies Supermarkets South Africa (Pty) Limited and Choppies Warehousing Services (Pty) Limited:

Beneficiaries	Expiry date	2018 R'000	2017 R'000	2018 P'000	2017 P'000
Amka Products (Pty) Limited	Not applicable	3 000	3 000	2 448	2 348
Glocell (Pty) Limited	Not applicable	1 000	1 000	783	783
Unilever South Africa (Pty) Limited	Not applicable	15 000	15 000	11 738	11 738
The South African Breweries (Pty) Limited	Not applicable	3 000	3 000	2 348	2 348
		22 000	**22 000**	**17 317**	**17 217**

Beneficiaries	Expiry date	2018 KES'000	2017 KES'000	2018 P'000	2017 P'000
Kapa Oil Refineries Limited	Not applicable	20 000	20 000	1 972	1 972
Unga Limited	Not applicable	27 000	27 000	2 662	2 662
Del Monte Kenya Limited	Not applicable	10 000	10 000	986	986
Haco Tiger Brands (EA) Limited	Not applicable	20 000	20 000	1 972	1 972
		77 000	**77 000**	**7 592**	**7 592**

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

Notes to the Consolidated and Separate Financial Statements

31. Contingent liabilities (continued)

Beneficiaries	Expiry date	2018 TZS'000	2017 TZS'000	2018 P'000	2017 P'000
Tanzanian Breweries Limited	Not applicable	10 000	10 000	46	46
Bonite Bottlers Limited	Not applicable	7 500	7 500	34	34
		17 500	**17 500**	**80**	**80**

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

Beneficiaries	Expiry date	2018 MZN'000	2017 MZN'000	2018 P'000	2017 P'000
Cervejas De Mozambique, SARL	Not applicable	3 000	3 000	511	511

Choppies Supermarkets SA (Pty) Limited has the following guarantees with Standard Bank of South Africa Limited:

Beneficiaries	Expiry date	2018 R'000	2017 R'000	2018 P'000	2017 P'000
South African Revenue Service	1/1/2030	50	50	39	39
Parmalat SA (Pty) Limited	1/1/2030	300	300	235	235
Unilever South Africa (Pty) Limited	1/1/2030	500	500	391	391
Coca Cola Fortune (Pty) Limited	1/1/2030	750	750	587	587
Tshwane Fresh Produce Market (Pty) Limited	1/1/2030	500	500	391	391
Blinkwater Mills (Pty) Limited	1/1/2030	250	250	196	196
		2 350	**2 350**	**1 839**	**1 839**

Pursuant to a collective buying agreement entered into between one of the Group's Botswana subsidiaries and a number of Botswana entities collectively trading as Fours Cash & Carry (the "Fours Companies"), the Group issued guarantees to third party suppliers of the Fours Companies totaling P100 550 000 and P81 050 000 at 30 June 2018 and 30 June 2017, respectively.

In accordance with these guarantees, the Group would settle any amounts due to suppliers, in the event of default on the due date, by the Fours Companies.

As security for these guarantees and loan extended to Fours Companies, as per loan agreement dated 28 September 2015 and agreement of cooperation as a buying group dated 28 September 2015, the Group has in its custody, under a declaration of trust signed by Mr Ottaphathu, 50% of the shares of all the companies under Fours Companies and also hypothecation over the movable assets of Fours Companies.

Notes to the Consolidated and Separate Financial Statements

31. Contingent liabilities (continued)

Table detailed below is the list of guarantees provided by the company as at 30 June 2018

(in P'000)	Global Holdings (Pty) Ltd	CA Sales (Pty) Ltd	Dafin Sales (Pty) Ltd	Bolux Milling (Pty) Ltd	NBL Botswana (Pty) Ltd	Bokomo Botswana (Pty) Ltd	Parmalat (Pty) Ltd	Clover (Pty) Ltd	Senn Foods (Pty) Ltd	World wide (Pty) Ltd	Total
Hesburger (Pty) Ltd	-	5 200	1 000	-	-	500	2 000	-	-	-	8 700
Lesney (Pty) Ltd	4 000	4 000	1 000	250	500	2 000	-	-	-	-	11 750
Sharpview (Pty) Ltd	4 600	4 800	1 500	250	1 200	600	200	200	100	-	13 450
Custody (Pty) Ltd	3 800	8 250	2 800	350	2 100	500	350	200	100	800	19 250
Shine Star (Pty) Ltd	-	4 200	1 000	800	800	2 000	-	-	-	-	8 800
Hyperite (Pty) Ltd	-	4 200	1 000	800	800	2 000	-	-	-	-	8 800
Silverlight (Pty) Ltd	-	4 600	2 000	800	800	-	-	-	-	-	8 200
Citylab (Pty) Ltd	-	6 300	2 000	800	1 000	2 000	-	-	-	-	12 100
Tiger Square (Pty) Ltd	-	6 500	2 000	800	1 000	-	-	-	-	-	10 300
Total	**12 400**	**48 050**	**14 300**	**4 850**	**8 200**	**9 600**	**2 550**	**400**	**200**	**800**	**100 550**

2017

(in P'000)	Global Holdings (Pty) Ltd	CA Sales (Pty) Ltd	Dafin Sales (Pty) Ltd	Bolux Milling (Pty) Ltd	NBL Botswana (Pty) Ltd	Bokomo Botswana (Pty) Ltd	Parmalat (Pty) Ltd	Clover (Pty) Ltd	Senn Foods (Pty) Ltd	World wide (Pty) Ltd	Total
Hesburger (Pty) Ltd	-	6 200	-	-	-	500	2 000	-	-	-	8 700
Lesney (Pty) Ltd	4 000	4 000	1 000	250	500	2 000	-	-	-	-	11 750
Sharpview (Pty) Ltd	4 600	4 800	1 500	250	200	600	200	200	100	-	12 450
Custody (Pty) Ltd	3 800	8 250	2 800	350	1 300	500	350	200	100	800	18 450
Shine Star (Pty) Ltd	-	4 200	1 000	800	800	2 000	-	-	-	-	8 800
Hyperite (Pty) Ltd	-	4 200	1 000	800	800	2 000	-	-	-	-	8 800
Citylab (Pty) Ltd	-	6 300	2 000	800	1 000	2 000	-	-	-	-	12 100
Tiger Square (Pty) Ltd	-	-	-	-	-	-	-	-	-	-	-
Total	**12 400**	**37 950**	**9 300**	**3 250**	**4 600**	**9 600**	**2 550**	**400**	**200**	**800**	**81 050**

Notes to the Consolidated and Separate Financial Statements

32. Business combinations

On the 1st of November 2017, the group acquired eight stores in Kwazulu-Natal, which were trading under the name “Arizona Wholesalers and Butcheries”, hereafter referred to as “Arizona”, through its subsidiary, Choppies Supermarkets SA (Pty) Ltd, in which the group owns 100% shares and voting rights.

Between September 2017 and November 2017, the group acquired four stores in Northwest, from ANE Western Cape (Pty)Ltd, Mandangi Cash and Carry and Ernvill Trading CC as detailed below, through its subsidiary, Choppies Supermarkets SA (Pty) Ltd, in which the group owns 100% shares and voting rights.

The acquisitions expand the group’s presence in areas previously under serviced by Choppies and are expected to increase revenue and earnings in future. As a socially responsible corporate group, the group retained all staff working in the acquired companies and also employed additional staff to enhance the management team.

Kwazulu-Natal acquisitions

Acquired by	Acquired from	Date	T/A name of Business
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Pongola Store
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Jozini Store
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Nongoma Store
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Ulundi Store
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Hlabisa Store
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Melmoth Store
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Mtumbatuba Store
Choppies Supermarkets SA Pty Ltd	Arizona Wholesale and Butchery (Pty)Ltd	1/11/2017	Arizona Eshowe Store

Northwest acquisitions

Acquired by	Acquired from	Date	T/A name of Business
Choppies Supermarkets SA Pty Ltd	ANE Western Cape (Pty)Ltd	7/10/2017	Hyperland Bela Bela
Choppies Supermarkets SA Pty Ltd	ANE Western Cape (Pty)Ltd	19/8/2017	Cliffy cash and carry
Choppies Supermarkets SA Pty Ltd	Mandangi Cash and Carry	24/10/2017	Phumulu cash and carry
Choppies Supermarkets SA Pty Ltd	Ernvill Trading CC	13/9/2017	Spar vandyk park

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

32. Business combinations (continued)

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

Aggregated business combinations

Property, plant and equipment	40 337	14 019	-	-
Inventories	20 792	6 432	-	-
Cash and cash equivalents	2 282	-	-	-
Total identifiable net assets	63 411	20 451	-	-
Goodwill	94 590	66 510	-	-
	158 001	**86 961**	**-**	**-**

Net cash outflow on acquisition

Cash consideration paid	(158 001)	(86 961)	-	-
Cash acquired	2 282	-	-	-
	(155 719)	**(86 961)**	**-**	**-**

Arizona Wholesale and Butchery (Pty)Ltd

Fair value of assets acquired and liabilities assumed

Property, plant and equipment	18 168	-	-	-
Inventories	16 020	-	-	-
Cash and cash equivalents	2 282	-	-	-
Total identifiable net assets	36 470	-	-	-
Goodwill	55 764	-	-	-
	92 234	**-**	**-**	**-**

