CHOPPIES

Great value for your money!

’22 Integrated Annual Report

Choppies Group is a significant employment generator in the retail sector in Botswana

Corporate information
(Registration number: BW00001142508)

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

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

ABOUT THIS REPORT

Choppies commits to the principles and philosophy of integrated reporting in order to adequately address key stakeholder issues and concerns and to create lasting value for all stakeholders.

SCOPE AND BOUNDARY

The Integrated Annual Report 2022 provides an overview of our business, growth strategy, and our potential to create sustainable value for our stakeholders in the short, medium, and long term. It covers the period from 1 July 2021 to 30 June 2022. This Integrated Annual Report focuses on the issues that the Board of Directors believe are important to our stakeholders' understanding of the Company.

The disclosures encompass Choppies' retail network across all regions of continuing operations. The annual financial statements are presented in Botswana Pula ("BWP") (unless otherwise stated), which is considered the functional currency. There was no change to any measurement techniques nor were there any restatements of previously reported information. (For more information see the annual financial statements on pages 116 to 186.)

The boundary has been extended beyond financial reporting to encompass the material interests attributed to or associated with our key stakeholders in analysing the risks, opportunities, and outcomes that significantly impact the Group's potential to create value for its stakeholders.

REPORTING FRAMEWORKS

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

ASSURANCE

The company's external auditor, Mazars, has independently audited the annual financial statements for the year ended 30 June 2022. Their audit report is set out on pages 108 to 115.

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

FORWARD-LOOKING STATEMENTS

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

SIX CAPITALS AND MATERIALITY

Through the effective and balanced use of essential resources and stakeholder relationships, or "capitals," as described by the International Integrated Reporting Council's International <IR> Framework, we produce long-term sustainable value for stakeholders. We increase, decrease, or transform the six capitals through the execution of our business activities, as outlined in our business model on pages 28 and 29.

While this report is primarily aimed at our present and potential shareholders, it also takes into account the information demands of our vast and diverse range of stakeholders who are critical to the Group's long-term value development.

OUR STAKEHOLDERS

For further information, please see pages 44 to 47.

Financiers	Regulators and government
Suppliers	Communities
Customers	Media
Shareholders	Employee representation
Employees	

BOARD RESPONSIBILITY STATEMENT

The Choppies Board of Directors confirms its responsibility for the integrity of the Integrated Annual Report, the content of which has been collectively assessed by the directors who believe that all material issues have been addressed and are fairly presented.

The Board believes that the Integrated Annual Report was prepared in accordance with the <IR> Framework. The report, which remains the ultimate responsibility of the Board, is prepared under the supervision of senior management and subject to external assurance. The report is submitted to the audit and risk committee, which reviews and recommends it to the Board for approval having reviewed the contents, as well as the collation process, and with reliance on the assurance provided on the various reporting elements.

The directors confirm that Choppies complies with the provisions of the Botswana Companies Act or laws of establishment, specifically relating to its incorporation and is operating in conformity with its constitution and/or relevant constitution documents.

U Corea

Uttum Corea
Chairman

Ramachandran Ottapathu
CEO

M Rajcoomar

Minnesh Rajcoomar
CFO

FEEDBACK

More information is available on our website: **www.choppiesgroup.com**. This year's Integrated Annual Report is available on **www.choppiesgroup.com**. On request, shareholders can obtain a physical copy of the report at no cost. We are committed to improving this report year on year. Therefore, we appreciate and encourage constructive feedback. Please forward comments to **vidya@choppiesbotswana.co.bw**.

For additional contact details please see page 202.

Choppies Group continues to progress on its strategy and vision

Financial highlights

Group retail sales ▲ **13.3%** to **BWP6 042 million**
(2021: BWP5 331 million)

Group operating profit ▲ **23.5%** to **BWP279 million**
(2021: BWP226 million)

Group profit after tax ▲ **141.7%** to **BWP145 million**
(2021: BWP60 million)

Group basic EPS ▲ **105.8%** to **10.7 thebe**
(2021: 5.2 thebe)

Group net cash generated from operating activities ▲ **22.5%** to **BWP463 million**
(2021: BWP378 million)

Rest of Africa – Retail sales ▲ **54.6%** to **BWP1 883 million**
(2021: BWP1 186 million)

Rest of Africa – adjusted EBITDA ▲ **80.4%** to **BWP101 million**
(2021: BWP56 million)

Rest of Africa – EBIT ▲ **+100%** to **BWP88 million**
(2021: loss of BWP21 million)

Other highlights

- Footfall **up** by **11.1%**.
- Pula gross profit **increased** by **9.9%**
- Negative equity **reduced** by BWP107 million (23.9%)
- Headline earnings per share **increased** by **90.8%**

- Group **funding** covenants **complied** with
- Our teams demonstrated their **sense of service** and **unfailing commitment**
- **Satisfactory results** in all regions in an incredibly challenging and **competitive economic** environment

CHAIRMAN'S REPORT

Choppies has performed strongly in all areas of operation and geography.

Uttum Corea
Chairman

There is a great deal of uncertainty in the economies of Southern African countries due to the duration and intensity of global credit conditions which have turned more negative due to rising interest rates, on the back of runaway inflation, slow economic growth and surging prices for energy and commodities. Renewed supply-chain disruptions, financial market volatility, fluctuating employment trends and consumer confidence have further stagnated economic growth. On the back of the Covid-19 pandemic, we are now facing the effects of the war between Ukraine and Russia.

Notwithstanding these macro-economic challenges, Choppies has performed strongly in all areas of operation and geography. This is mainly due to the sterling efforts of the management and staff led by the CEO who has done an incredible job in difficult conditions. In recognition, the Board is evaluating a long-term incentive scheme to align management efforts with shareholder interests, which will be put to a vote at the upcoming annual general meeting.

Our Zambia operations have started paying off and we are now seeing a return on investment. In Zimbabwe, the team performed strongly even amid the currency drop impact. Namibia shows a lot of promise and the Group is considering opening more stores in the region.

There is a restriction on the import of certain horticultural products into Botswana. While this restriction is a great incentive and opportunity for farmers and future farmers to grow these vegetables so that Botswana becomes self-sufficient, this is a transitional journey of agricultural development.

In the interim, we have to think of our other stakeholders, our customers and their needs for healthy nourishment which are frustrated by shortages and in some cases complete absence of supply.

In a major transitional journey of this nature it is best that the Ministry of Agriculture coordinates and develops policies on a cluster-based methodology, consulting with farmers, retailers, At Choppies, we have always been supportive of local farmers, who have registered with the Group in record numbers for support and assistance.

customers representing civil society and academia represented by institutions, such as the Botswana University of Agriculture and Natural Resources, who could advise on modern agricultural methodology suitable for the water scarce and climatic conditions in the country. This is to come up with viable policy imperatives for this important transition. This would then result in a win-win implementation, for all concerned, which could be monitored and evaluated for necessary improvements during this important national journey.

At Choppies we have always been supportive of local farmers who have registered with the Group in record numbers for support and assistance as shown on page 59.

ADVANCING OUR STRATEGY AND LIVING SHARED VALUE

Our strategy and vision continue to be the driving force for the Group and we have seen significant progress in this regard. The successes were hard-earned through the commitment of our employees.

The following objectives have all been advanced during the year:

- Divestment from loss-making regions ✓
- Slow and managed expansion in profitable regions ✓
- Debt restructure and reduction ✓
- Improved corporate governance ✓
- Improved stakeholder relationships ✓
- Developing a shared-value strategy which is the DNA of the Group ✓
- Accelerate the conversion of negative equity into positive equity ✓

We seek to replicate our successful growth model in all the countries in which we operate. This includes our continuous development of new products – be they their own label or financial services – and then expanding them throughout all countries of operation. Financial services is a key growth area and we will also be evaluating ecommerce going forward.

By espousing the concept of shared value, we are committed to ESG and are seeking to further integrate ESG measures into our processes and procedures. This includes implementing solar power projects across seven stores in Botswana and more stores in Namibia.

GOVERNANCE

As a board, we are particularly pleased with our corporate governance and the strides we have taken in that regard. I would, in particular, like to acknowledge the effort and contribution of independent Non-executive Director, Tom Pritchard, towards improving our governance policies and procedures. See page 70 for further detail on our governance report.

CHANGES TO THE BOARD

Independent non-executive Director, Mr Valentine Chitalu, has been appointed to the audit and risk committee, the investment committee and the social and ethics committee.

LOOKING AHEAD

As predicted last year, we are witnessing the effects of a bounce-back of the global economy following the worst of the pandemic, which has been stemmed by a successful vaccination programme. However, the recovery has been compromised by supply chain difficulties and the complexities of starting up industries which were partially or completely shut down, and compounded by the effects of the Russian-Ukrainian war, with escalating energy and fuel costs, and not to mention basic food shortages. This has all resulted in spiralling inflation affecting both developed and developing nations, with consequent social distress and political upheaval. Central banks around the world are raising interest rates in the hope of curbing inflation which in turn is slowing growth.

In Botswana, inflation was initially stimulated by steep increases in power tariffs, fuel price increases, other increases in administered prices and the increase of VAT on 1 April 2021. The timing of these could not have come at a worse time as we needed to grow the economy at the time and not burden it with inflationary taxes and administered prices as stated in my message in 2021. The new Minister of Finance, to her credit, has reversed the increase in VAT in August 2022, as a short-term measure, which will have a mitigating effect, but the current global inflationary pressures continue to keep inflation high.

Inflation, which had been contained at 2% to 3%, increased to 8.2% in June 2021. The Bank of Botswana was hoping that inflation would adjust down to previous levels by April 2022. However, inflation is now at 14.6% as at August 2022, as a result of the imported global inflation referred to above. The bank has hiked interest rates three times this year which in the case of Botswana, is ineffective against imported inflation considering the magnitude of our imports. The bank holds the view that "competitiveness" of nascent export industries is promoted through a weak currency. The weak currency only serves to fuel inflation. Competitiveness arises through "productivity" and not through a weak currency or low exchange rate. Productivity is the fundamental basis for all prosperity growth. It is heartening to note that the governor of the bank has requested businesses to focus on productivity and innovation in the fight against inflation. This requires certain improvements for a conducive business environment for productivity, while the Bank of Botswana, needs to move away from its belief in a weak currency which only serves to fuel inflation and rather look at the exchange rate from first principles. The managed rate should be set by adjustment of the basket of currencies to reflect an appropriate mix of the SDR and the Rand, based on trading patterns with trading partners, and to move to an upward crawl of the exchange rate instead of a downward crawl.

All countries need to brace themselves for the knock-on effect, of compromised Russian fuel and energy supplies to Europe during this autumn and winter in the northern hemisphere, on energy prices and focus on fighting inflation in the most appropriate manner for that country, as the singular most important challenge to be overcome. This will determine whether economies will succeed or fail in the current global environment.

APPRECIATION

On behalf of the Board, we wish to express our appreciation to all our stakeholders for their contribution to growing the Choppies business and walking the journey with us.

To my fellow Directors, thank you for your guidance and counsel as we continue to drive the business to ensure that our strategic objectives are achieved. To our CEO and supportive management team, I want to express my gratitude for their unwavering commitment to the Choppies vision, mission, and shared-value approach.

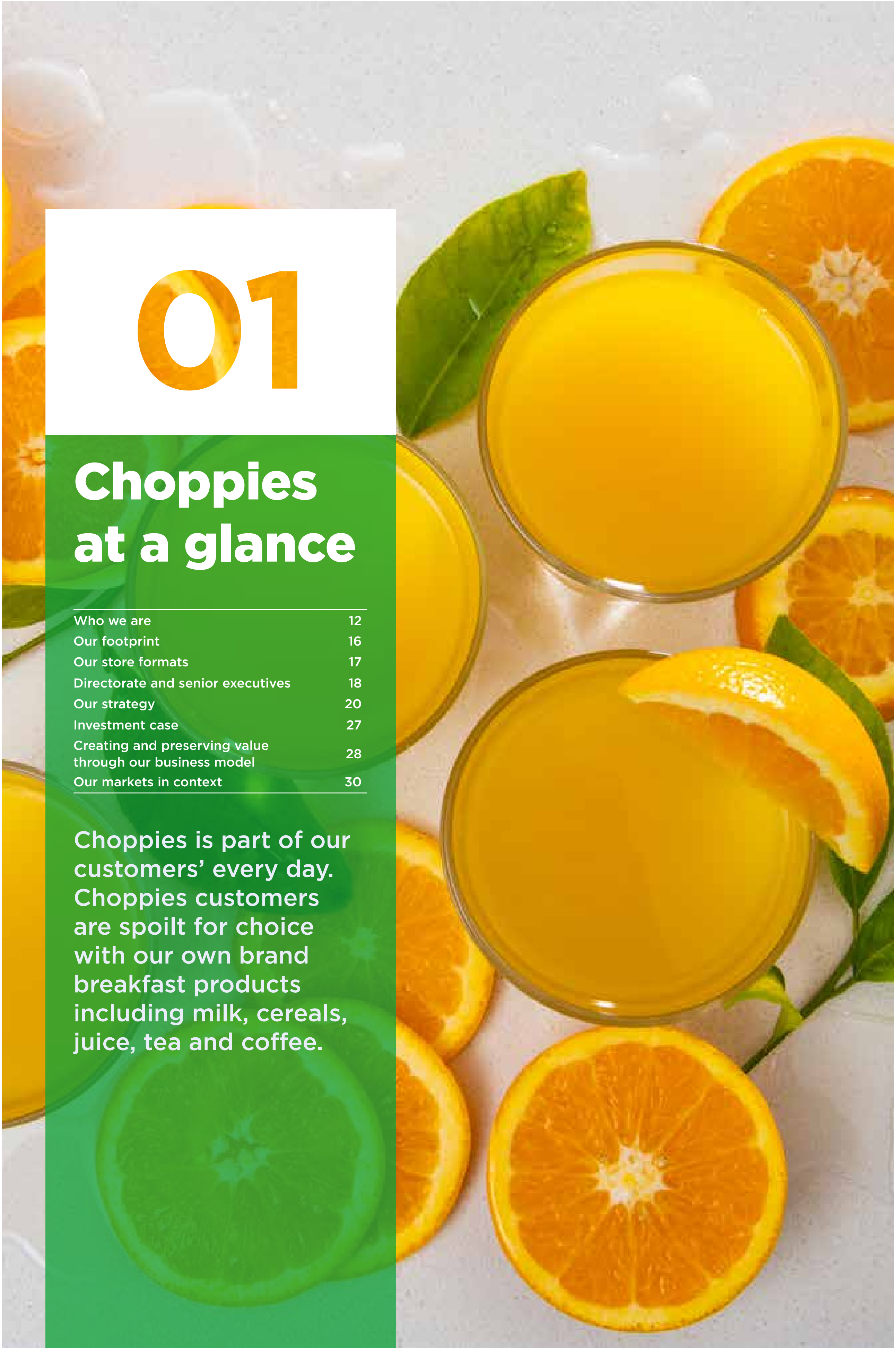
Uttum Corea
Chairman
30 September 2022

GROUP STRUCTURE

CHOPPIES ENTERPRISES LTD

CHOPPIES
Great value for your money!