Acquisition date fair value of consideration paid

Cash	(92 234)	-	-	-

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017
32. Business combinations (continued)				
Cliffy cash and carry				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	6 894	-	-	-
Inventories	816	-	-	-
Total identifiable net assets	7 710	-	-	-
Goodwill	21 484	-	-	-
	29 194	**-**	**-**	**-**
Acquisition date fair value of consideration paid				
Cash	(29 194)	-	-	-
Hyperland Bela Bela				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	5 361	-	-	-
Inventories	527	-	-	-
Total identifiable net assets	5 888	-	-	-
Goodwill	17 342	-	-	-
	23 230	**-**	**-**	**-**
Acquisition date fair value of consideration paid				
Cash	(23 230)	-	-	-

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017
32. Business combinations (continued)				
Others				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	9 914	-	-	-
Inventories	3 429	-	-	-
Total identifiable net assets	13 343	-	-	-
	13 343	**-**	**-**	**-**
Acquisition date fair value of consideration paid				
Cash	(13 343)	-	-	-
Zandpruit cash and carry				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	-	13 543	-	-
Inventories	-	6 432	-	-
Total identifiable net assets	-	19 975	-	-
Goodwill	-	48 590	-	-
	-	**68 565**	**-**	**-**
Acquisition date fair value of consideration paid				
Cash	-	(68 565)	-	-
Ukwala				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	-	476	-	-
Goodwill	-	17 920	-	-
	-	**18 396**	**-**	**-**
Acquisition date fair value of consideration paid				
Cash	-	(18 396)	-	-

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

33. Related parties

Related party balances

Amounts due from related entities				
Adam's Apple (Pty) Ltd**	37	13 506	-	-
Admiral Touch Pty Ltd	66	-	-	-
Arcee (Pty) Ltd**	713	293	-	-
Ausi Holdings (Pty) Ltd**	-	7	-	-
Backwater Holdings (Pty) Ltd**	13	13	-	-
Bagpiper (Pty) Ltd**	40	-	-	-
Balanced Fortune (Pty) Ltd**	118	-	-	-
Beavers Investments (Pty) Limited	-	-	397	397
Choppies Distribution Centre (Pty) Limited	-	-	255 250	328 180
Choppies Supermarkets SA (Pty) Limited	-	-	47 645	47 645
Cornbill (Pty) Ltd**	5	5	-	-
Dissel Dow (Pty) Ltd**	3	-	-	-
Electrometric Enterprises (Pty) Limited**	-	1 832	-	-
Feasible Investments (Pty) Limited**	1 217	6 424	-	-
Handsome Returns (Pty) Ltd**	11	11	-	-
Holario Investments (Pty) Ltd**	-	2	-	-
Ilo Industries SA (Pty) Ltd**	1 217	188	-	-
Iqube SA Pty Ltd	6 729	-	-	-
JB Sports Holdings (Pty) Ltd**	58	15	-	-
Kanye Friendly Grocer (Pty) Limited	-	-	197	197
Kanye Friendly Grocer (Pty) Ltd	-	-	203	203
Kelsey Investments (Pty) Ltd**	2	-	-	-
Keriotic Investments SA (Pty) Ltd**	-	344	-	-
Loangreach (Pty) Ltd**	679	643	-	-
Mackinnon Holdings (Pty) Ltd**	24	14	-	-
Maximel Enterprises (Pty) Ltd**	4	3	-	-
MegaSave (Pty) Limited	-	-	6 144	6 144
Nanavac Investments (Pty) Ltd	-	-	-	17 879
Navy Blue (Pty) Limited	-	117	-	-
Nestral Systems (Pty) Limited	10 087	2 870	-	-
Ovais Investments (Pty) Limited	58	15	-	-
Pennywise Investments (Pty) Ltd**	42	7	-	-
Princieton (Pty) Limited	543	896	-	-
Prosperous People (Pty) Ltd**	6	4	-	-
Q Tique 79 (Pty) Ltd**	-	56	-	-
Solace (Pty) Limited	-	1 590	-	-
Stonehouse investments (Pty) Ltd**	12	15	-	-
Strides of Success (Pty) Limited	26	-	-	-
SupaSave (Pty) Limited	-	-	21 420	21 421
The Far Property Company (Pty) Limited	369	56	-	-
Tim Tam (Pty) Ltd**	31	12	-	-
Tow Bar (Pty) Ltd**	3	3	-	-
Vet Agric Supplies (Pty) Limited	215	6 918	-	-
Weal (Pty) Ltd	2	-	-	-
Zappos (Pty) Ltd**	4	4	-	-
Zcx Investments(Pty) Ltd	91	-	-	-
	22 425	**35 863**	**331 256**	**422 066**

The balances are unsecured, interest-free and repayable on demand. No impairment losses have been recognised in respect of these balances during the current or previous year.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

33. Related parties (continued)

** - Newly identified related parties that were previously not disclosed in the prior period.

Amounts due to related entities				
Alpha Direct Insurance Co. Pty Ltd	3 451	-	-	-
Adam's Apple (Pty) Ltd**	254	264	-	-
Arcee (Pty) Ltd**	1 310	96	-	-
Ausi Holdings (Pty) Ltd**	-	30	-	-
Bagpiper (Pty) Ltd	518	-	-	-
Bagpiper Pty Ltd	184	-	-	-
Balance Fortune (Pty) Ltd t/a Quick**	1 207	104	-	-
Chathley Enterprises (Pty) Limited	-	-	5 036	5 036
Cornbill (Pty) Ltd**	8	3	-	-
Electrometric Enterprises (Pty) Limited	616	-	-	-
F & A Enterprises (Pty) Limited	-	-	3 576	3 576
Feasible Investments (Pty) Limited	4 207	3 079	-	-
Ghanzi Highway Filling Station (Pty) Ltd **	39	-	-	-
Holario Investments (Pty) Ltd**	-	33 454	-	-
Ilo Industries SA (Pty) Ltd**	2 381	1 712	-	-
Industrial Filling Station (Pty) Ltd**	-	10 050	-	-
Kaar Distributors & Marketing Services (Pty) Limited	-	-	2 170	2 170
Keriotic Investments SA (Pty) Ltd**	25 998	11 014	-	-
Macha Investments (Pty) Limited	-	-	2 490	2 490
Mackinnon Holdings (Pty) Ltd**	37	-	-	-
Mafila Holdings (Pty) Limited	-	-	150	150
Mall Motors Botswana (Pty) Ltd**	-	5 625	-	-
Nestral System Pvt Ltd**	-	4 340	-	-
Pennywise Investments (Pty) Ltd**	1	7	-	-
Pinestone (Pty) Ltd **	218	125	-	-
Prosperous People (Pty) Ltd**	5	-	-	-
RBV Consultants SA (Pty) Ltd**	915	1 109	-	-
RBV Marketing (Pty) Ltd**	200	53	-	-
Solace (Pty) Limited	1 126	-	-	-
Tow Bar (Pty) Ltd**	-	19	-	-
Walrus (Pty) Limited	-	-	256	256
	42 675	**71 084**	**13 678**	**13 678**

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

** - Newly identified related parties that were previously not disclosed in the prior period.

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand	Group 2018	Group 2017 Restated	Company 2018	Company 2017
33. Related parties (continued)				
Related party transactions				
Purchase of goods from related entities				
Nestral Systems (Pvt) Limited**	-	169	-	-
Ovais Investments (Pty) Limited	-	80	-	-
Princieton (Pty) Limited	-	476	-	-
Solace (Pty) Limited	33 342	28 088	-	-
Purchase of goods/services from related entities				
Adam's Apple (Pty) Ltd**	2 763	2 146	-	-
Arcee (Pty) Ltd**	6 778	1 233	-	-
Ascending Returns (Pty) Ltd	537	613	-	-
Ausi Holdings (Pty) Ltd**	467	239	-	-
Bagpiper (Pty) Ltd**	5 176	607	-	-
Balance Fortune (Pty) Ltd t/a Quick**	3 840	2 213	-	-
Cornbill (Pty) Ltd**	55	69	-	-
Cottonvale (Pty) Limited	17	-	-	-
Dissel Dow (Pty) Ltd**	-	66	-	-
Electrometric Enterprises (Pty) Limited	6 703	3 971	-	-
Elmsway Consultancy (Pty) Ltd - Louie Villa, Zambia**	-	4	-	-
Feasible Investments (Pty) Limited	30 555	26 062	-	-
Ghanzi Highway Filling Station (Pty) Ltd**	138	-	-	-
Holario Investments (Pty) Ltd**	382	464	-	-
I Qube (Pty) Ltd/FEASIBLE**	48 649	44 297	-	-
I Qube SA (Proprietary) Limited	16 244	18 262	-	-
Ilo Industries SA (Pty) Ltd**	11 143	8 144	-	-
Industrial Filling Station (Pty) Ltd**	106	187	-	-
JB Sports Holdings (Pty) Ltd**	-	66	-	-
Keriotic Investments SA (Pty) Ltd**	45 468	44 268	-	-
Mackinnon Holdings (Pty) Ltd**	308	-	-	-
Mall Motors Botswana (Pty) Ltd**	75	86	-	-
Maximel Enterprises (Pty) Ltd**	3	35	-	-
Nestral System Pvt Ltd**	17 729	4 201	-	-
Pennywise Investments (Pty) Ltd**	127	275	-	-
Pinestone (Pty) Ltd**	2 449	639	-	-
Prosperous People (Pty) Ltd**	297	-	-	-
Q Tique 79 (Pty) Ltd**	25 118	15 458	-	-
RBV Consultants SA (Pty) Ltd**	11 729	8 275	-	-
RBV Marketing (Pty) Ltd**	658	596	-	-
Tim Tam (Pty) Ltd**	4	-	-	-
Tow Bar (Pty) Ltd**	-	9	-	-
Vet Agric Supplies (Pty) Limited	94 563	-	-	-
Whitecoral (Pty) Ltd**	64	-	-	-

** - Newly identified related parties that were previously not disclosed in the prior period.

Figures in Pula thousand	Group 2018	Group 2017 Restated	Company 2018	Company 2017
Sale of stock to related entities				
Adam's Apple (Pty) Ltd**	390	142	-	-
Arcee (Pty) Ltd**	749	445	-	-
Ausi Holdings (Pty) Ltd**	-	7	-	-
Backwater Holdings (Pty) Ltd**	8	18	-	-
Bagpiper (Pty) Ltd	355	18	-	-

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017
33. Related parties (continued)				
Cornbill (Pty) Ltd**	52	112	-	-
Cottonvale (Pty) Limited	18	40	-	-
Dissel Dow (Pty) Ltd**	14	19	-	-
Electrometic Enterprises (Pty) Limited	276	-	-	-
Feasible Investments (Pty) Limited **	418	695	-	-
Holario Investments (Pty) Ltd**	66	-	-	-
I Qube (Pty) Ltd/FEASIBLE**	901	1 263	-	-
Ilo Industries SA (Pty) Ltd**	-	112	-	-
JB Sports Holdings (Pty) Ltd**	268	224	-	-
Kelsey Investments (Pty) Ltd**	-	2	-	-
Keriotic Investments SA (Pty) Ltd**	1 069	160	-	-
Mackinnon Holdings (Pty) Ltd**	156	161	-	-
Maximel Enterprises (Pty) Ltd**	28	-	-	-
North Gate Lodge (Pty) Ltd**	-	1	-	-
Ovais Investments (Pty) Limited	268	223	-	-
Pennywise Investments (Pty) Ltd**	56	125	-	-
Pinestone (Pty) Ltd**	10	-	-	-
Princieton (Pty) Ltd	87	161	-	-
Prosperous People (Pty) Ltd**	46	42	-	-
Solace (Pty) Limited	817	763	-	-
Stonehouse investments (Pty) Ltd**	99	97	-	-
Strides of Success (Pty) Limited	141	109	-	-
The FAR Property Company (Pty) Limited	349	260	-	-
Tim Tam (Pty) Ltd**	129	32	-	-
Vet Agric Supplies (Pty) Limited	1 442	2 452	-	-
Weal (Pty) Limited	26	39	-	-
Winning Squad (Pty) Ltd**	-	9	-	-
Rent paid to related entity				
The FAR Property Company (Pty) Limited	44 166	51 782	-	-
Dividend income received from related entity				
Choppies Distribution Centre (Pty) Limited	-	-	25 876	33 771

** - Newly identified related parties that were previously not disclosed either in the current or prior period.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

34. Amounts paid to key personnel

Choppies Enterprises Limited executive directors and independent non-executive directors consisting of 7 members during the financial year ended 30 June 2018. The directors are considered to be key management personnel, including their close family members. The table below provides key management personnel compensation during the year.

	Group 2018	Group 2017 Restated	Company 2018	Company 2017
Directors fees				
Non - Executive Directors				
His Excellency Festus Gontebanye Mogae	133	596	-	-
Robert Neil Matthews	400	697	-	-
Dorcas Ana Kgosietsile	400	631	-	-
Sydney Alan Muller	400	1 117	-	-
Farouk Essop Ismail	133	-	-	-
	1 466	**3 041**	**-**	**-**
Salaries				
Non - Executive Directors				
Farouk Essop Ismail	-	1 586	-	-
Executive Directors				
Ramachandran Ottapathu	10 595	10 595	-	-
Sanooj Pullarote	1 387	1 059	-	-
	11 982	**13 240**	**-**	**-**
Retainer fees and allowances				
Non - Executive Directors				
His Excellency Festus Gontebanye Mogae	529	-	-	-
Robert Neil Matthews	276	-	-	-
Dorcas Ana Kgosietsile	176	-	-	-
Sydney Alan Muller	500	-	-	-
Farouk Essop Ismail	416	-	-	-
Executive Directors				
Sanooj Pullarote	364	666	-	-
	2 261	**666**	**-**	**-**
Salaries				
Related to key personnel				
Vidya Sanooj	1 208	1 350	-	-
Jalajakumari Ramachandran	1 229	1 487	-	-
	2 437	**2 837**	**-**	**-**

35. 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.

Notes to the Consolidated and Separate Financial Statements

35. Risk management (continued)

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. The board of directors is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk committee.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

Post-tax profit for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Interest rate risk

The group's interest rate risks arise 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:

Interest cost	2018	2017
Botswana		
Wesbank Botswana Limited	Prime less 2%	Prime less 2%
Barclays Bank of Botswana Limited (overdraft)	Prime less 2.5%	Prime less 2.5%
Standard Chartered Bank Botswana Limited (overdraft)	Prime less 1%	Prime less 1%
Botswana Investment Fund Management Capital (Bifm Capital)	9.1 – 12%	9.1 – 12%
Barclays Bank of Botswana Limited (term loan)	Prime	Prime
Barclays Bank of Botswana Limited (bridge finance)-settled in 2018	–	Prime less 2%
South Africa		
Scania Finance Southern Africa	Prime less 2%	Prime less 2%
Barclays Bank of Botswana Limited	Prime lending rate	Prime lending rate
Zimbabwe		
Barclays Bank of Zimbabwe Limited	3.5% above 3-month LIBOR	3.5% above 3-month LIBOR
Barclays Bank of Zimbabwe Limited (overdraft)	3.5% above 3-month LIBOR	3.5% above 3-month LIBOR

Notes to the Consolidated and Separate Financial Statements

35. Risk management (continued)

Interest income	2018	2017
Botswana		
Call accounts denominated in Pula	4.00% to 6.00%	4.00% to 6.00%
Call accounts denominated in foreign currencies	1.00% to 2.00%	1.00% to 2.00%
Fixed deposits with banks	5.50% to 7.00%	5.50% to 7.00%
South Africa		
Call accounts denominated in Rand	5.00% to 7.00%	5.00% to 7.00%

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

	Group		Company	
In P'000	**2018**	**2017**	**2018**	**2017**
Long-term borrowings	(815 485)	(672 311)	-	-
Bank overdrafts	(106 448)	(110 977)	-	-
Call accounts denominated in Pula	66 070	1 281	-	-
Call accounts denominated in foreign currencies	11 926	13 092	-	-
Fixed deposits with banks	1 662	3 853	-	-

At 30 June 2018, if interest rates on interest bearing borrowings and interest bearing assets had been 5% higher/lower with all other variables held constant, pre-tax profit for the year would have been P 2 966 815 (2017: P 2 147 951) lower/higher, mainly as a result of higher/lower interest expense and income on floating rate borrowings and interest bearing assets.

Foreign exchange risk

The group is exposed to foreign currency risk for transactions which are denominated in currencies other than the Botswana Pula. These transactions mainly relate to the group's distribution and retail trading business and its investment in foreign operations. These transactions are predominantly denominated in South African Rand, United States Dollar and British Pound Sterling.

Foreign currency risks that do not influence the group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations in the group's reporting currency) are not hedged.

Group		30 June 2018		30 June 2017	
		Foreign currency amount	**Pula equivalent**	**Foreign currency amount**	**Pula equivalent**
South African Rand denominated assets – balances with banks	R'000	54 369	41 145	71 326	55 815
United States Dollar denominated assets – balances with banks	US$'000	4 380	45 673	2 070	21 187
British Pound Sterling denominated assets – balances with banks	GBP'000	154	2 110	161	2 011
South African Rand denominated liabilities	R'000	(949 543)	(718 589)	(191 730)	(150 035)
United States Dollar denominated liabilities	US$'000	(516)	(5 381)	(2 623)	(26 861)

Notes to the Consolidated and Separate Financial Statements

35. Risk management (continued)

Year end rates		
South African Rand	1.3214	1.2779
United States Dollar	0.0959	0.0977
British Pound Sterling	0.0730	0.0751
Average exchange rates		
South African Rand	1.2806	1.2905
United States Dollar	0.0994	0.0920
British Pound Sterling	0.0731	0.0751

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 2018		Group 2017	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
South African Rand denominated assets – balances with banks	4 115	3 209	5 074	3 653
United States Dollar denominated assets – balances with banks	4 567	3 562	1 927	1 387
British Pound Sterling denominated assets – balances with banks	211	165	183	132
South African Rand denominated liabilities	(71 859)	(56 050)	(13 640)	(9 821)
United States Dollar denominated liabilities	(538)	(420)	(2 442)	(1 758)
	(63 504)	**(49 534)**	**(8 898)**	**(6 407)**

A 10% strengthening of the Botswana Pula against the above mentioned currencies at the reporting date would have had an equal but opposite effect on the group's profit before taxation and equity to the amounts disclosed above.