- Choppies Distribution Centre (Pty) Ltd (100%)
  All Botswana operations
  - Jexman Holdings (Pty) Ltd
    - Monyglob (Pty) Ltd
- Nanavac Investments (Pvt) Ltd (100%)
  All Zimbabwe operations
  - Nestral Systems (Pvt) Ltd
- Choppies Supermarkets Ltd (90%)
  All Zambian operations
- Choppies Supermarket Namibia (Pty) Ltd (93%)
  All Namibian operations



01

Choppies at a glance

Choppies is part of our customers' every day. Choppies customers are spoilt for choice with our own brand breakfast products including milk, cereals, juice, tea and coffee.

WHO WE ARE

Choppies is the largest retailer in southern Africa outside of South Africa, with 161 stores across Botswana, Zimbabwe, Zambia and Namibia and nine distribution centres.

Originally established in Lobatse, Botswana in 1986, Choppies has grown into a BWP6 042 million revenue company with a broad presence throughout Botswana and growing footprint in three other African countries. The Choppies brand is becoming a local brand within each country where we operate.

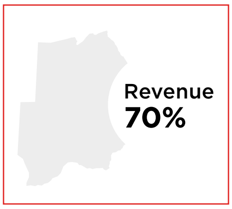
Everything we do is underpinned by a commitment to shared value which drives our approach to our people, customers, suppliers and all other stakeholders. We are dedicated to addressing the socio-economic difficulties facing our communities by providing high-quality, affordable food to all customers while also creating major employment and economic opportunities along the value chain.

A PEOPLE FOCUSED BUSINESS

Choppies is the largest employer in Botswana after government and employs the largest proportion of people with disabilities. Across our regions of operation, we are committed to upskilling our employees and transferring skills to the local communities in which we operate, with a strong focus on localisation.

Our stores provide employment on both a full time and part time basis providing local communities with varied employment options and 51% female employment.

Contribution per country (%)



KEY FACTS

Botswana

FY22 revenue **BWP4 254 million**
Number of stores **92**
New stores **2**
Number of employees **5 917**

Rest of Africa

FY22 revenue **BWP1 843 million**
Number of stores **69**
New stores **5**
Number of employees **3 260**

Stores per country

Botswana	Zimbabwe	Zambia	Namibia
92 stores	**32 stores**	**28 stores**	**9 stores**
(2021: 90)	(2021: 32)	(2021: 26)	(2021: 6)

CUSTOMER-CENTRIC RETAIL OFFERING

We strive to bring modern retail to all, offering a product range that provides our customers with choice at the price they can afford. We aspire to be the preferred retailer in each region we serve and are growing the business by opening stores that reflect the changing habits and needs of our customers. This will help bring new customers and communities into the Choppies family.

We take pleasure in offering customers and communities in southern Africa great value for money and a pleasant, modern shopping experience. Food, groceries, beauty, and other general commodities, as well as value-added financial service department offerings such as takeaway, bakery and butchery, are all part of our product offering. Since many of our locations are in small rural towns, we have a wide choice of private label Choppies items as well as well-known brand products to suit any budget.

Our customers are mostly budget-conscious, lower-to-middle-income (LSM 3–6), cash, and small-basket shoppers. In Botswana we have extended our service offering to satisfy the needs of our growing number of higher and middle-income consumers.

WORKING TOGETHER WITH OUR SUPPLIERS

We provide smaller suppliers with the opportunity to formalise their business and we also support over 2 000 farmers across Botswana ensuring we purchase most of the local produce. We work closely with suppliers and serve as a route to market. If we can carry a product in our stores, local manufacturers can invest in producing the item which in turn helps drive further industrialisation in the countries in which we operate.

Our timeline

1986 – Choppies established; Wayside Supermarket opened

1993 – Opening of the second store

1999 – Opened first store in Gaborone – Friendly Grocer

2003 – Choppies' retail brand consolidated and evolved

2008 – Choppies commenced operation in South Africa, first store opened

2012 – Listing on the BSE

2013 – Choppies commenced operation in Zimbabwe

2014 – Opening of distribution centres in South Africa and Zimbabwe

2015 – Secondary listing on the JSE

2016 – Choppies introduced in Zambia and Kenya

2017 – Opening stores in Tanzania and Mozambique

2019 – September – new Board formed

2020 – Divestment from South Africa, Mozambique, Kenya and Tanzania

2022 All countries in Rest of Africa segment post EBITDA profit

What we offer in store

Fresh fruit and vegetables

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

Bakery

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

Groceries

- In addition to the best international branded groceries, we have 400 SKUs of Choppies branded products ranging from fresh, frozen, canned, dry foods, snacks, ethnic specialities, health and beauty care, household to laundry products as well as a new range of toiletry products (Lumo)

Butchery

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

Takeaways

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

Value added/financial services

- Mobile money, airtime, utilities payment, bus tickets, foreign exchange, satellite TV subscription

OUR FOOTPRINT

With increased operational flexibility, efficiency, and cost effectiveness Choppies has positioned itself for success across its operations. Our expansion strategy focuses on growing the business through by opening additional stores that match our customers' changing habits and needs, as well as bringing new customers and communities into the Choppies family.

Smaller establishments that cater to the customer's need for convenience, as well as an expanding online platform, are part of this.

Choppies holds a significant leading position in Botswana's retail sector and is the country's largest private sector employer. One of our important competitive advantages and drivers of best value for money for our customers is our in-house logistics and distribution network. This provides a large product range and consistent supply of fresh, high-quality products. With the same efficiency, our distribution centres can handle everything from dry foods to fresh and perishable products.

Further signifying its responsible behaviour, Choppies is a retailer that cares for and empowers its communities to better their wellbeing as it strives to improve, with and for its stakeholders, in order to grow together and create shared value.

NUMBER OF STORES

Group

Botswana **92**
(2021: 90) New stores 2

Zimbabwe **32**
(2021: 32) New stores 0

Zambia **28**
(2021: 26) New stores 2

Namibia **9**
(2021: 6) New stores 3

Botswana

Number of stores **92**
(2021: 90) New stores 2

Hyper **7**
(2021: 7) New stores 0

Super **71**
(2021: 69) New stores 2

Value **14**
(2021: 14) New stores 0

Zimbabwe

Number of stores **32**
(2021: 32) New stores 0

Value **4**
(2021: 14) New stores 0

Super **28**
(2021: 69) New stores 0

Zambia

Number of stores **28**
(2021: 26) New stores 2

Hyper **1**
(2021: 1) New stores 0

Super **27**
(2021: 25) New stores 2

Namibia

Number of stores **9**
(2021: 6) New stores 3

Super **9**
(2021: 6) New stores 3

OUR STORE FORMATS

Choppies caters to a diverse spectrum of customers in southern Africa, from low- and middle-income families to the wealthiest families.

Our supermarkets provide a selection of groceries, as well as a focused selection of general products, and value-added services. The Group will continue to address the socio-economic difficulties facing its customers by offering high-quality, affordable food to all customers while also creating significant job and economic opportunities throughout its value chain.

CHOPPIES Hyper

"One stop shop"
- 3 000m² to 4 900m²
- 15 000 SKUs
- Spacious layout
- Urban and non-urban areas
- More affluent consumers demanding greater variety

CHOPPIES Superstore

Broad range supermarket
- 550m² to 2 300m², average 1 350m²
- Up to 12 000 SKUs
- Full supermarket offering (bakery, deli, fresh produce, financial services)
- LSM three to six customers

CHOPPIES Valuestore

Convenience store for immediate needs
- Less than 500m², average 350m²
- 7 500 SKUs
- Based in rural areas with low levels of formal retail
- Target retail consumers in lower income brackets

4
Countries

3
Store formats

161
Stores

9
Distribution centres

8
Hyper stores

135
Super stores

18
Value stores

The Group will continue looking to expand its service offerings such as our financial services and online and delivery services.

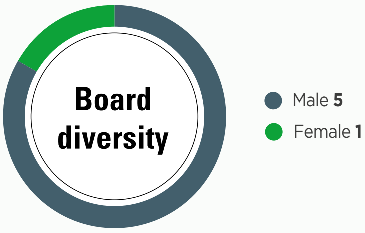
DIRECTORATE AND SENIOR EXECUTIVES

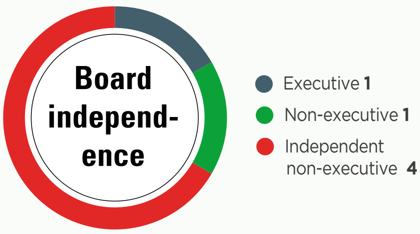
DIRECTORATE
Independent non-executive Directors

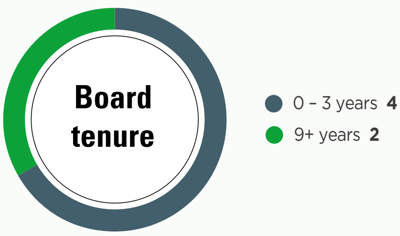
Uttum Corea (75) SE N
Chairman
FCA (SL), FCA (BICA), PIAM (Harvard)
Appointed: 11 September 2019

Uttum joined Coopers & Lybrand, Botswana in 1973 and became a partner in 1982 and was later appointed as the first Senior Partner of PricewaterhouseCoopers in Botswana after concluding a successful merger between Coopers & Lybrand and PricewaterhouseCoopers. In 2008, Uttum retired from PwC and later took office as Director General of the National Strategy Office of Botswana reporting directly to the Presidency from 2010 and served until 2019.

Uttum has served as President of the Botswana Institute of Chartered Accountants and is a former Board member of the Bank of Botswana and Botswana Insurance Holdings. He has also served as the first Chairman of the Botswana Export Development and Investment Authority and as a founding member of the University of Botswana Foundation. He was honoured by Rotary International with the Paul Harris Fellowship and a special Rotary Centennial Service Award for Professional Excellence. These are accolades he received as recognition for his professional achievement, his demonstration of high ethical standards, community and vocational service and dedication to service above self.







Valentine Chitalu (57) A I SE R
ACCA (UK), MPhil (UK),
BACC (Zambia)
Appointed: 5 August 2021

Valentine is the co-founder of Phatiswa Group, a sub-Saharan African private equity fund manager with funds in excess of USD400 million. Valentine holds several other board positions in Zambia, South Africa, Australia and the UK. He has also been appointed to the Group's audit and risk committee. He is an entrepreneur with more than 15 years' experience in the private sector and has been actively involved in the development of both the private and equity sector in Zambia and southern Africa. He has worked for CDC/Actis in London and Lusaka and was previously CEO at the Zambia Privatisation Agency.

Carol-Jean Harward (36) A I R N
BFIN, MBA, CIIA®
Appointed: 6 September 2019

Carol-Jean is the founder of Anandi Capital, a women-owned and led alternative investment firm and is a Chairperson of the Women First Fund, an initiative aimed at women and youth empowerment. She has served as the vice-Chairperson of the Botswana Bond Market Association and has over 15 years' experience working as an investment professional in financial institutions such as the World Bank, Barclays Bank (now Absa), African Alliance Asset Management and Investec Asset Management.

Tom Pritchard (67) A I SE R
BCom (Hons), CA(SA)
Appointed: 6 September 2019

Tom's career spans over 39 years in the FMCG (fast moving consumer goods) industry. His executive positions included financial director and CFO of JSE-listed companies ICS Holdings, the largest perishable food manufacturer and distributor in South Africa, Astral Foods and Famous Brands. Tom was also financial director of the Consumer Brands division of Tiger Brands.

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

Non-executive Director

Farouk Ismail (69)

N

Deputy chairman
Appointed: 2004

Farouk is a seasoned entrepreneur who co-founded Choppies in 1986. At the time of opening, the store was called Wayside Supermarket and was situated in Lobatse. His resilience, vision and drive have contributed immensely to the growth of the Group over the years.

Executive Director

Ramachandran (Ram) Ottapathu (59)

Chief Executive Officer
BCom, CA (ICAI), FBICA
Appointed: 2004

Ramachandran is a fellow member of the Institute of Chartered Accountants of India and fellow member of the Botswana Institute of Chartered Accountants. He has played a key role in the growth of Choppies both in the local Botswana market and in the international market having joined Choppies in 1992 and has been heading operations since 2000. He has over 33 years' experience working in finance and operations in various sectors such as manufacturing, packaging, milling, real estate developments and medical distribution.