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

Credit risk

The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the group is exposed to credit risk are:

- amounts due from related entities;
- trade and other receivables;
- cash and cash equivalents; and
- advances and deposits.

The group limits the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. The group has no significant concentration of credit risk, and exposure to third parties is monitored as part of the credit control process.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered with banks registered in the geographical areas where the group operates. Banks in Botswana are not rated, but most of the banks concerns are subsidiaries of major South African or United Kingdom registered institutions.

Notes to the Consolidated and Separate Financial Statements

35. Risk management (continued)

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 P'000	2018	2017	2018	2017
Trade receivables - net of provision for impairment	69 292	96 926	-	-
Other receivables	108 331	120 244	-	-
Advances and deposits	80 830	93 611	-	-
Amounts due from related entities	22 425	35 863	331 256	422 066
Bank balances	90 165	194 453	477	430
	371 043	**541 097**	**331 733**	**422 496**

The ageing of trade receivables (group) at the reporting date is analysed as follows:

In P'000	2018	2017	2018	2017
Not past due	24 878	20 664	-	-
Past due 30 - 60 days	24 249	7 308	-	-
Past due 61 - 90 days	26 705	4 197	-	-
Past due more than 90 days	112 636	66 939	-	-
	188 468	99 108	-	-
Provision for impairment	(119 176)	(2 182)	-	-
	69 292	**96 926**	**-**	**-**

The ageing of trade receivables (group) that were provided for at the reporting date is analysed as follows:

In P'000	2018	2017	2018	2017
Past due 61 - 90 days	(6 540)	-	-	-
Past due more than 90 days	(112 636)	2 182	-	-
	(119 176)	**2 182**	**-**	**-**

Trade receivables were evaluated for impairment at the reporting date. The majority of amounts outstanding are with reputable trading entities with no history of default. There was no concentration of credit risk at the current or previous reporting date.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 182	-	-	-
Provision for impairment	119 176	2 182	-	-
Amounts written off as uncollectable	(2 182)	-	-	-
	119 176	**2 182**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

35. 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 P'000	2018	2017	2018	2017
Long term borrowings	815 485	672 311	-	-
Amounts due to related entities	42 675	71 085	13 678	13 678
Bank overdrafts	106 448	110 977	-	-
Trade payables	1 164 079	924 692	-	-
Other payables	143 045	94 695	202	187
	2 271 732	**1 873 760**	**13 880**	**13 865**

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

Group 2018 - In P'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Long -term borrowings	815 485	(971 917)	(154 000)	(817 917)	-
Amounts due to related entities	42 675	(42 675)	(42 675)	-	-
Bank overdrafts	106 448	(106 448)	(106 448)	-	-
Trade payables	1 164 079	(1 164 079)	(1 164 079)	-	-
Other payables	143 045	(143 045)	(143 045)	-	-
	2 271 732	**(2 428 164)**	**(1 610 247)**	**(817 917)**	**-**

Group 2017 - In P'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Long -term borrowings	672 311	(586 520)	(27 004)	(533 379)	(26 137)
Amounts due to related entities	71 085	(71 085)	(71 085)	-	-
Bank overdrafts	110 977	(110 977)	(110 977)	-	-
Trade payables	924 692	(924 692)	(924 692)	-	-
Other payables	94 695	(94 695)	(94 695)	-	-
	1 873 760	**(1 787 969)**	**(1 228 453)**	**(533 379)**	**(26 137)**

Company 2018 - In P'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Amounts due to related entities	42 675	(42 675)	(42 675)	-	-

Company 2017 - In P'000	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than 5 years
Amounts due to related entities	13 678	(13 678)	(13 678)	-	-

Guarantees
The group's policy is to provide financial guarantees for subsidiaries' liabilities. At the reporting date the company had issued guarantees to certain financial institutions and suppliers per note 31.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2018	2017 Restated	2018	2017

35. 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.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 17 & 27 cash and cash equivalents disclosed in note 22, and equity as disclosed in the statement of financial position.

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.

The gearing ratio at 2018 and 2017 respectively were as follows:

Total borrowings					
Amounts due to related entities	17	42 675	71 085	13 678	13 678
Borrowings	27	723 089	587 896	-	-
		765 764	**658 981**	**13 678**	**13 678**
Less: Cash and cash equivalents	22	(14 928)	(103 483)	(477)	(430)
Net debt		750 836	555 498	13 201	13 248
Total equity		576 264	1 034 365	600 817	932 675
Total capital		**1 327 100**	**1 589 863**	**614 018**	**945 923**
Gearing ratio		57 %	35 %	1 %	2 %

Notes to the Consolidated and Separate Financial Statements

36. Fair value information

Fair value hierarchy

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs in determining these measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

In P'000	Financial assets designated at fair value	Loans and receivables	Financial assets liabilities at amortised costs	Total	Level 1	Level 2	Level 3	Total
Group 2018								
Assets								
Financial assets measured at fair value								
Investment in shares	3	-	-	-	3	-	-	3
Financial assets not measured at fair value								
Advances and deposits	-	80 830	-	80 830	-	-	-	-
Trade and other receivables	-	177 623	-	177 623	-	-	-	-
Amounts due from related entities	-	22 425	-	22 425	-	-	-	-
Cash and cash equivalents	-	90 165	-	90 165	-	-	-	-
	3	**371 043**	**-**	**371 043**	**3**	**-**	**-**	**3**
Liabilities								
Financial liabilities not measured at fair value								
Long-term borrowings	-	-	815 485	815 485	-	-	-	-
Trade and other payables	-	-	1 312 289	1 312 289	-	-	-	-
Amounts due from related entities	-	-	42 675	42 675	-	-	-	-
Bank overdraft	-	-	106 448	106 448	-	-	-	-
	-	**-**	**2 276 897**	**2 276 897**	**-**	**-**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

36. Fair value information (continued)

In P'000	Financial assets designated at fair value	Loans and receivables	Financial assets liabilities at amortised costs	Total	Level 1	Level 2	Level 3	Total
Group 2017								
Assets								
Financial assets measured at fair value								
Investment in shares	3	-	-	-	3	-	-	3
Financial assets not measured at fair value								
Advances and deposits	-	93 638	-	93 638	-	-	-	-
Trade and other receivables	-	228 576	-	228 576	-	-	-	-
Amounts due from related entities	-	35 863	-	35 863	-	-	-	-
Cash and cash equivalents	-	187 746	-	187 746	-	-	-	-
	3	**545 823**	**-**	**545 823**	**3**	-	-	**3**
Liabilities								
Financial liabilities not measured at fair value								
Long term borrowings	-	-	114 091	114 091	-	-	-	-
Trade and other payables	-	-	1 019 387	1 019 387	-	-	-	-
Amounts due to related entities	-	-	71 085	71 085	-	-	-	-
Bank overdraft	-	-	110 977	110 977	-	-	-	-
	-	**-**	**1 315 540**	**1 315 540**	**-**	**-**	**-**	**-**
Company 2018								
Assets								
Financial assets not measured at fair value								
Amounts due from related entities	-	331 256	-	331 256	-	-	-	-
Cash and cash equivalents	-	477	-	477	-	-	-	-
	-	**331 733**	**-**	**331 733**	**-**	**-**	**-**	**-**
Liabilities								
Financial liabilities not measured at fair value								
Other payables	-	-	202	202	-	-	-	-
Amounts due to related entities	-	-	13 678	13 678	-	-	-	-
	-	**-**	**13 880**	**13 880**	**-**	**-**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

36. Fair value information (continued)

In P'000	Financial assets designated at fair value	Loans and receivables	Financial assets liabilities at amortised costs	Total	Level 1	Level 2	Level 3	Total
Company 2017								
Assets								
Financial assets not measured at fair value								
Amounts due from related entities	-	422 066	-	422 066	-	-	-	-
Cash and cash equivalents	-	430	-	430	-	-	-	-
	-	**422 496**	**-**	**422 496**	**-**	**-**	**-**	**-**
Liabilities								
Financial liabilities not measured at fair value								
Other payables	-	-	187	187	-	-	-	-
Amounts due to related entities	-	-	13 678	13 678	-	-	-	-
	-	**-**	**13 865**	**13 865**	**-**	**-**	**-**	**-**

37. Financial support

Choppies Distribution Centre (Pty) Limited, a wholly owned subsidiary of Choppies Enterprises Limited, has pledged its continued financial and operational support to certain subsidiaries of Choppies Enterprises Limited in order for these companies to continue operating as going concerns in the foreseeable future. Each of these companies is technically insolvent with their liabilities exceeding their equity and 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) Limited 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:

Subsidiary In P'000	2018	2017
Amphora (Pty) Limited	-	900
Bell Garden (Pty) Limited	-	803
Best Strategy (Pty) Limited	1 349	678
Crystal Shine (Pty) Limited	126	141
Enchanted Oaks (Pty) Limited	-	897
Gliftwood (Pty) Limited	576	795
Golden Irish (Pty) Limited	631	2 501
Wolf Lake (Pty) Ltd	632	-
Heaven Hill (Pty) Limited	-	670
Heritic Holdings (Pty) Limited	306	680
Highland Haven (Pty) Limited	167	2 021
Kings Rifle (Pty) Limited	79	99
Leaf Motifs (Pty) Limited	-	610
Good Track (Pty) Ltd	276	83
Maypearl (Pty) Limited	32	2
MegaSave (Pty) Limited	6 898	6 877
Monthe Vista (Pty) Limited	1 554	1 493
Million Touch (Pty) Limited	-	774
Ollur Investments (Pty) Limited	1 358	392
Path For Glory (Pty) Limited	-	907

Notes to the Consolidated and Separate Financial Statements

37. Financial support (continued)

Pearland (Pty) Limited	-	379
Summer Queen (Pty) Limited	-	1 758
Smart Buy (Pty) Ltd	1 320	-
Walrus (Pty) Limited	-	550
	15 304	**24 010**

Foreign subsidiaries In P'000	**2018**	**2017**
Choppies Supermarkets SA (Pty) Limited	710 562	430 804
Choppies Supermarkets Namibia (Pty) Limited	8 077	-
Choppies Supermarkets Limited	48 878	17 981
Choppies Supermarkets Tanzania Limited	-	2 401
	767 517	**451 186**

Notes to the Consolidated and Separate Financial Statements

38. Prior period restatement

In preparing the Group and Company annual financial statements, the Group has critically assessed the manner in which accounting policies had been applied in prior periods in order to ensure that these not only complied with the relevant policy but also with relevant IFRS requirements.

Similarly, the Group has assessed whether any information, which it became aware of during the current financial year or the period thereafter during which the annual financial statements indicate that the financial information prepared and presented in prior periods required reassessment.

In certain instances, these assessments has required adjustments to amounts and balances reported in prior periods as – in the Group's judgement – the necessary information was available when those historical financial periods were finalised, and should reasonably have been obtained and taken into account in the preparation of those financial statements.

These instances and the impact thereof on amounts and balances previously reported, are summarised below:

Errors in Application of Accounting Policies Corrected through Retrospective Application

Purchase Price Accounting for new Business Acquisitions

The Group's policy on accounting for business combinations requires the Group to account for such transactions in accordance with the acquisition method, measuring all identifiable tangible and intangible assets and liabilities acquired in each business at fair value at the acquisition date, with the difference between these values and the fair value of the consideration paid being recognised as goodwill. Where acquisition accounting cannot be completed at the acquisition date, the Group's policy requires it to complete the accounting within twelve months from the acquisition date.

The Group has corrected the following errors in application of this policy during the current financial year:

Acquisition of businesses in South Africa and Botswana on initial listing

In preparing the Group for its initial listing on the Botswana Stock Exchange during 2011, the Group acquired a number of businesses owned by its founding shareholders in South Africa and Botswana from those founding shareholders (the "Listing Acquisitions").

The Group's accounting for the Listing Acquisitions resulted in the recognition of goodwill in the amount of P 307 420 000, which value included (amongst others) customer relationships, brand equity, favourable supply contracts, premium store locations and internally generated systems and supply chain methodologies.

The Listing Acquisitions – being common control transactions – did not meet the IFRS definition for business combinations and should have been accounted for through the application of the predecessor method of accounting. In accordance with this accounting method, no goodwill should have been recognised, with the difference between the fair value of the acquisition price and historical carrying value of assets acquired being accounted for directly in equity.

The Group has corrected the original accounting on a retrospective basis, with a reduction of P 307 420 000 in goodwill and retained earnings originally reported at 30 June 2016 and 30 June 2017, respectively.

Notes to the Consolidated and Separate Financial Statements

38. Prior period restatement (continued)

Acquisition of the Jyawelani business through Choppies Supermarkets South Africa (the "Jyawelani Acquisition")

The Jyawelani Acquisition was completed and originally accounted for (on a provisional basis) in the 2016 financial year. The financial statements for the year ended 30 June 2016 indicated that the provisional acquisition accounting would be finalised during the ensuing financial year. However, no adjustment was made with respect to the provisional accounting during the 2017 financial year.

The Group has now restated the original accounting for the Jyawelani Acquisition (at the acquisition date) based on independent valuation of the acquired long-lived assets, being property, plant and equipment, trademark and licenses. Such restatement resulted in a P78 222 401 increase in the value of originally recorded goodwill, a P74 345 406 decrease in the originally recorded value of property, plant and equipment and the initial recognition of trademark and licenses in the amounts of P12 072 125 and P981 456, respectively.

Acquisition of the Zandspruit and Hebron businesses through Choppies Supermarkets South Africa (the "Initial ANE Acquisitions")

The Initial ANE Acquisitions were concluded during the 2017 financial year. The Group did not account for these as business acquisitions during that period. Rather, the Group treated the Initial ANE Acquisitions as acquisitions of property, plant and equipment, based on actual amounts settled to the vendor during that financial year.

The Group has restated the annual financial statements for the year ended 30 June 2017 so as to account for the Initial ANE Acquisitions on the acquisition basis during that year. This has resulted in an increase of P8 999 675 in the previously reported cost of property, plant and equipment, an increase of P47 734 028 in the previously reported value of goodwill at initial recognition and an increase of P56 733 704 in the previously reported value of other liabilities (representing unsettled amounts due to the vendor for the Initial ANE Acquisitions at 30 June 2017).

Depreciation on Property, Plant and Equipment

The Group's accounting policy on property, plant and equipment requires an annual reassessment of the useful lives and residual values of items of property, plant and equipment utilised in the Group's operations.

The Group had no record of performing such assessments during past financial years, and – in general - applied tax depreciation rates to reduce the value of property, plant and equipment to zero or a higher determined residual value over the depreciation period. The application of this practice was not only inconsistent with its stated accounting policy but also resulted in many assets remaining in use after the end of the implied useful life, when it had been fully depreciated.

As a result, the useful lives and residual values utilised in prior periods were not consistent with the Group's operating intent and diverged significantly from those advised by independent valuers who performed valuations of such items of property, plant and equipment for purposes of the Zimbabwe Acquisition, Jyawelani Acquisition, Initial ANE Acquisitions and other business combinations performed during the course of the current financial year

The Group has accordingly retrospectively reassessed the useful lives and residual values of property, plant and equipment based on operating plans and the advice of independent valuers. This reassessment has resulted in a decrease in accumulated depreciation on property, plant and equipment P85 936 740 as previously reported at 30 June 2017 (P96 356 232 decrease in 2016 and P10 419 492 increase in 2017).

Impairment of Non-Financial Assets

The Group's accounting policy on the impairment of non-financial assets to be performed for individual assets or cash generating units ("CGUs" / a "CGU"). A CGU is defined as the smallest identifiable asset group that generates cash inflows largely independently of other assets or CGUs.

In the Group's instance, taking cognisance of how operations are structured and financial performance monitored, CGUs should be defined as individual retail stores, or those support functions capable of generating revenue from external markets. This was not done in prior periods, when the group aggregated such CGUs into regions for impairment testing purposes.

Further, in determining the carrying value of net assets attributable to such CGUs, goodwill was not attributed to individual stores, but rather to groups of stores and support functions.

The Group did not comply with its accounting policy and - in effect - may not have identified or impaired assets attributed to loss making or underperforming stores where these were grouped together (as CGU) with profitable stores.

Notes to the Consolidated and Separate Financial Statements

38. Prior period restatement (continued)

The Group has reassessed historical impairment assessments on the basis of:

- appropriately defined CGUs (as stores and – in the instance of the Group's meat processing factory in South Africa – a support function);
- a reasonable and rational allocation of goodwill and similar assets to the carrying value of assets of the defined CGUs; and
- the remeasured carrying value of property, plant and equipment at each CGU (as may have been impacted through other restatements of historical purchase price accounting and depreciation).

This reassessment has resulted in a decrease - through impairment - of the initial recognised value of goodwill (as restated) of P127 712 436, at 30 June 2017, and recognition of accumulated impairment of property, plant and equipment of P33 752 738 and P39 553 481, at 30 June 2016 and 30 June 2017, respectively.

Cost of Inventory

During the current financial year, the Group assessed the manner in which it determines the cost of inventory held for trade. In performing this assessment, it was determined that the Group had historically

- not accounted for the impact of volume-related rebates, promotional and marketing allowances and various other fees and discounts, received from suppliers in connection with the purchase of inventory and included in cost of sales in the Statement of Comprehensive Income as a reduction of the cost of inventory; and
- determined the Pula value of certain items of inventory purchased by the Group in foreign currencies using standard foreign exchange rates, which did not accord with the actual exchange rates ruling on the dates of the underlying purchase transactions.