Committee membership legend

- A – Audit and risk committee
- I – Investment committee
- SE – Social, ethics and HR committee
- R – Remuneration committee
- N – Nominations committee

Senior executives

Subeesh Surendran (47)

Chief Buyer
BCom
Appointed: 2 June 2003

Subeesh joined Choppies in 2003 and has held positions from store manager to regional manager. In the last five years, he has been engaged with the chief buyer's office on imports, category management, sales and store merchandising together with the Fresh department (fruit and vegetables, bakery, butchery and deli). As chief buyer, he incorporates strategies to improve supply chain efficiency and ensures that margins from trade always remain healthy. He also oversees the three grocery distribution centres in Botswana.

Vidya Sanooj (39)

Chief Compliance Officer/ Investor Relations
BCom, CA (ICAI), FBICA
Appointed: 19 December 2006

Vidya serves on a number of boards, for both listed and unlisted companies. She is a fellow of the Institute of Chartered Accountants of India and of the Botswana Institute of Chartered Accountants. She has worked in a number of divisions at Choppies Group from management of accounts, advising on the listing-road map and investor relations. She has over 16 years' experience in retail accounting, finance, corporate restructuring and merger and acquisitions.

Minnesh Rajcoomar (57)

Chief Financial Officer
BCom (Hons), CA(SA)
Appointed: 1 May 2020

Minnesh is a fellow of the South African Institute of Chartered Accountants and of the Botswana Institute of Chartered Accountants with over 33 years' experience in accounting, finance, corporate restructuring and mergers and acquisitions. He has worked for Nampak, Edcon and has held the position of CFO at the Edgars division.

OUR STRATEGY

Our purpose	Providing great value to customers, growing together with our communities and respectfully and sustainably contributing to their wellbeing.
Vision	Being the preferred retailer for mass grocery and financial services in the countries we operate.
Mission	Being the preferred one-stop-shop community hub in the countries we operate.

Choppies has established a purpose that drives its strategic aims and interactions with all stakeholders, guided by the ideals of shared value and conscious capitalism.

This is underpinned by Choppies' commitment to giving the best value to our customers. Our success and growth are inextricably tied to those of all of our stakeholders. We want to be known as a firm that actually cares about and gives back to the communities where we do business. We cannot only fulfil our company's goals but should also have a positive impact on all of our stakeholders by embodying this mission and forming partnerships with our communities, suppliers and employees.

We live our purpose through three main pillars as set out below:

Access with best service

Choppies provides its communities with constant access to a wide range of goods and services, as well as employment and purchasing capacity, all while providing exceptional customer service and the best overall value.

- Access to large bouquet of products and services
- One-stop-shop format
- New opportunities for local producers to reach new markets
- Vast footprint reaching rural and urban communities
- Best total value – fair and transparent deals
- Improves inclusion in communities
- Efficient services – saving time for customers.

Cares and empowers

With its responsible behaviour, a retailer that cares for and empowers its communities to improve their wellbeing.

- Long-lasting commitment to stakeholders providing support in difficult times
- Respect for local culture embedded in offering
- Health and safety
- Committed to reducing carbon footprint
- Empowers stakeholders to grow.

Works for and with you

Choppies strives to improve with and for its stakeholders in order to grow together and create shared value.

- Listens to stakeholders to customise offering
- Informed decisions
- Efficient value chain
- Constantly evaluating opportunities, technologies and innovations to improve progress and efficiency
- Working in partnership with local communities, suppliers, entrepreneurs and employees
- Leverages capabilities and experience of various territories to improve Group-wide operations.

Core values

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

BOTHO

- Listening to our stakeholders
- Providing great overall value to our customers and communities
- Caring for the wellbeing of our customers and communities
- Working in partnership with our communities
- Always on the lookout for opportunities, technologies and innovations
- Taking pride in what we do and showing respect and honesty in all our dealings
- Ethically sound
- Empowering, recognising and rewarding our people

Shared value

Our dedication to *Botho* and shared value pervades everything we do and is reflected in our strategic goals. It is motivated by our desire to be a good corporate citizen and have a positive impact in the communities where we operate by ensuring mutual prosperity.

Our commitment	What we do	Contributions/ objectives achieved	Targets for FY2023
Develop local businesses	• Support farmers' growth and quality by providing platforms and knowledge, while offering the necessary financial and technical expertise • Use Choppies' spare transportation capacity to help small producers reach new markets and provide the population with access to better products • Support local manufacturing and SMMEs.	Newly listed farmers 1 251 exceeding the target of 250.	Develop the same model in all regions
Population upskilling	• Train the population throughout the country in both basic skills and crafts that can be used to accelerate the productivity of Choppies' employees • Partner with universities to provide advanced courses on critical areas for retail such as information technology and retail management.	Designed training modules.	Develop the same model in all regions
Care for the environment	• Develop distributed energy facilities using the stores' roofs and waste that provide energy directly to Choppies and to the community as well as the grid • Collect, separate and recycle own waste generated from food, packaging, and others as well as collect from the population and farmers to transport to own or third-party recycling plants or feed local biomass plants.	• Solar installation completed at Ondangwa store in Namibia • Three stores in Botswana running a pilot water recovery system • All stores in Botswana have been converted to energy saving LED lights • 70% of island freezers converted to less energy consuming self-contained fridges • Waste segregation is complete in all stores, For more information please see page 64.	Green and renewable energy in countries we operate in
Population access	• Provide points for medicine collection and basic health diagnostics and care in collaboration with private clinics in underserved areas • Further develop the financial services provided at Choppies stores, broadening its variety (insurance, personal loans) and improving convenience.	• Launched Hello Paisa and Malaicha • Commenced pension distribution in store in Botswana.	All utility payments and increasing other financial services in all other regions in which we operate

CHOPPIES FIVE-YEAR STRATEGY

The Group revised its strategy of the past three years as set out below:

Strategy		Status for FY2022
Divest from loss-making regions	The divestment from the loss-making regions in South Africa, Mozambique, Kenya and Tanzania has been completed and the drain from these regions on the Group results has ended.	Achieved
Slow and managed expansion in profitable regions	The Group will continue its measured expansion in profitable regions as a strategic objective.	Ongoing
Debt restructure and reduction	A debt reduction agreement was reached between the Group and lenders as reported in prior years. In terms of this agreement debt reduction will continue until 2026. The debt restructure plan was successfully implemented with the reduction of debt an ongoing priority.	Achieved
Improve corporate governance	Much progress has been made during the past two years to restore the widely reported breakdowns in corporate governance. Currently the Group's corporate governance is based on the King IV code and is considered on par with best global practices. For more information please see page 70 of the governance report.	Achieved
Improve stakeholder relationships	Relationships with most stakeholders are sound and ongoing. See stakeholder engagement on page 44 for further detail.	Achieved
Accelerate the conversion of negative equity into positive equity	The rate at which the negative equity reduces is currently dependent on the net profits generated by the Group. A recapitalisation to strengthen the balance sheet may have to be considered in the near future in consultation with shareholders.	Ongoing

Achieved Ongoing

The Group's new strategy is established around six strategic pillars which are designed to ensure sustainable growth in the long term and value creation for shareholders.

1. DEBT REDUCTION

The reduction of the Group's accumulated debt, in terms of the debt reduction agreement with lenders, is a key strategic objective for at least the next four years and has been prioritised before cash outflows for growth aspirations.

Achieved in FY2022	Target moving forward
BWP62 million reduction in debt	All debt settlement by FY2026

2. PROFITABLE GROWTH STRATEGY

The Group's growth strategy is based on a four-prong approach:

- **1 –** Growth of the existing traditional business of mainly groceries
- **2 –** Expand the in-store offering by focusing on higher margin fresh and value-added products.
- **3 –** Continue to expand the quasi banking/financial and other services.

These three strategies will form the cornerstone of the Group's intention to make the Choppies business a one-stop-shop for customers.

- **4 –** Expand the store footprint in profitable regions in which the Group operates.

Strategic objective	Status in FY2022	Target moving forward
Organic growth		
• Increase house brands/private label	• 22% of participating categories	23%
• Expand fresh, healthy, and value-added categories	• 2% increase in contribution except from fruit and vegetables	Maintain the same
• Broaden range of financial and other services offerings	• Achieved 25% increase in revenue	Replicate the same in all regions
• Promote on-line services	• Development ongoing	Ongoing
• Optimise store formats	• Store profiling almost complete	Ranging exercise introduce towards end of this year
• Introduce a loyalty programme	• In fact-finding stage	Ongoing
Expansion		
• Continue slow and managed expansion in profitable regions	• Botswana: Two new stores • Namibia: Three new stores • Zambia: Two new stores	Three new stores Six new stores Five new stores
• Expand high performing stores while exiting underperforming stores	• Ongoing re-assessment of store viability as leases expire	

3. CREATING SHARED VALUE

True to its purpose and central to Choppies' success is its approach to shared value.
The Group has a vast distribution network, particularly in Botswana, and intends to have 90% of the population within a 10km radius of a Choppies store especially in underserved rural areas.

The Group remains well positioned to engage in shared value projects with local communities to create value by addressing consumer needs and challenges.

Choppies sells more than 75% of all fresh produce in Botswana and continuously seeks opportunities to partner with farmers for bulk crop buying agreements to benefit the Group, farmers and customers.

Achieved in FY2022	Target moving forward
• Introduced as suppliers: – more than 850 micro and medium size horticulture enterprises – local women association as prepared food suppliers – 232 small stock breeders – 98 small scale manufactures • 68 people with disabilities employed • Financial support to unemployed women artists	Develop the same model in all regions

4. OPERATIONAL EXCELLENCE

It is imperative that Choppies keeps up to date with continuous changes in a fast-moving retail environment. Developments, especially technology, pose a challenge for any retailer to remain competitive.

Operational excellence is a key part of the Group's strategy to be successful and to deliver maximum performance and grow optimally.

Strategic objective	Status in FY2022	Target moving forward
Install a standard operating store infrastructural model throughout the Group	Operation model completed	Introduce the same model in all other regions
Focus on digital transformation	Significant achievements in the financial services offerings	Smart mobility solutions implementation Automated demand forecasting and inventory optimisation Business process automation
Upgrade IT infrastructure	Commenced with infrastructural changes to enhance IT performance	WAN modernisation and redundancy Desktop environment upgrade
Ongoing focus on cybersecurity	Renewed focus on cybersecurity – new Chief Technical Officer appointed	Review access control and enforce security measures Network segmentation to reduce vulnerability Security information and event management solution
Implement a warehouse and supply chain management system for stock optimisation and demand forecasting	Project commenced	Ongoing

5. ENHANCE PERFORMANCE CULTURE

To build and enhance a performance culture in the Group is essential to remain successful. Choppies has identified the importance of a workforce who is dedicated to their work and determined to get results. In addition, employing high-achieving employees will lead to greater business success.

The following initiatives have been identified:

Strategic objective	Status in FY2022	Target moving forward
Continue to strengthen the Group's management team	• Three new appointments made	Ongoing
Introduce performance based short- and long-term incentive schemes	• STI further enhanced • LTI scheme introduced and to be submitted to shareholders for approval at AGM	Implementation of LTI
Upskill HR department to train employees to keep abreast of fast-moving technology and new retail concepts	• 292 managers trained	Further training for regional managers and other staff and digitalisation of training
Enhance Group values among employees	• Communication and training ongoing	New standard operating procedure implementation and digitalisation of training

6. ELIMINATE NEGATIVE EQUITY OF THE GROUP

The main reason for the Group's negative equity situation was the losses incurred and closure costs of BWP1.7 billion for the now discontinued operations in South Africa, Kenya, Tanzania, and Mozambique. This requires the Group to continuously consider its going concern status and places a strain on expansion as well as the ability to pay shareholders dividends.

The rate at which the negative equity reduces is currently dependent on the net profits generated by the Group. A recapitalisation to strengthen the balance sheet may have to be considered in the near future in consultation with shareholders.

Achieved in FY2022	Target moving forward
Reduction in negative equity by BWP107 million following a net profit for the year	Further reduction

INVESTMENT CASE

Why invest?

- Market-leading and strong brand
- Largest private sector employer in Botswana
- Significant market share in regions in which we operate
- Strong private label brand
- Economic value creation
- Customer and shared-value approach
- Political and economic stability in largest market
- Return on capital exceeds WACC
- Optimised distribution infrastructure and strong operational expertise
- Broad consumer market serving all income groups
- Quality relationships supporting a sustainable food system
- Diversified earnings in terms of product categories and currency earnings
- Digital journey started for paperless retail

CREATING AND PRESERVING VALUE THROUGH OUR BUSINESS MODEL

As a food retailer, the Group's business model is to procure products through an efficient local and international supply chain and to sell it to consumers through a network of retail stores. Our business model describes how we create long-term sustainable value for our stakeholders and illustrates to what extent we have achieved our strategic objectives for the period under review and what the outcomes were through the effective and balanced use of our capitals as defined in the International Integrated Reporting Council's International Framework.