This historical accounting treatment is contrary to the Group's stated accounting policies on valuation of inventory and accounting for transactions denominated in foreign currency and has been corrected retrospectively, resulting in a P16 772 512 and P29 434 306 decrease in the previously reported values of inventory as at 30 June 2016 and 30 June 2017, respectively.

Recognition of deferred tax assets relating to unused tax losses

The Group assessed the manner in which it had historically accounted for deferred tax assets arising from unused tax losses, and - in particular - whether reliable evidence existed at each historical reporting date to support the Group's assertion that it was probable at that time that future taxable profits will be available against which the unused tax losses will be utilised.

With respect to the deferred tax assets recognised on the Group's South African unused tax losses, the Group concluded that the evidence available at the time of completing historical financial statements did not support the recognition of deferred tax assets relating to those unused tax losses.

Deferred tax assets recognised with respect to the Group's South African unused tax losses have accordingly been derecognised on a retrospective basis, resulting in a reduction of previously recognised deferred tax assets in the amount of P1 609 227 and P65 363 883 at 30 June 2016 and 30 June 2017, respectively.

Revenue and cost of sales

Due to an oversight in the manner through which the Group accounts for certain transactions between its South African operating companies, historical revenue and cost of sales have historically been understated by an equal (but opposite) amount. This error has not impact on historically reported gross profit or profit before tax, but has been corrected through increase of revenue and cost of sales as previously reported for the year ended 30 June 2017 by P143 089 588 and decrease of revenue by P8 058.

Notes to the Consolidated and Separate Financial Statements

38. Prior period restatement (continued)
Summarised financial impact on prior periods

The impact of the matters referenced above on amounts and balances reported in prior periods is summarised in the table below:

Statement of financial position 2017 Assets Non-current assets	Initial balance reported	Effects of restatement	Restated balance
Property, plant and equipment	1 206 087	(48 443)	1 157 644
Goodwill	516 554	(293 082)	223 472
Deferred taxation assets	105 267	(69 342)	35 925
Investments in new projects	46 651	(1 018)	45 633
Total non-current assets	**1 874 559**	**(411 885)**	**1 462 674**
Current assets			
Inventories	1 006 479	(31 504)	974 975
Amounts due from related entities	19 051	16 812	35 863
Other financial assets	3	-	3
Advances and deposits	93 638	(27)	93 611
Trade and other receivables	238 043	3 586	241 629
Taxation refundable	2 045	-	2 045
Cash and cash equivalents	187 746	42 159	229 905
Total current assets	**1 547 005**	**31 026**	**1 578 031**
Total assets	**3 421 564**	**(380 859)**	**3 040 705**

Equity and Liabilities	Initial balance reported	Effects of restatement	Restated balance
Equity			
Stated capital	906 196	-	906 196
Preference shares	87	-	87
Foreign currency translation reserve	(29 679)	37 615	7 936
Treasury shares	(30 720)	-	(30 720)
Accumulated loss	682 216	(513 438)	168 778
Equity Attributable to Equity Holders of Parent	**1 528 100**	**(475 823)**	**1 052 277**
Non-controlling interest			
Non-controlling interest	(13 211)	(4 701)	(17 912)
Total Equity	**1 514 889**	**(480 524)**	**1 034 365**
Non-current liabilities			
Long-term borrowings	557 547	673	558 220
Straightlining lease obligation	74 851	137	74 988
Deferred taxation liabilities	38 297	(4 917)	33 380
	670 695	**(4 107)**	**666 588**
Current liabilities			
Trade and other payables	994 055	30 517	1 024 572
Amounts due to related entities	1 499	69 586	71 085
Current portion of long-term borrowings	114 091	-	114 091
Current portion of straightlining lease obligation	5 988	(137)	5 851
Taxation payable	9 370	3 806	13 176
Bank overdraft	110 977	-	110 977
	1 235 980	**103 772**	**1 339 752**
Total equity and liabilities	**3 421 564**	**(380 859)**	**3 040 705**

Notes to the Consolidated and Separate Financial Statements

38. Prior period restatement (continued)

Statement of comprehensive income 2017	Initial balance reported	Effects of restatement	Restated balance
Revenue	8 852 397	(143 089)	8 709 308
Cost of sales	(6 979 223)	113 655	(6 865 568)
Gross profit	1 873 174	(29 434)	1 843 740
Other income	39 749	973	40 722
Loss on disposal of plant and equipment	-	(2 831)	(2 831)
Impairment losses	-	(167 265)	(167 265)
Administrative Expenses	(1 430 322)	(795)	(1 431 117)
Selling and distribution expenses	(56 416)	39 514	(16 902)
Other operating expenses	(287 237)	(15 263)	(302 500)
Operating profit	**138 948**	**(175 101)**	**(36 153)**
Finance income	10 930	-	10 930
Finance costs	(53 889)	(662)	(54 551)
Profit/(Loss) before taxation	95 989	(175 763)	(79 774)
Taxation	(21 349)	(68 683)	(90 032)
Profit/(loss) for the year	**74 640**	**(244 446)**	**(169 806)**
Other comprehensive income			
Exchange differences on translating foreign operations	3 186	15 117	18 303
Profit/(loss) and total comprehensive income for the year	**77 826**	**(229 329)**	**(151 503)**

Notes to the Consolidated and Separate Financial Statements

38. Prior period restatement (continued)

Statement of financial position 2016 Assets Non-current assets	Initial balance reported	Effects of restatement	Restated balance
Property, plant and equipment	1 082 968	(5 971)	1 076 997
Goodwill	510 620	(216 144)	294 476
Deferred taxation assets	51 431	(4 919)	46 512
Investments in new projects	95 560	-	95 560
Total non-current assets	**1 740 579**	**(227 034)**	**1 513 545**
Current assets			
Inventories	703 539	(18 142)	685 397
Amounts due from related entities	4 901	2 754	7 655
Other financial assets	3	-	3
Advances and deposits	83 212	-	83 212
Trade and other receivables	191 444	6	191 450
Cash and cash equivalents	132 457	-	132 457
Total current assets	**1 115 556**	**(15 382)**	**1 100 174**
Total assets	**2 856 135**	**(242 416)**	**2 613 719**

Equity and Liabilities Equity	Initial balance reported	Effects of restatement	Restated balance
Stated capital	875 476	-	875 476
Preference shares	87	-	87
Foreign currency translation reserve	(35 400)	29 851	(5 549)
Accumulated loss	634 823	(269 916)	364 907
Equity Attributable to Equity Holders of Parent	**1 474 986**	**(240 065)**	**1 234 921**
Non-controlling interest			
Non-controlling interest	(1 393)	(5 205)	(6 598)
Total equity	**1 473 593**	**(245 270)**	**1 228 323**
Non-current liabilities			
Long-term borrowings	412 897	(9 932)	402 965
Straightlining lease obligation	55 175	-	55 175
	468 072	**(9 932)**	**458 140**
Current liabilities			
Trade and other payables	694 411	(443)	693 968
Amounts due to related entities	9 551	2 662	12 213
Current portion of long-term borrowings	105 459	10 567	116 026
Current portion of straightlining lease obligation	4 651	-	4 651
Taxation payable	20 027	-	20 027
Bank overdraft	80 371	-	80 371
	914 470	12 786	927 256
Total equity and liabilities	**2 856 135**	**(242 416)**	**2 613 719**

Errors in application of accounting policies resulting in adjustment of previously reported disclosures

Contingent liabilities

Pursuant to a collective buying agreement entered into between one of the Group's Botswana subsidiaries and a number of Botswana entities collectively trading as Fours Cash & Carry (the "Fours Companies"), the Group issued guarantees to third party suppliers of the Fours Companies totaling P100 550 000 and P81 050 000 at 30 June 2018 and 30 June 2017, respectively.

38. Prior period restatement (continued)

In accordance with these guarantees, the Group would settle any amounts due to suppliers by the Fours Companies should those entities not settle those debts on the due date. These guarantees had not been disclosed in prior period financial statements, and the Group has now included these in note 31 to the annual financial statements.

Related party transactions and balances

During January 2019 the board had asked a forensic report to be done to identify related companies for Mr Ramachandran Ottapathu and Mr Farouk Essop Ismail. The forensic report identified various companies in which Mr Ramachandran Ottapathu and Mr Farouk Essop Ismail had ownership and provide a list to the management to identify the transactions and balance. The identified additional companies have been disclosed in note 33.

Known prior period misstatement without retrospective adjustment

Inventory losses

During the latter half of the current financial year, the Group reassessed the physical counting procedures it employs to ensure the completeness and accuracy of the inventory records underpinning its annual financial statements records. This reassessment resulted in potential shortcomings in the historical processes, which the Group considers would have resulted in incomplete or inaccurate physical count results, being identified.

Such reassessment necessitated the implementation of more robust procedures towards the end of the current financial year. Inventory losses identified and accounted for through these revised procedures were significantly higher than those identified through the Group's historical inventory counts.

The Group has concluded that historical inventory losses would have been understated as a result of the shortcomings in the physical counting procedures identified in the current financial year, with a consequential overstatement of inventory and understatement of cost of sales as reported in the historical annual financial statements. Inventory losses for the 2018 financial year stated at P 203 000 000 exceeds the anticipated value of such losses for the 2018 financial year based on the average loss experience over the preceding two financial years by an estimated P127 000 000.

Given the nature of this matter, and specifically the absence of inventory count results for prior periods based on the revised count procedures and inability to reperform historical inventory counts applying the revised procedures, it is impracticable to make any retrospective adjustment to the financial position and results as previously reported.

39. Events after the reporting period

39.1 Choppies Enterprises Limited acquired the remaining issued share capital of Nanavac Investments (Pty) Ltd, the Group's subsidiary in Zimbabwe, effective 9 January 2019. This effectively increased the Group's equity holding and profit sharing arrangement from 49% and 93% respectively to 100% in both instances. This transaction settled all claims between Choppies Enterprises Limited and the previous shareholders of Nanavac Investments (Pty) Ltd. As from 9 January 2019 100% of the profit / loss of Nanavac investments will be consolidated into the Group results vis a vis the current 93%.

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

The shortage of foreign currency creates uncertainty on the amount and timing of amounts that can be repatriated from Zimbabwe. IAS 21, 'Foreign currency transactions' ("IAS 21") requires the use of a spot rate. The global foreign currency USD rate does not meet the conditions of a spot rate in IAS 21.

Notes to the Consolidated and Separate Financial Statements

39. Events after the reporting period (continued)

On 20 February 2019, the Reserve Bank of Zimbabwe (“RBZ ") Governor announced a new Monetary Policy Statement to denominate RTGS system balances, bond notes and coins collectively as RTGS $. RTGS $ became part of multi-currency system. The RTGS $ is to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions. The Monetary Policy Statement was followed by the publication of Statutory Instrument (“S.I.") 33 of 2019 on 22 February 2019, which gave effect to the introduction of the RTGS $ as a legal tender and prescribed that "for accounting and other purposes "certain assets and liabilities on the effective date would be deemed to be RTGS $ at a rate of 1:1 to US$ and would become opening RTGS $ values from effective date. The directors based on their interpretation of IFRS have considered the Monetary Policy Statement of 20 February 2019, and the subsequent emergence of an inter-bank exchange rate to be non adjusting event in terms of IAS 10 " Events after the reporting period ". In particular, the promulgation of RTGS $ as currency in the opinion of the directors, it was a response to the market perceptions which had come to regard RTGS balances and transactions as representing an underlying de-factor currency. However, given the accounting restrictions imposed by S I 33 of 2019, events after reporting period have not been adjusted for. The Monetary Policy Statement also established an interbank foreign exchange market were the exchange rate would be determined by market forces. The interbank market opened trading at a rate of USD $ 1 to RTGS $ 2.5.

If the Group had applied the October 2019 interbank trading rate of USD $ 1 to RTGS $ 15.5 to translate the result of its Zimbabwean subsidiary on 30 June 2018, the effect would have been as follows.

Summarised Statement of Financial Position as at 30 June 2018	USD translated to Pula	Devaluation impact of Change in Monetary Policy	Carrying value after Change in Monetary Policy
Non current assets	339 523	317 618	21 905
Current assets	209 156	195 662	13 494
Total assets	548 679	513 280	35 399
Non current liabilities	10 840	10 141	699
Current liabilities	499 226	467 018	32 208
Total liabilities	510 066	477 159	32 907
Carrying amount of non controlling interest	(2 260)	(2 114)	(146)

Summarised statement of comprehensive income for the year ended 30 June 2018

Summarised statement of comprehensive income for the year ended 30 June 2018	USD translated to Pula	Devaluation impact of Change in Monetary Policy	Carrying value after Change in Monetary Policy
Revenue	1 641 385	1 535 489	105 896
Profit/loss before tax	19 103	17 871	1 232
Tax expense	(6 148)	(5 751)	(397)
Profit/loss	14 814	13 858	956
Other comprehensive income	1 110	1 038	72
Total comprehensive income	14 065	13 158	907
Profit (loss) allocated to non-controlling interest	907	848	59

Summarised statement of cash flows for the year ended 30 June 2018

Summarised statement of cash flows for the year ended 30 June 2018	USD translated to Pula	Devaluation impact of Change in Monetary Policy	Carrying value after Change in Monetary Policy
Cash flow from operating activities	107 232	100 314	6 918
Cash flow from investing activities	(82 219)	(76 915)	(5 304)
Cash flow from financing activities	(150)	(140)	(10)
Net increase (decrease) in cash flow	24 863	23 259	1 604

Notes to the Consolidated and Separate Financial Statements

39. Events after the reporting period (continued)

39.3 On 1 July 2018 the Group amalgamated all its Botswana operating subsidiaries (83 in total) into Choppies Distribution Centre (Pty) Ltd. This amalgamation, which is expected to result in financial and operational efficiencies through especially reduced compliance costs, resulted in the Group foregoing unexpired income tax losses with a value of P32mn on that date. The deferred tax assets relating to these unexpired income tax losses previously recognised in the amount of P 7mn were derecognised at 30 June 2018.

39.4 The Board has decided to sell the businesses of the group in Tanzania. Management was approached by Majid Al Futtaim Retail (trading as Carrefour) (MAF), to acquire Aura and MLIMANI stores and is in possession of 2 letters of intent dated 5th August 2019. Management is also negotiating with another 3rd party to buy the Makumbusho' store and hope to provide a proposal on that transaction in due course. MAF is offering to buy the assets of the Aura store and Mlimani store for USD 300 000 and USD 700 000, respectively, provided that the group provide conclusive documentation to the buyer that the lease agreements for these stores are cancelled. We are awaiting bank guarantees from the buyers to initiate negotiation with the landlord towards cancellation of our lease and transfer of the same to the buyers.

39.5 The Group has decided to downscale the business in Kenya Region by reducing the number stores to 9 from 15. Offers are already in place for 2 stores and initial discussion are happening for the other stores. This decision has been taken due to the ongoing distressed business in Kenya Region. Most of the Supplier accounts are hold due to the delay in payment to the suppliers.

39.6 The Group entered into agreement with the minority shareholder in Kenya (Shanta Retail holding) for a short term loan of USD 4 million for working capital in August 2019. CEL has given corporate Guarantee against the loan and also entered a convertible loan agreement with M/s Shanta Retail Holding Limited on the condition that loans amount will be converted in to shares in the event that if CEL default the repayment as and when due.

39.7 In June 2019, Choppies Enterprises Limited issued a corporate guarantee in favour of I & M Bank Limited in Kenya against a Temporary overdraft facility taken by Kenya Region for a period of 5 months for an amount of 250 million KSH. Local shareholders in Kenya have also issued Personal Guarantee against this loan. CEL has also entered in to a share pledge agreement for its 75% shareholding with Local shareholder against the personal guarantees they have issued to I & M bank Limited.

39.8 Choppies Enterprises Limited has also issued a corporate Guarantee in August 2018 in favour of Barclays Bank Kenya Limited against a term loan of 300 Million KSH taken by Kenya region.

39.9 The Board has entered into an agreement during November 2019, whereby the Company and its wholly owned subsidiaries, Choppies Supermarkets SA Proprietary Limited, Choppies Warehousing S A Proprietary Limited, Choppies Logistics Proprietary Limited and Motopi Holdings S A Proprietary Limited, (collectively the SA Subsidiaries) entered into agreements with a Purchaser towards sale of all the issued shares held by the Company and the loan accounts advanced by the Company to each of the Subsidiaries. The purchase consideration is ZAR1 for all the issued shares held by the Company in, and all claims of the Company on loan accounts against, each SA Subsidiary.

In addition, the Purchaser undertakes to release the Company from all the guarantees issued by it to trade and lessor creditors and indemnifies the Company in relation to any claims under the aforesaid guarantees (until they are released as aforesaid). As security therefore, the sole director of the Purchaser has guaranteed the obligations of the Purchaser under such indemnity in favour of the Company. The sale is subject to certain conditions precedent which should be fulfilled by February 2020.

39.11 The Board decided to close the operation in Mozambique and exit from the country. Operations for the only 1 store closed on 30 September 2019 and assets disposal negotiations are in process

39.12 Subsequent to year end, the guarantees provided by the company to the "Fours Companies" were cancelled effective 1 January 2019. Subsequent to the cancellation of guarantee, on 28 July 2019, the Fours Companies instituted proceedings in the High Court of Botswana, in terms of which, the return of the Fours Companies shares is demanded. The Management intends defending these proceedings requesting the Fours group to honour the repayment of loan extended along with any outstanding interest before release of the pledge.

39.13 The parties to the buying group agreement were the Fours Group and Payless Supermarket. In the agreement, the liability of each of the Fours Group companies and Payless was stipulated as joint and several; which has the effect on the view of the company, that Fours group is liable also for the debts of Payless. Payless is indebted to the company in an amount of P 103m. The view of the company is that the shares and other security provided by the Fours Group are not to be released until the indebtedness of the Payless to the company is discharged.

Notes to the Consolidated and Separate Financial Statements

40. Segment report

Operating segments are identified based on financial information regularly reviewed by the Choppies Enterprises Limited chief executive officer (identified as the chief operating decision maker of the group for IFRS 8 reporting purposes) for performance assessments and resource allocations.