Capital	Inputs	Outputs
Financial Funding received from providers of capital and the financial resources available to the Group	• BWP648 million of borrowings • BWP782 million of unsecured, interest free current liabilities	• Group EBITDA increased by BWP35 million • Borrowings reduced by BWP62 million • Interest paid at BWP99 million • Market capitalisation at BWP638.78 million
Human Employee skills, capabilities, development and experience	• 9 177 full-time employees • Management expertise and skills • Well trained employees	• 295 jobs created in FY2022 across southern Africa • Salaries BWP390 million • Economic upliftment • Socio-economic development • Skills transfer to local communities
Intellectual Skills and knowledge within the organisation and the enabling systems and processes	• Strong brand equity • Growing own brand offer and product development: private label items are available in almost every food and non-food category, fresh, frozen, canned, dry foods, snacks, ethnic specialities, health and beauty care, household as well as laundry products • Sophisticated IT systems	• Affordable and fresh groceries in underserviced urban, semi-urban and rural areas • Great value for money for consumers
Manufactured We use physical infrastructure within our operations that includes our store estate, distribution capacity, and information technology platforms	• 161 stores • Four support offices • Nine distribution centres • A strong and well spread out transport infrastructure in all countries • In-house supply chain with regionalised distribution centres • Valued partnerships with transport logistics providers and own transport fleet	• Inhouse maintenance services • Master database management and contracts with technology services providing for systems support • Long-term alternate solar energy planning • Waste management

Providing the **best value for money, convenience** and a **broad service offering**, including bakery, butchery, fresh fruit and vegetables, takeaways and relevant financial services in urban, semi-urban and rural areas and shopping centres, close to residential areas and transport nodes.

Providing **consistent quality, across all products**, supported by our **superior in-house distribution and logistics capabilities**. Fresh fruit and vegetables are sourced direct from farms.

Capital	Inputs	Outputs
Natural Environmental resources used in our direct operations and in our supply chain which impact on our prosperity and sustainability	• Restrained, appropriate carbon footprint • Prudent consumption of resources: water, electricity • Eco-friendly refrigeration • Conscious focus on use of recyclable material • Minimising food wastage	• Recycling • 7 solar plants in construction
Social and relationship The relationships we have with our stakeholders, including our customers, suppliers, business partners, communities, and other stakeholders	• Customer-led long-term strategy with market research • Meaningful corporate social investment programme • Strong platforms for stakeholder engagement • Strong relationships with customers, suppliers, funders, communities and government • Support for farmers and local SMMEs	• Business support for local suppliers and landlords – 75% of fresh produce in Botswana is distributed through Choppies • Choppies supports small-scale local manufacturers • Contracted farming fund advances food security for the nation

In managing the six capitals, our material trade-offs include:

- Although we value and support local suppliers and local communities, we do rely on higher levels of imported goods and services, including employment of foreign nationals for rare and critical skills
- Determining which operating segment to prioritise in our expansion plans given our limited resources. We have four segments all with significant potential to grow
- While we have set debt reduction as a strategic goal, we may need funding and additional equity to grow the business in the existing segments, expand into other countries, acquire new businesses, and invest in information technology
- We will invest in stock-piling key grocery lines to mitigate price inflation and scarcity to keep our prices low and ensure availability for the benefit of our customers
- We have managed prices due to higher cost inflation, for the benefit of customers and to remain competitive, resulting in a lower gross profit margin, although our longer-term plans are to improve the gross profit margin
- We are planning to embark on an update of most of our systems including a digital journey for a paperless business, all of which may result in a leaner support team in the medium term.

ADVANCING OUR BUSINESS MODEL DURING THE YEAR:

- Providing technical and financial support to farmers to ease their adaptation to offer fruits, vegetables and meat that fulfil the requirements of the sophisticated consumer
- Improving displays of fresh produce to foster consumption of natural and healthy products and generating pride around the supply of local products
- Improving cold chain logistics to reduce waste and use residues as biomass that can transform into energy
- Focus on sustainable products with local produce, organic produce, fresh fruits and locally grown vegetables (using hydroponics), vegan and plant-based alternatives, amongst others
- Promote local producers through farmers' markets and fruits and vegetables festivals
- Adding more services to the financials services offering.
- Focus on convenience with introduction of 'Choppies On The Go' joint venture

OUR MARKET IN CONTEXT

BOTSWANA

Growth in Botswana is forecast to decrease to 4.7% during 2022 and high inflation poses further risks to the country's growth.

GDP growth in 2022 for Botswana has been forecast to be 4.7% as economic headwinds have risen following Russia's invasion of Ukraine.

However, growth in the country is still expected to come in above the pre-pandemic average of 2.8%, supported by the further easing of lockdown measures and continued growth in the country's diamond sector.

Household consumption is projected to be the largest contributor to headline growth in 2022, adding 2.9 percentage points to real GDP growth. Behind only Rwanda, Botswana has the second highest vaccination rate in Sub-Saharan Africa with 60.7% of the country's population being fully vaccinated against Covid-19 as of 21 March 2022. This should lower the fatality rate case of Covid-19 further allowing the authorities to loosen restrictions.

Elevated inflation over 2022 will approximately cap private final consumption growth. However, in 2023 economic growth is expected to decelerate to 4.0% as the economy returns to its pre-pandemic growth trajectory. Household consumption will remain robust and is projected to grow at 4.6%.

ZAMBIA

The Zambian GDP growth is forecast to improve from an estimated 3.1% in 2021 to 3.3% in 2022.

The recovery for 2022 was driven by an uptick in domestic demand as the government eased Covid-19 restrictions, outweighing the negative impact of a decline in mining exports. This trend is expected to reverse in 2023 as headwinds to consumption will affect any gains achieved from rebounding exports.

Real GDP growth in Zambia is expected to strengthen gradually over the next 10 years, averaging 3.9% annually.

Forecasts suggest that real GDP growth will accelerate to 3.9% in 2023 as domestic demand dissipates. With an expectancy that global food and energy prices will begin to ease, Zambia's inflation will slow further to an average of 8.7% in 2023, easing pressure on disposable incomes and causing private consumption growth to accelerate to 4.1%.

ZIMBABWE

Zimbabwe's economic outlook is expected to deteriorate and GDP growth is forecast to be 3.8% in 2022.

This is down from a previous forecast of 5.2%. This is a result of the resumption of inflationary pressures in Zimbabwe as the Russia-Ukraine conflict has pushed up global energy and food prices since February.

This has contributed to inflation rising to 96.4% y-o-y in April 2022 in Zimbabwe, the highest level since June 2021. With rising inflation and measures put in place to tackle inflationary pressures, private consumption growth in 2022 is expected to add 1.6 percentage points to headline growth in 2022, down from an estimated 4.9 in 2021.

Elevated inflation will affect real household disposable incomes, weighing on consumer purchasing power and spending. Tighter lending restrictions will also severely crimp commercial activity. The devaluation of the Zimbabwe dollar will weaken import demand as imports become more expensive and this trend will be exacerbated by weaker consumer demand for imports amid declining real disposable incomes.

Forecasts suggest that real GDP growth of 3.1% in 2023 with private consumption benefiting from reduced inflation as global commodity prices ease and the Zimbabwe dollar relatively stabilising. However, growth will remain sluggish for a country at Zimbabwe's nascent level of economic development, implying limited convergence gains will be realised in the coming years

NAMIBIA

Namibia's GDP growth is projected to accelerate from an estimated 1.3% in 2021 to 3.6% in 2022.

The deceleration likely reflects the spread of the Covid-19 Omicron variant, which prompted many Western countries to ban travel to Namibia and other southern African states. This will have had a notable downside impact on the tourism sector, accounting for 11.1% of GDP.

Private consumption will still remain the largest contributor to headline growth in 2022, adding 0.9 percentage points to real GDP growth. This will be a result of the absence of Covid-19 lockdown measures, the increasing vaccination rate – showing that 17.4% of the population had received at least one vaccine dose as at 25 March 2022 – will keep cases and deaths lows allowing regular life to resume, boosting business and consumer confidence.

In 2023, projected growth for the country is 3.9% as inflation decelerates to 5.0% by end 2023 on the back of lower global oil prices.

02

Our performance

Time for a quick lunch with Choppies margarine, peanut butter and fresh bread. For those on the go – try our delicious takeaway options such as Choppies Fried Chicken or pick up something at our new concept Choppies On The Go stores at your nearest petrol station.

OUR PERFORMANCE

CHIEF EXECUTIVE OFFICER'S REPORT

Choppies has been a champion of local farmers since inception and integration with local farmers and producers continued well during the year.

Ramachandran Ottapathu
CEO

HIGHLIGHTS

- All operating segments are EBITDA positive
- Group retail sales increased by 13.3% to BWP6 042 million
- Group operating profit increased by 23.5% to BWP279 million
- Group basic EPS increased by 105.8% to 10.7 thebe
- Rest of Africa – adjusted EBITDA increased by 80.4% to BWP101 million
- Rest of Africa – EBIT increased from a loss of BWP21 million to BWP88 million

STRATEGY

The Group continues to progress on its strategy and vision. In our efforts to introduce new concepts we recently launched 'Choppies On The Go' at two Shell service stations in Botswana to provide a convenience service for consumers. We are looking to expand this initiative and are in talks with other service station providers. Ecommerce is also an area we are assessing for future growth in all regions.

Expanding our financial services in all the regions in which we operate continues to be a key objective. Notably, Monyglob has broken even for the first time post the pandemic and we have begun to see profits. We intend on introducing more Monyglob services across all regions, and during the year we introduced new products in Botswana such as money transfer to Zimbabwe service HelloPaisa and Malaicha where customers can pay for groceries in Botswana which can be picked up in Zimbabwe.

We continually add new products to our own label range which now tops 20% of total sales in Botswana, and during the year launched a new skincare and toiletry brand Lumo which has 22 products ranging from body lotion to deodorant.

Choppies has been a champion of local farmers since inception and integration with local farmers and producers continued well during the year with Choppies supporting over 2 000 farmers in Botswana. We have extended this principle to our other countries of operation and have agreements with 100 registered farmers in Namibia with negotiations ongoing in Zambia.

Notwithstanding macroeconomic headwinds caused by the lagging impact of Covid-19 and the war in Ukraine, we are pleased to report a solid performance. Notably, all our operations in the Rest of Africa reported EBITDA profit, evidence of our Africa growth strategy bearing fruit.

Our medium-term vision to move away from single-country dependence is on track and by the end of the next financial year, we anticipate the Group's portfolio in Botswana will be less than 50%. We believe there is significant scope for growth in our other three countries of operation with a potential for 50 stores in Zambia, 30 in Namibia and 15 in Zimbabwe in the short to medium term.

REVIEW OF OPERATIONS

Botswana

The impact of the Covid-19 pandemic has now been eclipsed by the ongoing war between Russia and Ukraine. In addition, inflationary pressures have placed immense strain on the purchasing power of consumers. This is on the back of the 2% VAT increase in Botswana during the pandemic. Recently, we have seen a 70% increase in the cost of petroleum, a 200% increase in cooking oil, a 100% increase in flour and a 17% increase in maize.

The ban imposed by government on the importation of fruits and vegetables into Botswana had a huge impact on the availability of certain produce. A number of popular vegetables are not available, which in the long term could negatively impact the consumption pattern of consumers. The ban was intended to boost local farmers, however, Botswana's vegetable consumption rate has greatly decreased and continues to drop. The climate in Botswana is not conducive to growing all types of vegetables all year round. The country needs significant investment in this sector to make it self-reliant.

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

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

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

Rest of Africa (Namibia, Zambia and Zimbabwe)

The segment has shown a significant improvement in EBIT moving into profitability of BWP88 million from last year's EBIT loss of BWP21 million. EBITDA grew by 275.7% and adjusted EBITDA, which excludes the foreign exchange gain and losses on lease liabilities and Zimbabwean legacy debt receipts, increased by 80.4%.

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

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

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

GOVERNANCE

We remain committed to being a good corporate citizen and ensuring good governance as outlined on pages 70 to 76.

CHIEF EXECUTIVE OFFICER'S REPORT continued

SUSTAINABILITY

Plans to implement solar power projects across seven stores in Botswana are currently being implemented and we are considering a similar solution for Zambia and Zimbabwe. Namibia already uses solar power in certain stores.

Other initiatives include the use of eco-friendly materials for packaging.

CHANGES TO THE BOARD

Subsequent to Mr Valentine Chitalu's appointment as an independent Non-executive Director, he has also been appointed to the audit and risk committee, the investment committee, remuneration committee and social and ethics committee.

OUR PEOPLE

Our biggest capital is our employees. We have recently appointed a new country head of Namibia, a new chief operating officer in Zambia, a new financial manager in Zimbabwe, and in line with our succession planning objectives, plan on appointing a deputy CEO.

Staff training remains a great emphasis for Choppies. A new standard operating procedure has been completed and will be implemented soon. A total of 1 487 of our colleagues got trained during the year.

CORPORATE SOCIAL INVESTMENT ACTIVITIES

We increased our CSI activities across Botswana, Namibia and Zambia.

One of these initiatives is the sponsorship of Baboloki Thebe, one of the athletes who was part of 4x400 metre relay team which won a silver medal at the recent Commonwealth Games. More details of our CSI initiatives can be found on page 51.

OUTLOOK AND PROSPECTS

The general outlook is uncertain due to the current global inflation, interest rate hikes, supply chain disruptions, etc.

We started recording profits in all the segments we are operating, and we expect this will motivate to grow the business.

Inflation is a challenge and we will look to secure global sourcing strength to cushion the impact on our shoppers.

Expanding operations in the countries in which we operate, ecommerce and adding financial services across all regions are some of the Group's key objectives moving forward.

APPRECIATION

I would like to appreciate the efforts put in by our board, executives, staff, and all in delivering these good results. I would also like to thank our stakeholders, customers, suppliers and farmers for their loyal support.

Ramachandran Ottapathu
CEO
30 September 2022

CHIEF FINANCIAL OFFICER'S REPORT

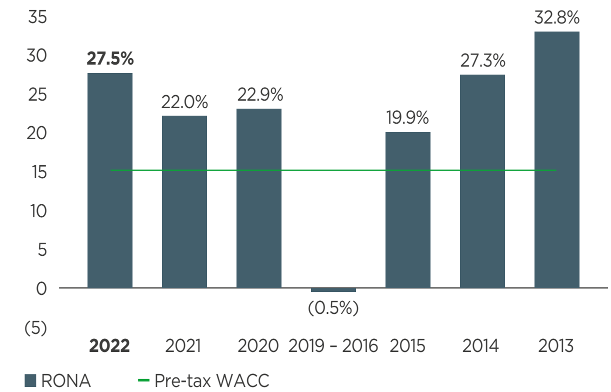
The Company consolidated its position in all the regions in which we operate.

Minnesh Rajcoomar
CFO

- **Satisfactory results in all regions in an incredibly challenging and competitive economic environment**
- **Choppies is reaping rewards for investing in Africa in an unusual environment**
- **Our teams demonstrated their sense of service and unfailing commitment**
- **Headwinds remain due to the Russia-Ukraine military conflict.**

SHAREHOLDER RETURNS

RONA versus pre-tax WACC

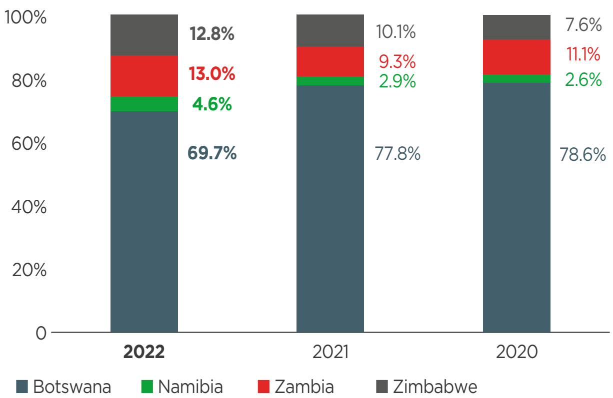


Our return on net assets ("RONA") at 27.5%, as detailed on page 41, is better than last year's 22.0%, and remains well above our pre-tax weighted average cost of capital ("WACC") of 15.5%. The current year's return is trending towards the returns achieved a decade ago, during Choppies' peak share performance.

The Board has considered it prudent not to declare a dividend for the period under review (2021: nil).

SEGMENT RETAIL SALES ANALYSIS

Retail sales contribution



The Botswana segment is by far the major segment of the Group, making up 70% of total sales, but its contribution has reduced over the last few years despite the currency depreciation in Zimbabwe. We have recognised the need to reduce our dependence on Botswana as a key generator of sales, profits and cash and one of the many tactical initiatives is to double the Rest of Africa segment share of the Group within the medium to long term. We intend to achieve this through organic and new store growth.

REAPING THE REWARDS OF INVESTING IN AFRICA

Extract from the operating segment information from note 2 on page 139 of the annual financial statements.

Adjusted EBITDA – BWP millions (Note 1)	Botswana	Namibia	Zambia	Zimbabwe	Group
FY2022	**404**	**4**	**59**	**37**	**505**
FY2021	430	4	40	13	487
% growth	(6.0%)	8.8%	48.6%	186.7%	3.7%

Adjusted EBITDA % sales	Botswana	Namibia	Zambia	Zimbabwe	Group
FY2022	**9.6%**	**1.6%**	**7.6%**	**4.8%**	**8.4%**
FY2021	10.4%	2.6%	8.1%	2.4%	9.1%
Change	(0.8%)	(1.0%)	(0.5%)	2.4%	(0.8%)

Exchange rate – BWP1.00 equals	Botswana	Namibia	Zambia	Zimbabwe	Group
FY2022		1.32	1.35	29.45	
FY2021		1.38	1.90	7.83	

Note 1: Adjusted EBITDA in the operating segmental information is EBITDA excluding foreign exchange rate differences on IFRS 16 lease liabilities, profit or loss on sale of assets, Zimbabwean legacy debt receipts as well as income or expenditure of a capital nature. The adjusted EBITDA measure is shown as management believes them to be relevant to the understanding of the Group's financial performance. This measure is used for internal performance analysis and provides additional useful information on underlying trends to equity holders.

The Group's performance was bolstered by strong growth in Zambia and Zimbabwe. Zimbabwe performed exceptionally well, despite the weakening of the Zimbabwean Dollar.

As discussed in the CEO's report, Botswana was impacted by the inflation of key products and costs due to the negative effects of the pandemic and the Russia-Ukraine war, as well as the ban on the importation of popular vegetables and certain fruit. The Botswana segment margin, while lower than last year, is still a healthy 9.6% of sales.

The Namibia and Zambia segments grew adjusted EBITDA by 8.8% and 48.6%, respectively. The margin percentage reduction related to higher-than-expected supply chain costs, including fuel and managing prices due to higher cost inflation. The Zimbabwe segment grew adjusted EBITDA by 186.7%, despite a significant deterioration of the exchange rate. The segment's margin improved to 4.8%.

We believe we have gained market share in Namibia, Zambia and Zimbabwe, while holding market share in Botswana. Market share was assessed by management with reference to published results where available, as well as insight from suppliers.

Group EBITDA increased by 7.2% and adjusted EBITDA 3.7%.

Group operating profit increased by 23.5% from BWP226 million to BWP279 million as costs grew at slower rate than gross profit.

Group EBIT margins consequently improved from 4.2% to 4.6%.

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

CHIEF FINANCIAL OFFICER'S REPORT continued

ONGOING FOCUS ON WORKING CAPITAL MANAGEMENT AND DEBT REDUCTION

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

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP62 million in net debt over the past 12 months.

Net cash generated was BWP458 million, up 23.8% from last year's BWP378 million.

Free cash flow of BWP19 million (2021: BWP85 million) was generated during the year. Capital expenditure increased to BWP115 million (2021: BWP60 million) as we invested in new stores and maintained our distribution fleet. The Group settled gross debt of BWP103 million.

The Group's negative equity was reduced by BWP107 million from BWP448 million to BWP341 million mainly due to trading profits. At the current level of total comprehensive income, we should trade out the negative equity in three years.

If we consider the founding shareholder's loans as quasi-equity, the Group's negative equity is BWP228 million.

GOING CONCERN

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

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

THE YEAR AHEAD

We expect continued uncertainty in our business and the Southern African economy due to the duration and intensity of global credit conditions which have turned more negative on rising interest rates, the Russia-Ukraine military conflict, slower economic growth, surging prices for energy and commodities, renewed supply-chain disruption, financial market volatility, volatility in employment trends and consumer confidence, all of which may impact our results.

APPRECIATION

The past year once again demonstrated Choppies' ability to remain resilient under extremely difficult and unprecedented circumstances. I am truly grateful for the commitment and support received from the finance teams, local and international, in preparing and delivering our FY2022 results accurately and timeously. I also want to thank our management teams and every employee in each of our business units for leading the Group through the pandemic and the challenging economic environments within which Choppies operates. While the year ahead will undoubtedly be challenging, the actions taken by the Group in recent years have positioned us excellently to take Choppies forward and deliver sustainable shareholder value. I would also like to thank our audit committee and Board for all their guidance throughout the year.

Minnesh Rajcoomar
CFO
30 September 2022

FINANCIAL RATIOS AND STATISTICS

		2022	2021	2020	2019	2018	2017	2016	2015	2014
Profit information										
Retail sales	BWP million	**6 042**	5 331	5 421	5 359	6 292	8 709	7 369	5 945	5 012
Gross profit	BWP million	**1 307**	1 189	1 253	1 216	1 278	1 844	1 427	1 291	1 079
Gross profit margin	%	**21.6**	22.3	23.1	22.7	20.3	21.2	19.4	21.7	21.5
Operating profit	BWP million	**279**	226	208	92	5	(36)	(126)	268	241
Operating profit margin	%	**4.6**	4.2	3.8	1.7	0.1	Neg	Neg	4.5	4.8
Profit/(loss) for year	BWP million	**145**	60	(371)	(428)	(445)	(170)	(170)	197	177
Headline earnings/(loss) for year	BWP million	**162**	84	(199)	(337)	(89)	10	(182)	201	163
Financial position information										
Total assets	BWP million	**1 886**	1 703	1 841	2 187	3 013	3 041	2 614	2 419	1 749
Total equity	BWP million	**(341)**	(448)	(467)	(80)	576	1 034	1 228	1 452	869
Total liabilities	BWP million	**2 227**	2 152	2 308	2 267	2 436	2 006	1 385	967	880
Net assets	BWP million	**1 030**	1 002	1 054	764	1 472	1 677	1 729	1 564	1 125
Profitability and asset management										
Return on total assets	%	**15.5**	12.8	10.3	3.5	0.2	Neg	Neg	12.9	15.8
Return on equity	%	**Neg**	Neg	Neg	Neg	Neg	Neg	Neg	13.5	20.4
Return on net assets (RONA)	%	**27.5**	22.0	22.9	8.2	0.3	Neg	Neg	19.9	27.3
Net asset turn	times	**5.9**	5.2	6.0	4.8	4.0	5.1	4.5	4.4	5.7
Shareholders' ratios										
Earnings per share	thebe	**10.7**	5.2	(25.3)	(30.2)	(32.1)	(12.4)	(13.0)	15.7	14.3
Headline earnings per share	thebe	**12.4**	6.5	(15.3)	(25.9)	(6.9)	0.8	(14.1)	16.9	13.9
Dividend per share	thebe	**–**	–	–	–	–	2.8	4.9	4.5	4.3
Stock exchange statistics										
Market value per share (BSE)										
– At year end	thebe	**49**	60	60	60	250	256	400	481	420
– Highest	thebe	**60**	61	69	69	250	260	440	550	430
– Lowest	thebe	**49**	60	60	60	40	235	220	385	338
Number of shares issued	million	**1 304**	1 304	1 304	1 304	1 304	1 304	1 292	1 292	1 174
Number of transactions		**2 549**	3 426	Sus	8 281	6 026	10 408	18 939	7 341	4 304
Number of shares traded	'000	**29 129**	169 443	Sus	235 459	196 799	296 936	422 272	186 732	248 251
Value of shares traded	BWP million	**15**	103	Sus	152	468	846	1 879	781	843
Closing market capitalisation based issued shares	BWP million	**639**	782	782	782	3 259	3 337	5 167	6 213	4 932

Notes
1. Neg – Ratio is negative
2. Sus – Indicate year share trading was suspended (November 2018 to July 2020)

Definitions

Operating profit margin
Operating profit before interest and tax as a percentage of revenue.

Net assets
Net assets are defined as non-current assets plus trade and sundry debtors plus inventories less trade and sundry creditors (accruals and provisions). For clarification Income and deferred tax balances are excluded. Net assets also exclude any cash, interest-bearing liabilities and liabilities relating to leases in terms of IFRS 16.

Return on total assets
Operating profit as a percentage of average total assets.

Return on equity
Net profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' interest.

Return on net assets
Operating profit before interest and income tax as a percentage of average net assets.

Net asset turn
Revenue divided by average net assets.

Basic earnings per share
Net profit for the year divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares).

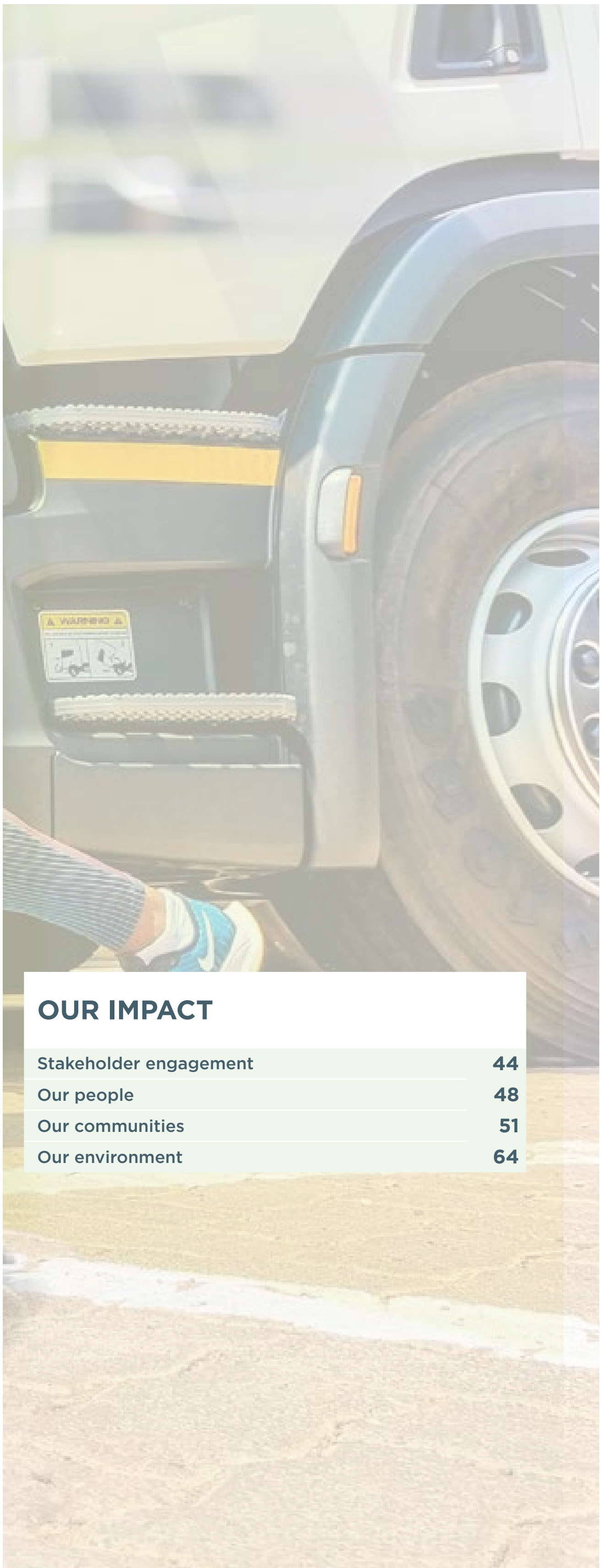
Headline earnings per share
Headline earnings divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares).