The group has four operating segments (2017: 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 management believes that such information is most relevant in evaluating the results of the segments against each other and other entities which operate within the retail industry.

Botswana – retail of fast moving consumer goods in Botswana. The business is supported by and includes a warehouse and service companies.

South Africa – retail of fast moving consumer goods in South Africa. The business is supported by and includes a warehousing company.

Zimbabwe – retail of fast moving consumer goods in Zimbabwe. The business is supported by and includes two distribution centres.

Other regions – retail of fast moving consumer goods in Zambia supported by a distribution centre, Kenya supported by two distribution centres, Tanzania and Mozambique.

Due to increased geographical spread company has changed segmental reporting by disclosing matured business separately and other regions as "other regions". The comparative amounts have been updated to reflect this change.

Notes to the Consolidated and Separate Financial Statements

40. Segmental results

	For the year ended 30 June 2018				
	Botswana	**South Africa**	**Zimbabwe**	**Other regions**	**Total**
	P ' 000	P ' 000	P ' 000	P ' 000	P ' 000
Statement of profit or loss and other comprehensive Income					
Revenue :					
Trading income	4 102 809	4 044 525	1 641 385	1 002 576	10 791 295
Other income	35 528	15 661	1 393	2 581	55 163
Total segmental revenue	4 138 336	4 058 829	1 642 778	1 005 157	10 845 100
Reportable segment gross profit	939 051	715 661	267 946	139 758	2 062 416
Reportable segment Impairment Loss	131 954	140 187	16 553	34 477	323 171
Reportable segment EBITDA	125 959	(18 415)	52 697	(66 045)	94 196
Reportable segment Depreciation	101 374	68 897	12 915	24 742	207 928
Reportable segment Finance Income	226	2 451	9	857	3 543
Reportable segment Finance Expense	28 357	40 145	4 135	6 065	78 702
Reportable segment profit/(loss) before taxation	(6 237)	(273 775)	19 103	(130 471)	(391 380)
Reportable segment Taxation	(29 406)	(39)	(6 148)	(17 536)	(53 129)
Reportable segment profit/(loss) after taxation	(35 643)	(273 814)	12 955	(148 007)	(444 509)
Statement of financial position					
Reportable segment assets	1 039 723	947 306	548 678	477 013	3 012 720
Reportable segment liabilities	1 303 020	654 034	233 737	245 665	2 436 456

Notes to the Consolidated and Separate Financial Statements

40. Segmental results... (continued)

	For the year ended 30 June 2017				
2017 Restated	**Botswana**	**South Africa**	**Zimbabwe**	**Other regions**	**Total**
	P ' 000	P ' 000	P ' 000	P ' 000	P ' 000
Statement of profit or loss and other comprehensive Income					
Revenue :					
Trading income	4 044 028	2 720 997	1 366 116	578 167	8 709 308
Other income	26 446	8 219	1 592	1 634	37 891
Total segmental revenue	4 070 474	2 729 216	1 367 708	579 801	8 747 199
Reportable segment gross profit	954 454	565 614	241 635	82 037	1 843 740
Reportable segment Impairment Loss		167 265			167 265
Reportable segment EBITDA	308 450	53 433	22 365	(51 522)	332 726
Reportable segment Depreciation & Amortisation	102 713	62 731	20 668	15 501	201 613
Reportable segment Finance Income	6 777	3 240	11	901	10 930
Reportable segment Finance Expense	23 545	21 809	7 448	1 750	54 551
Reportable segment profit/(loss) before taxation	188 969	(195 132)	(5 740)	(67 871)	(79 774)
Reportable segment Taxation	(47 445)	(57 214)	(1 547)	16 174	(90 032)
Reportable segment profit/(loss) after taxation	141 524	(252 346)	(7 287)	(51 697)	(169 806)
Statement of financial position					
Reportable segment assets	1 233 532	933 026	508 902	365 245	3 040 705
Reportable segment liabilities	925 634	695 603	228 368	156 735	2 006 340

SHAREHOLDERS ANALYSIS

No	Shareholder Spread	Number of shareholders 2018	% of total shareholdings	Number of Shares
1	1-1000	4,642	59.43	1,931,661
2	1001-10 000	2,337	29.92	8,923,702
3	10 001-100 000	630	8.07	17,005,092
4	100 001-1000 000	135	1.73	48,355,497
5	Over 1 000 000	67	0.86	1,227,412,389
	TOTAL	7,811	100.00	1,303,628,341

No	Distribution of Shareholders	Number of shareholders	% of total shareholdings	Number of shares
1	Companies	313	4.01	47,482,572
2	Share scheme	1	0.01	12,000,000
3	Individuals	7,356	94.20	194,009,657
4	Institutional Investors	126	1.61	576,154,343
5	Directors	10	0.13	473,981,769
	Total	7,806	99.96	1,303,628,341

No	Shareholders type	Number of shareholders	% of total shareholdings	Number of shares
1	Non-public shareholders			
2	Directors	10	0.13	473,981,769
3	Share schemes	1	0.01	12,000,000
4	Shareholders >5%(excluding directors)	2	0.03	260,790,223
5	Public shareholders	7,793	99.80	556,856,349
	Total	7,806	99.96	1,303,628,341

	Directors	Number of shares held 2018	Percentage of holding 2018	
1	Ramachandran Ottapathu (including indirect holdings)	254,682,169	19.54	
2	Farouk Ismail (including indirect holdings)	199,074,596	15.27	
3	Festus Gontebanye Mogae (FGM Holdings)*	19,748,188	1.51	
4	Dorcas Kgosietsile*	365,000	0.03	
5	Robert Neil Matthews*	111,816	0.01	
	Total	473,981,769	36.36	

* Former directors

TOP 10 SHAREHOLDERS

	Name of top 10 shareholders 2018	Number of shares held 2018	Percentage of holding 2018	
1	RAMACHANDRAN OTTAPATHU	254,682,169	19.54	
2	FAROUK ISMAIL	199,074,596	15.27	
3	ALLAN GRAY	158,537,804	12.16	
4	MARINA IV L.P	131,291,985	10.07	
5	AFRICAN ALLIANCE ASSET MANAGEMENT	129,498,238	9.93	
6	STATE STREET BANK AND TRUST CO-OMN	53,000,000	4.07	
7	BOTSWANA INSURANCE FUND MANAGEMENT	45,382,080	3.48	
8	STANDARD PRIVATE EQUITY (MAURITIUS)	42,608,015	3.27	
9	GOVERNMENT EMPLOYEES PENSION FUND	27,672,645	2.12	
10	FESTUS GONTEBANYE MOGAE	19,748,188	1.51	
	TOTAL	1,061,495,720	81.43	
	Total number of shareholdings	7,806		
	Total number of shares in issues	1,303,628,341		

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Retail sales - supermarket
Directors	Brett Sean Stewart (Resigned 13 December 2017) Carol Jean Harward (Appointed 4 September 2019) Dorcas Ana Kgosietsile (Resigned 4 September 2019) Farouk Essop Ismail Heinrich Mathiam Stander (Appointed 15 December 2018 and resigned 4 September 2019) His Excellency Festus Gontebenye Mogae (Resigned 4 September 2019) Ramachandran Ottapathu Robert Neil Matthews (Resigned 19 February 2019) Ronald Tamale (Appointed 13 December 2017 and resigned 4 September 2019) Sanooj Pullarote (Resigned 15 December 2018) Sydney Alan Muller (Resigned 22 October 2018) Tom Pritchard (Appointed 4 September 2019) Uttum Corea (Appointed 9 September 2019) Wilfred Victor Mpai (Appointed 22 November 2018 and resigned 4 September 2019)
Registered office	Plot 50371 Fairgrounds Office Park Gaborone Botswana
Business address	Plot 169 Gaborone International Commercial Park Gaborone Botswana
Postal address	Private Bag 00278 Gaborone Botswana
Bankers	Absa Bank South Africa Limited Bank of Baroda (Botswana) Limited Bank Gaborone Limited Barclays Bank Mozambique SA Barclays Bank of Tanzania Limited Barclays Bank Zambia Plc Barclays Bank of Botswana Limited Barclays Bank of Zimbabwe Limited Capital Bank Botswana Limited Central African Building Society (“CABS”) Limited Diamond Trust Bank Limited FBC Bank Limited First National Bank (South Africa) Limited First National Bank Botswana Limited Nedbank South Africa Limited Stanbic Bank Botswana Limited Standard Bank Limited; Standard Bank South Africa Limited Standard Chartered Bank Botswana Limited Standard Chartered Bank Kenya Limited Standard Chartered Bank Limited Steward Bank Limited ZB Bank Limited

General Information

Auditors	PricewaterhouseCoopers Certified Auditors Plot 50371 Fairgrounds Office Park Gaborone Botswana (Appointed 26 February 2018 and resigned 25 September 2019)
Secretary	DPS Consulting Services (Proprietary) Limited (Appointed 29 November 2019) Corporate Services (Proprietary) Limited (Resigned 29 November 2019)
Presentation and functional currency	Botswana Pula

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Plot 50371 Fairgrounds Office Park
Gaborone, Botswana

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