Headline earnings
Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, and investments.

03

Our impact

We care for and seek to empower our communities to better their wellbeing in order to grow together and create shared value. This includes sponsoring world-leading athletes who are as fast as our distribution network.



OUR IMPACT

STAKEHOLDER ENGAGEMENT

Choppies' strategic objectives include communication, and stakeholder interactions, as well as identifying, engaging, and creating relationships with our stakeholders.

Our stakeholder engagement allows us to better define our business strategy, make smarter decisions, and improve our economic, environmental, and social performance. As a result, we attempt to understand our stakeholders' perspectives and requirements, create expectations for areas of mutual concern, act on those expectations, and keep our stakeholders updated on our progress.

We engage with our stakeholders through a variety of channels, including but not limited to our website, bi-annual results releases, the Integrated Annual Report, regulatory pronouncements from the BSE and JSE, one-on-one meetings, customer surveys and continuous informal engagements.

We continually strive to improve our engagement techniques as we view communication and relationship management with our stakeholders as essential to our long-term viability and a key component of our business strategy.

Engagement enables us to:

Improve our **awareness of stakeholders' expectations, aspirations and interests**

Strengthen the **transparency and accountability** through which we have **built valuable relationships**

Consider **stakeholders' concerns and interests** when establishing our **material issues and strategic response**

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

Financiers

Key interests	• Effective debt reduction and management • Regular discussions with funders • Compliance with various loan covenants and undertakings • Liquidity management for solvency • Sustainable growth
Main issues in FY2022	• Timely reporting and covenant compliance
Engagement	• Regular meetings • Regular tracking of finance covenants • Repayment of loans in terms of agreed timelines

Suppliers

Key interests	• Building relationships to ensure business continuity • Honouring agreed terms of payment and service • Partnership for better product development • Clear communication of expectations
Main issues in FY2022	• Our suppliers seek sustainable relationships and efficient, effective access to our markets through our supply chain. They want to expand their businesses with our support
Engagement	• Regular contact with suppliers • Maintaining close relationships with suppliers • Implementing enterprise and supplier development initiatives • Implementation and monitoring of service level agreements • Sound commercial contracts • Participate in new product testing and marketing • Product support for healthy living

Employees

Key interests	• Job security and fair treatment • Learning and development • Safe workplace • Competitive remuneration • Recognition of performance • Transparent and regular communication
Main issues in FY2022	• Skills and career development in a safe and healthy working environment • Growth and empowerment opportunities
Engagement	• Regular staff engagement and communication, both at Group and segmental levels • Training facilitated, based on individual goals and company-specific requirements • Staff development initiatives • Annual appraisals • Code of ethics • Covid-19 protection and training • Whistle-blowing function and improved governance policies • Training to support skills development initiatives

Shareholders

Key interests	• Board and management stability • Earnings and sustainable growth • Share price performance • Risk and mitigation strategies • Payment of dividends • Diversified footprint and segments • Strong management team • Restructuring or selling failing businesses • Sound governance
Main issues in FY2022	• Growth
Engagement	• Results releases • Annual general meeting • Regularly updated through SENS/XNews • Integrated Annual Report • Trading updates • Website updates

Customers

Key interests	• High product quality as value for money • Convenience of location of stores and trading hours • Competitive pricing structures • High service levels • Availability and variety of products • Extensive relationship building
Main issues in FY2022	• Value for money given increase in cost of living • Availably of products • Hygiene and environmentally friendly products • Increasing prices due to inflation
Engagement	• Customer-centric business model • Feedback from customers informs enhancement of products • Conscious effort to meet expectations where applicable • Continual product and service quality monitoring • Facilitation of promotions

Regulators and government

Key interests	• Compliance with all relevant laws and regulations timeously • Transparent reporting
Main issues in FY2022	• Compliance with regulations • Job and economic opportunity creation
Engagement	• Regular contact with regulator, registrar, BSE and JSE

Communities

Key interests	• Social licence to operate • Employment opportunities • Environmental sustainability • Donating to local upliftment projects • Shared value initiatives
Main issues in FY2022	• Communities characterised by high unemployment and relatively low-income levels • Assurance we will not operate exploitatively and will be there for them
Engagement	• Regular review and assessment of CSI projects • Monitoring of the implementation of the Group's CSI strategy and projects • Corporate social responsibility initiatives

Media

Key interests	• Understanding the Choppies business • Integrity of reporting
Main issues in FY2022	• Negative equity • Going concern
Engagement	• Circulation of press releases • Media alerts through SENS/XNews announcements • Specific direct engagements

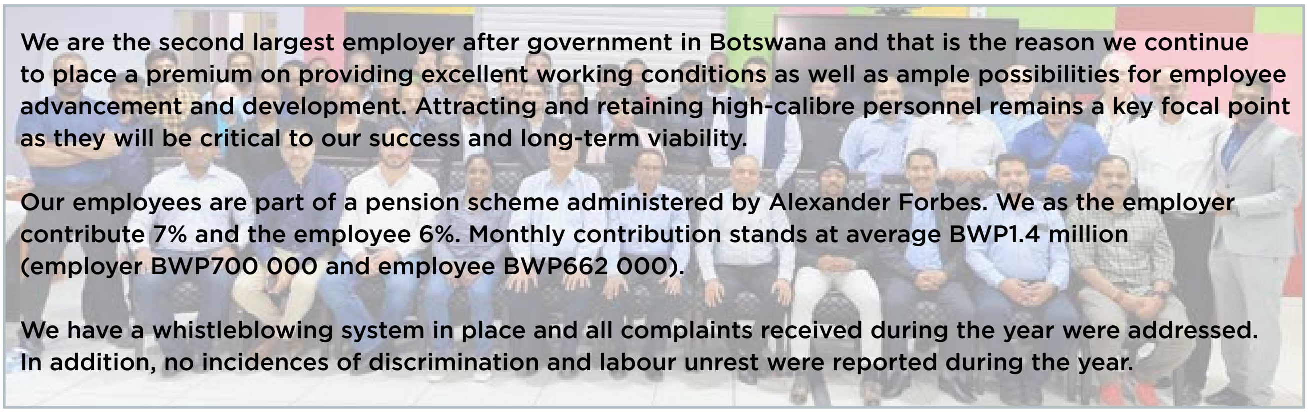
Employee representation

Key interests	• Advancing matters of mutual interest • Change management programmes • Partnering to effect workplace transformation
Main issues in FY2022	• Wages, work scheduling practices for full-time and part-time employees, transportation and late trading hours (common features of the retail industry) • Address the issues through the consultation process
Engagement	• Regular consultation on reward and employment conditions • Consultation on transformation • Local economic development and corporate social investment • Skills development • Covid-19 safety protocols

OUR PEOPLE

Choppies takes a people-focused approach which looks to build an employee value proposition that will empower, recognise and reward the talent needed to achieve its objectives. Through our human capital commitments, we endeavour to create an environment that values diversity and ensures equal opportunity while respecting human rights. Across all operations and business segments, employees are treated equally and given similar opportunities.

Our workforce currently stands at 9 177 people across four countries. We employ the largest contingent of people with disabilities in Botswana and encourage this in our other countries of operation.



We are the second largest employer after government in Botswana and that is the reason we continue to place a premium on providing excellent working conditions as well as ample possibilities for employee advancement and development. Attracting and retaining high-calibre personnel remains a key focal point as they will be critical to our success and long-term viability.

Our employees are part of a pension scheme administered by Alexander Forbes. We as the employer contribute 7% and the employee 6%. Monthly contribution stands at average BWP1.4 million (employer BWP700 000 and employee BWP662 000).

We have a whistleblowing system in place and all complaints received during the year were addressed. In addition, no incidences of discrimination and labour unrest were reported during the year.

EMPLOYEES BY COUNTRY AND GENDER

Employees at 30 June 2022

Botswana		Namibia		Zambia		Zimbabwe		Total	
Male	2 922	Male	235	Male	694	Male	668	Male	4 519
Female	2 995	Female	270	Female	542	Female	851	Female	4 658
Total	**5 917**	**Total**	**505**	**Total**	**1 236**	**Total**	**1 519**	**Total**	**9 177**

TOTAL NUMBER OF JOBS CREATED DURING THE YEAR

Botswana		Namibia		Zambia		Zimbabwe		Total
Total	0	Total	146	Total	78	Total	71	295

SKILLS DEVELOPMENT AND TRAINING

We provide skills development and training opportunities to facilitate career development for our employees. Learning programmes have been developed to enhance employee knowledge and understanding of the Group's strategic growth drivers, customer relations, stock management, revenue expansion and regulatory requirements.

Choppies also provides on-the-job training on the code of conduct. Each training programme should:

- Be relevant to Choppies
- Ensure measurable outcomes
- Ensure the employee can demonstrate the training learnings at the work place.

The goal is also to ensure that every person in the organisation receives at least 10-hours of training every two years. An external consultant provides a training plan for newly hired supervisors and interns. The 11 modules have all been designed and will be implemented in the coming year.

Choppies has made skills development one of the 15 objectives set forward by top management as part of a five-year plan. The head of Human Resources is in charge of skills development and training, with the help of an outside consultant.

We spent

BWP2.8 million

on training and upskilled

1 487 employees

During the year, the following programmes took place:

- Bakery training **102 attendees**
- Business review **35 attendees**
- Butchery block test training **35 attendees**
- Coaching skills for managers **50 attendees**
- Complex cleaning – The 3 Bucket system **12 attendees**
- Customer service **293 attendees**
- Data capturing techniques **127 attendees**
- Emotional intelligence training programme **358 attendees**
- First aid level one **2 attendees**
- Forklift training **122 attendees**
- Retail marketing & inventory merchandise **146 attendees**
- Great people payroll system **23 attendees**
- Management & supervisory skills **100 attendees**
- Stores & stock management **11 attendees**
- Spicing training **27 attendees**
- Other internal trainings **44 attendees**

As retail is becoming more diverse and more technologically advanced Choppies is required to foster and hire in technology and other skills. This is why we have established a graduate training programme in partnership with several universities including the University of Botswana. The programme targets degree holders.

The Choppies Graduate Trainee Programme exposes graduates to opportunities in the retail industry, providing formal training in all areas of the fast-moving consumer goods market. During the year, 30 Batswana graduates benefited from the programme and 16 candidates completed their training and have since been employed at Choppies and promoted to assistant manager. Six trainee regional managers have been identified as understudy graduates to be trained, upskilled and to take over as independent regional managers in the near future.

A large number of the workforce has been promoted through the ranks and has been infused with graduates.

The Company has over the years had a dynamic workforce with professionals from diverse backgrounds underpinned by its sustainable goal to localise key positions across the Board. At present, all branch manager positions are localised. Previously each store had at least two people from outside of the country which is no longer the case. This is a direct result of a localisation plan that started in 2010 with a 10-year plan target which achieved some objectives halfway through.

HEALTH AND SAFETY

Choppies is committed to ensuring the health, safety and welfare of its employees. We subscribe to a zero-harm policy and are committed to preventing accidents that may affect our employees, customers, equipment or facilities.

Choppies conducts internal hygiene audits based on an external review conducted by Encyclo Investment (Pty) Ltd. We therefore implement internal hygiene audit methods which have proven to be more effective as they are conducted more frequently by auditors that are more familiar with our operations.

A team of 20 personnel continually monitor operations and sanitary standards through video surveillance.

Similar to safety audits, hygiene audits have also been converted into an internal exercise. External audits are done on request and are used to maintain the element of randomness. Live monitoring is done through the use of cameras to ensure that all parameters are followed and action is taken as soon as an incident is identified.

Disability policy

In line with our policy, Choppies commits to standing against discrimination of people living with a disability. The Group upholds that disability is not an inability and has demonstrated this over the years. We are the leading employer of people living with disability in Botswana, employing 68 people (39 female and 29 male).

Two of our employees, Lebopo Gababone (12 years) and Seomile Mathata (12 years), have been with the Company for more than 10 years.

Lebopo Gababone (38) is a partially blind devoted employee from Moiyaba Village. She joined Choppies Mochudi Branch in August 2010 as a till packer. She likes listening to music and is a fitness fanatic.

Seomile Mathata (57) uses a prosthetic leg. He joined Choppies in March 2011 as a stock controller. He has worked in various departments such as fruit and veg and parcel counters. He likes watching football and supports Extension Gunners and Arsenal Football Clubs.

OUR COMMUNITIES

CORPORATE SOCIAL INVESTMENT

Choppies sponsors renowned star athlete Baboloki Thebe (won Olympics bronze medal for 4X400m relay)

Date: July 2018 to date
Value: BWP114 000

Choppies Distribution Centre (Pty) Ltd has renewed a sponsorship agreement with Baboloki Thebe as part of his participation in various elite competitions. Baboloki is a Botswana track and field sprinter who specialises in the 400 metres. He was a silver medalist in the 200 metres at the 2014 Summer Youth Olympics and reached the semi-finals at the 2014 World Junior Championships in athletics. He went on to win a bronze medal together with his 4x400m relay team at the Tokyo 2020 Olympics which saw him scoop BWP50 000 as an incentive for performing well courtesy of Choppies. Choppies through its CSR initiative has been sponsoring Baboloki since 2018 and recently renewed his annual sponsorship in November 2021. The sponsorship covers his monthly housing, allowance, utilities and groceries.

CORPORATE SOCIAL INVESTMENT continued

Choppies donates two houses in Boteti

Event: National Housing Appeal
Date: October 2021
Value: BWP240 000

Choppies donated houses in Kedia and Toromoja under the National Housing Appeal. This is an initiative that Choppies has implemented since 2010 to assist the government in alleviating poverty by providing shelter. The Vice President, Mr Slumber Tsogwane, officially handed the house keys to the beneficiaries.

Choppies donates to Botswana's defence force, prison services, police services and Botswana Unified Revenue services

Event: Food hamper donations
Date: December 2021
Value: BWP1 800 000

Choppies donated food hampers to the Botswana Defence Force, Botswana Prisons Service and Botswana Police Service in order to show appreciation for their service to the nation during the festive holidays. The President of Botswana, Dr Mokgweetsi Masisi, along with the Minister of Presidential Affairs and Public Administration, Kabo Morwaeng, and Minister of Defence, Justice and Security, Kagiso Mmusi, accepted the donation on behalf of the three institutions at the Office of the President.

CORPORATE SOCIAL INVESTMENT continued

Dare to Dream, a team for the battle of the smartest coders

Event: Dare to Dream
Date: December 2021
Value: BWP12 500

Choppies sponsored a team of five young people for BWP12 500 to be part of the Battle of the Smartest Coders. The purpose of the initiative is to propel the next generations towards the fourth industrial revolution and contribute to this country's vision 2036 of a knowledge-based economy. This is a commitment from us towards this initiative.

Choppies sponsors conversation with Africa forum 2021

Event: Conversation with Africa Forum 2021
Date: December 2021
Value: BWP50 000

Choppies sponsored CWA (Conversation with Africa) Forum 2021 under the theme 'Scaling up production for the AFCFTA market'. Conversation with Africa Forum presents an opportunity for the business community business leaders, diplomatic community, Chambers of Commerce in Africa, regional and international business leaders, senior government officials in the region and the globe, developmental partners from all spheres to have a dialogue on tropical issues, reforms and paramount frameworks to build the Africa 'we want'. The Choppies Marketing Manager was director of proceedings and the Secretary General of the Africa Continental Free Trade Area, Wamkele Mene, was guest speaker at the forum.

OUR COMMUNITIES continued

CORPORATE SOCIAL INVESTMENT continued

Choppies awards Botswana Olympians

Event: Recognising Botswana's top performers at the Tokyo Olympics 2020
Date: September 2021
Sponsorship: BWP375 000

Choppies awarded the Tokyo 2020 medallists their incentive awards after their exceptional performance in Japan during the Olympics. The incentives were an effort to motivate and encourage the Botswana athletes prior to their participation at the Tokyo 2020 Olympics. The president of the Botswana National Olympic Committee, Botsang Tshenyego, was present when the Chief Executive Officer of Choppies handed over the cheques to the deserving group of sports men.

Choppies donated water tanks to Mogobane Village

Event: 10 000 litres of water tanks donated to Mogobane Village
Date: March 2022
Value: BWP23 991.03

Choppies donated 10 000 litres of water in three tanks to Mogobane Village. The area councillor and kgosi accepted the donation on behalf of the people of Mogobane.

OUR COMMUNITIES continued

CORPORATE SOCIAL INVESTMENT continued

Choppies sponsors project Mabu in collaboration with Ministry of Health and Wellness and South African High Commission

Event: Project Mabu
Date: April 2022
Value: BWP27 000

Choppies sponsored Project Mabu in collaboration with Ministry of Health and Wellness and South African Commission in Botswana. The project oversees the first baby born in each of the districts in Botswana being acknowledged and celebrated together with their family. Each family of a new born baby received a comprehensive hamper of key essentials for newborn babies. Minister of Health and Wellness, Dr Edwin Dikoloti, officially handed over the hampers in the two districts of Mmathete and Maun.

Choppies provides food coupons to the Botswana Musicians Union (“BOMU”)

Value: BWP478 200

Choppies facilitated the distribution of food coupons to 797 musicians and artists over a period of three to four months through Choppies stores.

SUPPORTING LOCAL FARMERS

Choppies has offered local farmers numerous business opportunities in its agriculture-supply chain, which coincides with its plan to boost local trade through locally procuring various products ranging from vegetables to fruit, beef, chicken, eggs and any other livestock products from farmers that are situated within the regions in which Choppies operates. This initiative was welcomed by governments across the region and has been beneficial to small scale farmers particularly those that operate in rural areas.

Choppies assists a number of farmers across all four countries of operation.

Total registered farmers

BOTSWANA	NAMIBIA	ZAMBIA	ZIMBABWE
2 967	27	139	367

Total registered farmers

3 500

We look to create market linkages with local farmers that grow fresh produce. The direct access to market that we provide is beneficial to them and provides a sustainable market for their produce. To help cut transportation costs, Choppies transporters are sent to remote regions with high agricultural productivity in order to ferry goods to chain stores.

We believe this boosts trade for many small-scale farmers such as the small-scale company called Wuchi Wami from Zambia that has directly benefited from this initiative and has since built a sustainable partnership with Choppies over the years. As a result, Choppies has requested Wuchi Wami to develop its own home brand.

Green View Farm

Produce: Cabbage
Number of employees: 12

"My partnership with Choppies began 12 years ago and at the time we were mainly supplying rape and spinach to a small village in the south-east district of Botswana called Ramotswa. With the help of Choppies, we gradually managed to expand and farm additional crops such as cabbage, lettuce and beetroot. The support I have received from Choppies helped me grow my business and made it easier for me to raise my children. Going forward this partnership will help secure food that will feed the nation."

Lesecon and M Enterprises (Pty) Ltd

Produce: Lettuce
Number of employees: 17

"We would like to thank Choppies for the support it has given us over the past eight years and look forward to an even more fruitful partnership in the years to come. Together, we look forward to making horticulture an exciting industry."

CORPORATE SOCIAL INVESTMENT continued

Lucerne Fields

Produce: Beetroot and Carrot
Number of employees: 178 (60% are women)

"Our partnership with Choppies has enabled us to create employment opportunities, ensure food security and produce quality vegetables for Botswana. We are committed to growing the agriculture industry and have recently invested in world-class value-adding equipment. Our products are now washed, polished and hydro-cooled. This means our B-Fresh carrots and B-Fresh beetroot stay fresher and healthier for longer."

Request Tuli Fresh

Produce: Potatoes
Number of employees: 100 (70% are women)

"We would like to thank Choppies for the support it has given us over the past 15 years, which has enabled us to grow immensely as a business while striving to provide better food security in Botswana. We managed to create ample job opportunities within our community and broadened the experience of fellow workers. We are proud to have been granted an opportunity to partner with Choppies and we look forward to more great years."

SUPPORTING LOCAL SUPPLIERS (WOMEN)

Choppies endeavours to help smaller suppliers by offering a route to market such as the initiative which enables local women to supply Choppies with Papata (a type of local bread). This is provided in over 50 Choppies stores and is expanding into more outlets for new entrant local producers.

OUR ENVIRONMENT

Choppies is dedicated to ensuring sustainability as part of its commitment to shared value. As such it is committed to creating sustainability projects, monitoring them and working to meet the goals established. The Choppies medium-term plan and shared value initiatives serve as the primary guiding principles for the policies. Various directives from the Board and management are also used to steer this.

The King IV principles serve as a framework for governance procedures. There are several controls in place and documented that are necessary to assure compliance.

The Group has also undertaken various social initiatives. Considering the employment level and the economic impact, it is our duty to ensure that we stand for social causes and support society wherever we can. We have strived to give a supporting hand to the citizens of the countries where we operate during the pandemic.

ENVIRONMENTAL SUSTAINABILITY

Key developments

- Solar installation completed at our Ondangwa store in Namibia.
- Three stores in Botswana are currently running a pilot water recovery system to recover water from different sources and recycle it.
- 70% of the island freezers, which contributes to wastage of energy were converted to less energy consuming self-contained fridges.
- A condensate return system is being trialled to reroute the condensate from the fridge lines to ablution facilities.
- Refrigeration systems are being redesigned to reduce the number of refrigerants in the system.
- All stores in Botswana have been converted into energy saving LED lights. Optimisation software was also used to reduce the number of lights.
- We acknowledge the number of stakeholders in the downstream and upstream logistics network. We have consistently strived to ensure that the partner in the network upholds sustainability principles in their operations.
- A comprehensive policy on sustainability was produced and approved by the Board as a part of the shared value initiatives, particularly targeting sustainability issues.
- The waste management system was improved in 20 stores in Botswana by replacing open skips with Moloks (waste management solution).
- Waste segregation is complete in all stores. Paper, plastic, biodegradable waste and hazardous wastes are separated and handled accordingly.
- Choppies has shown full commitment to the agreement signed with the water utilities corporation on the quality of liquid effluents.

Environmental key performance segments

Choppies has started measuring its environmental impact using key performance measures.
Below are the five environmental key performance segments ("KPS") that have been identified:

- Water usage
- Energy usage
- Waste generation and management
- Packaging material optimisation
- Logistics optimisation.

Currently these are measured in our largest operation in Botswana. Measurement systems have been implemented for these five areas and targets have been developed to be achieved by 2025.

The KPS are aligned to four of the United Nations Sustainable Development Goals (SDGs) as set out below.

Due to the nature of our industry, environmental impact must be accepted as inevitable. Food and non-food product sourcing, store manufacturing operations, storage, distribution, and waste generation each have their own effects. We are dedicated to reducing these impacts and, in some cases, even turning them around.

We are also happy to note that there is an increasing demand from our customers for organic products and they have implicitly valued sustainable practices in their buying decisions. This will give us clear direction in the future.

We understand that there are a number of stakeholders in the downstream and upstream logistics network. We consistently strived to ensure that each partner in the network upholds sustainability principles in their operations.

GUIDING PRINCIPLES

Our environmental initiatives are based on three broad aspects, one which is external and two which are internal, namely:

1. United Nations SDGs
2. Shared value initiative
3. Choppies medium term strategy

UNITED NATIONS SDGs

We operate in regions which consider water as the most important resource. Pula, which is the currency of Botswana also means rain. Hence it is all the more important to be as thrifty as possible in working on this resource.

Among these, Choppies has considered guidelines and projects for the purpose of environment in the following areas.

The following initiatives are in place or being considered against SDG 6:

- Recycling water generated in the refrigeration process. Estimation is currently being done to find out the amount of water which can be generated from condensates and aircons on an arid and humid day.
- Recycling water from the filters used inside kitchens and from the water dispenser on the sales floor.
- Ensuring clean drinking water for all employees.
- Using tap fittings to reduce the use of water for ablution purposes.

The following initiatives are in place under affordable and clean energy:

- Phased conversion of about 250KW of load per store to Photovoltaic (PV) solar energy. It has started in Namibia and will be in place in Botswana in the near future. All stores which have the roof loading capacity will be converted to solar which can generate on average five hours of energy consumption with or without feed back to the grid.
- Conversion of all lights to energy saving lights.
- Conversion of all island freezers to energy conserving self-contained ones.
- Repositioning cold rooms and freezer rooms to enhance productivity.
- Introducing capacitor banks to improve power factor and hence the life of equipment.

Production is an integral part of most of our stores. Striving for efficiency in cooking and baking is an ongoing exercise.

The following initiatives are in place:

- Managing raw material to minimise waste generation.
- Re-engineering cooking gas lines to ensure complete combustion.
- Optimising heat exchanger and fuel combustion systems in bakery ovens and conversion of ovens away from fossil fuels wherever possible.
- Reusing food products into other usable forms.
- Centralising production facilities to improve efficiency.

The nature of our business makes it impossible for us to stay away from activities which has the potential to affect the environment negatively. The following actions are in place to manage SDG 13:

- Paper and plastic are being separated and sent for recycling.
- A special project is being conceived to create collection stations for waste paper. This initiative is intended to reduce the amount of quantity going into the land fill, reduce harmful effects on domestic animals and create a revenue generation avenue for citizens. Collected paper will be sent to the first ever paper mill in Botswana.
- Project conceived for using biodegradable waste and to generate energy for production purpose from the same.
- Conversion of refrigerants to environment friendly ones.
- Conversion of open skips to Moloks for managing unauthorised access to waste and to reduce pest infestation.

KEY PERFORMANCE MEASURES ("KPMs")

Environmental sustainability statistics

Energy	2022	2021	Units	
Total direct energy consumption from non-renewable fuels burned	**5 345 165**		KWh	Bakery and generator
Total volume of electricity purchased	**58 159 718**		KWh	BPC
Total volume of electricity consumed	**63 504 882**		KWh	
Carbon emissions				
Total carbon emissions	**Not being measure currently**	–	Ton CO_2e	From transport and aircraft.
Water				
Total volume of water consumed	**207 083**		KL	Excluding recycled water used
Waste				
Total volume of waste sent for recycling	**1 728**		Ton	Paper and plastic send to recycling institutions
Total volume of waste disposed sent to landfill	**18 735**		m^3	Waste picked up using skips and Moloks
Total volume of hazardous waste disposed	**52.8**		m^3	Sanitary waste

04

Our governance

When you need a mid-afternoon pick me up Choppies is there for you with our tea or coffee and scrumptious Choppies Marie biscuits.

OUR GOVERNANCE

GOVERNANCE REPORT

INTRODUCTION

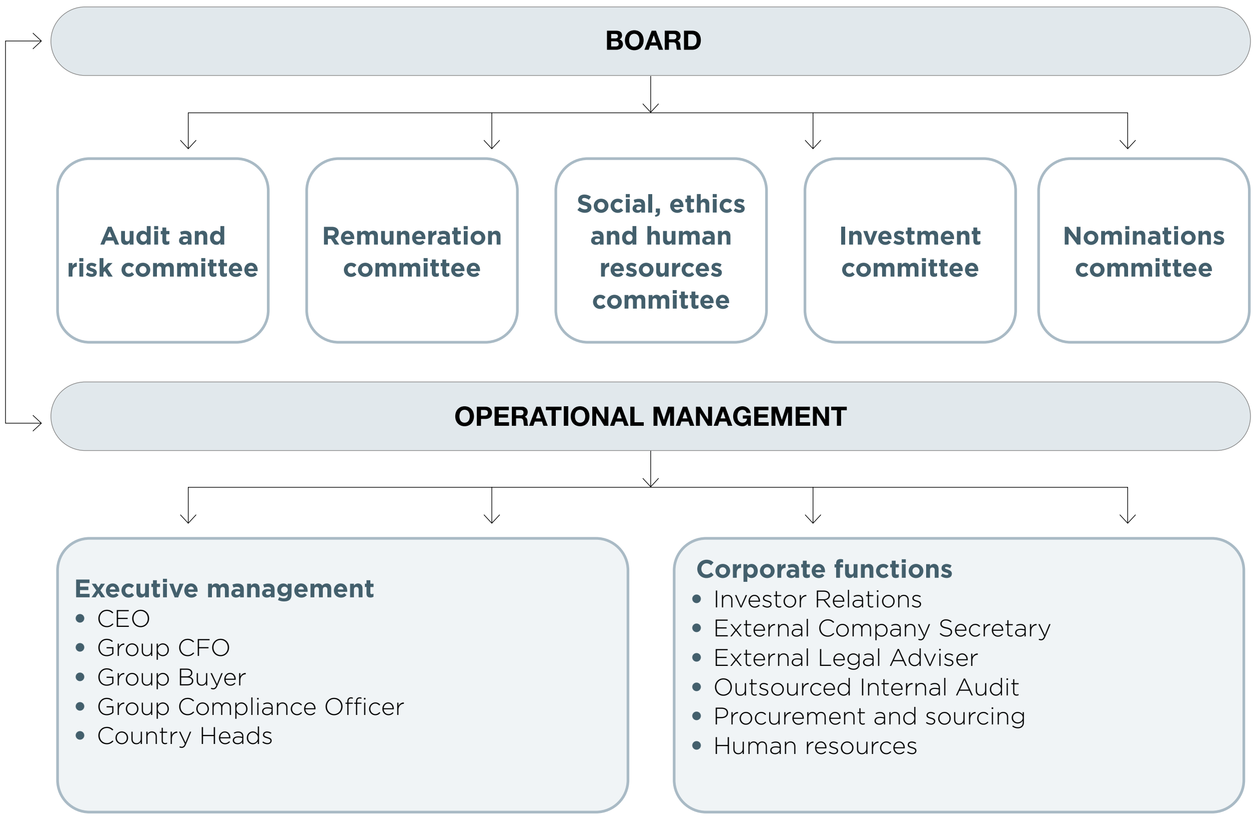
Sound corporate governance principles are the foundation upon which the trust of investors is built, and these principles are critical to growing the reputation of an organisation dedicated to excellence in performance and integrity. In line with the global principles contained in King IV corporate governance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

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

The Company believes that its governance practices are sound and, in all material respects, conform to the principles embodied within the King IV Report on Corporate Governance. A compliance checklist based on the King IV principles is set out on pages 90 to 96.

GOVERNANCE STRUCTURE

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



During the past year the Board re-arranged the responsibilities of the human resources/ remuneration and nominations committee by converting the remuneration and nomination sections into separate Board committees, while the human resources section was incorporated into the social and ethics committee.

The Board delegates to executive management by way of a formal approvals framework which it reviews regularly. This framework deals with decision-making, including which matters are reserved for the Board, delegated to Board committees, and delegated to executive management.

The Board

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

- The Chairman of the Board must be an independent Non-executive Director
- A formal orientation programme for new directors must be followed
- Specific policies, in line with the King IV code, must exist regarding conflicts of interest and the maintenance of a register of directors' interests
- The Board must conduct a self-evaluation every second year
- Directors must have access to staff, records and outside professional advice where necessary
- Succession planning for executive management must be in place and must be updated regularly
- Strategic plans and an approvals framework must be in place and reviewed regularly
- Policies to ensure the integrity of internal controls and risk management must be in place
- Ethics, safety, health, human capital, and environmental management policies and practices must be monitored and reported on regularly.

The Board presently comprises six Directors, including four independent Non-executive Directors, one non-executive Director ("NED") and the Chief Executive Officer ("CEO"). The roles of chairman and CEO are separate and distinct. The composition of the Board ensures a balance of power and authority and negates individual dominance in decision-making processes. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

An independent Non-executive Chairman leads the Board. The Chairman presides over meetings of the Board, guiding the integrity and effectiveness of the Board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decisions.

The Company actively solicits on an ongoing basis from its directors' details regarding their external shareholdings and directorships which potentially could create conflicts of interest while they serve as directors on the Board. The declarations received are closely scrutinised and are tabled at the beginning of each Board meeting. When applicable, directors are requested to table their interests in material contracts and, if necessary, are requested to recuse themselves from discussions in meetings. No interests in material contracts were reported in FY2022.

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

A complete list of Board members and their CVs is disclosed in this Integrated Report on page 18. In terms of the company's constitution, all new NEDs appointed during the year, as well as one-third of the existing NEDs, must retire on a rotational basis each year but may offer themselves for re-election. Carol Jean Harward and Tom Pritchard will be retiring by rotation at the upcoming annual general meeting and being eligible will offer themselves for re-election.

Directors are required to undergo an induction programme including store visits to familiarise themselves with all aspects of the business.

The Board is accountable for the actions of management and has retained full and effective control of the organisation over the past year. The Board defines levels of materiality, reserving specific powers to itself, and delegates other matters to management. The Board is satisfied that the delegation of authority framework contributes to role clarity and effective exercise of authority. The Board meets at least quarterly to review strategy, planning, operational performance risks, acquisitions, disposals, shareholder communications and other material aspects pertaining to the achievement of the Group's objectives.

Procedures for appointment to the Board are formal and transparent and are vested in the Board and include detailed screening of nominees to ensure that they meet the eligibility requirements as laid down in the Companies Act, the BSE and the JSE Listings Requirements. The Board will conduct assessments of each director at least every second year based on several factors including expertise, objectivity, judgement, understanding the Group's business, willingness to devote the time needed to prepare for and participate in committee deliberations. The next round of assessments is due in FY2023.

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

Attendance at Board meetings was as follows:

Name of the director	18 Sep 2021	27 Nov 2021	15 Feb 2022	19 May 2022	08 Jun 2022	Summary
DKU Corea	✓	✓	✓	✓	✓	5/5
CJ Harward	✓	✓	✓	✓	✓	5/5
T Pritchard	✓	✓	✓	✓	✓	5/5
F Ismail	✓	✓				2/5
R Ottapathu	✓	✓	✓	✓	✓	5/5
V Chitalu	✓	✓	✓	✓	✓	5/5

✓ Present

The number of Board meetings reduced significantly over the previous two years (FY2020: 19 and FY2021: nine) as the need for meetings due to special circumstances reduced.

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

The Board committees

To enable the Board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to Board committees. All Board committees are chaired by an independent Non-executive Director. All committees' charters are reviewed annually to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and that the committees keep abreast of new requirements which may arise from time to time.

These committees do not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of senior management.

The following Board committees have been established:

Audit and risk committee ("ARC")

It is not a legal requirement in Botswana to establish an audit committee, but in the spirit of good governance and in terms of the King IV code, as well as the listing of the Company on the BSE and JSE it has been considered appropriate to constitute such a committee.

The ARC has an independent role with accountability to both the Board and the shareholders.

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

- Recommend the appointment of the external auditor and oversee the external audit process
- Determine the fees to be paid to the auditor and the auditor's terms of engagement
- Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company.
- Oversee integrated reporting
- Review the Annual Financial Statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.
- Review the expertise, resources and experience of the company's finance function
- Consider and satisfy itself annually of the appropriateness of the expertise and experience of the company's CFO
- Oversee the internal audit function, including the approval of the internal audit plan
- Oversee the risk management function and review the risk areas of the company's operations
- Review the technology governance and ensure that prudent steps are taken to ensure the integrity of the company's information and information technology systems
- Prepare a report, to be included in the Annual Financial Statements for the financial year: (i) describing how the audit and risk committee carried out its functions, (ii) stating whether the audit and risk committee is satisfied that the auditor was independent of the company, and (iii) commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company
- Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to: (i) the accounting practices and internal audit of the company, (ii) the content or auditing of the company's financial statements, (iii) the internal financial controls of the company, or (iv) any related matter
- Make submissions to the Board on any matters concerning the accounting policies, financial controls, accounting records and reporting
- Perform any other oversight functions required by the Board.

The ARC charter makes provision for at least three independent Non-executive Directors as members. Mr Pritchard chairs the committee, which further comprises Ms Harward and Mr Chitalu. The Chairman of the Board and other directors attend the meetings by invitation but do not have voting rights. Furthermore, the CEO, CFO, internal and external auditors attend meetings of the ARC by invitation. Other executives may be requested to attend some sections of meetings as required.

The opportunity is created at meetings for discussion with the external and internal auditors without the presence of management. The members of the committee are knowledgeable about the affairs of the Group and have extensive experience in finance, accounting, legal and risk management practices.

Attendance by members at meetings during FY2022 were as follows:

Independent NED	17 Sep 2021	15 Feb 2022	14 March 2022	18 May 2022
T Pritchard (Chairman)	✓	✓	✓	✓
CJ Harward	✓	✓	✓	✓
V Chitalu	✓	✓	✓	✓

✓ Present

See pages 104 to 107 for the ARC report on the FY2022 financial results.

Remuneration committee

The remuneration committee assists the Board in discharging its responsibilities for the development of the Group's general policy on executive and senior management remuneration and to determine specific remuneration packages including but not limited to basic salary, benefits in kind, bonuses, performance-based incentives, retention incentives, share incentives, retirement and other benefits. The committee determines criteria necessary to measure the performance of management in discharging their functions and responsibilities. The committee also proposes fees for non-executive Directors for shareholder approval.

The committee is focused primarily on principle 14 of King IV and thus adhering to the principle of fair remuneration.

The committee's charter makes provision for at least three independent Non-executive Directors as members. Mr Pritchard chairs the committee, which further comprises Ms Harward and Mr Chitalu. The Chairman of the Board and other directors attend the meetings by invitation but do not have voting rights. The committee has an independent role, operating as an overseer and making recommendations to the Board for its consideration and final approval.

Attendance by members at meetings during FY2022 were as follows:

Independent NED	23 July 2021	14 March 2022*	19 May 2022
T Pritchard (Chairman)	√	√	√
CJ Harward	√	√	√
V Chitalu**		√	√

√ Present

* *Special meeting focusing on the introduction of a long-term share incentive scheme.*
** *Appointed 5 August 2021.*

The report of the committee is set out on pages 83 to 88.

Social, ethics and human resources committee

As is the case with an audit committee, it is not a legal requirement in Botswana to establish a social and ethics committee, but in the spirit of good governance and in terms of the King IV code, as well as the listing of the Company on the BSE and JSE it has been considered appropriate to constitute such a committee. The scope of the committee was expanded during the past year to include matters relating to human resources.

Three independent NEDs were appointed members of the committee namely Messrs. Pritchard, Chitalu and Corea with the latter appointed as the chair of this committee.

One meeting was held during the year on 15 March 2022 with all members in attendance as well as the CEO in an *ex officio* capacity.

The report of the committee is set out on page 89.

Investment committee

The investment committee assists the Board in evaluating opportunities that present themselves to the Group, advises the Board on such investment opportunities in a transparent manner and ensures that sufficient consideration has been afforded to such opportunities. However, the Board is responsible for the final decision on all such investments.

The committee comprises three independent NEDs, Messrs Pritchard, Chitalu and the chairperson Ms Harward.

There being no significant investments or disposals during FY2022, no meetings were held and consequently no report from the committee was prepared.

Nominations committee

The primary duty of the committee in terms of the nomination process, is to ensure that the procedures for appointments to the Board are formal and transparent, by making recommendations to the Board on all new Board appointments and reviewing succession planning for directors and senior executive management. The committee also evaluates all candidates for the position of director on the basis of skill and experience. Thorough background checks are conducted.

One meeting was held during the FY2022 year on 23 July 2021 as part of the previous human resources, remuneration and nominations committee before the nominations committee was constituted as a stand-alone committee. Attendees on this date were the same as under the remuneration committee section above.

The matters discussed at the above meeting was covered in the FY2021 integrated report and consequently no report of this committee is included in the current integrated report.

The committee is chaired by the Chairman of the Board, Mr Corea, with two other independent directors being Ms Harward and Mr Ismail as members.

Ethics

Key to the corporate governance of the Group is the "Code of Business Conduct and Ethics". This code was drawn up from best practices in the corporate world. It is intended to nurture a culture of integrity, responsibility, accountability, transparency and fairness, and to sustain the confidence and trust of all the company's stakeholders. Compliance with the code is mandatory by all employees and stakeholders of the company. Amongst others, the code covers the following:

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

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

The Company Secretary

The Company has appointed DPS Consulting Services (Pty) Ltd as its Company Secretaries. Their main duties are to take minutes at Board meetings and to attend to administrative matters. The Group Compliance Officer assists the Company Secretary in fulfilling their duties in terms of the Companies Act.

As far as advice to the Board and individual directors regarding legal matters including compliance with fiduciary duties are concerned, the services of its legal adviser, Neill Armstrong, is used.

The Board considered the competencies, experience and qualifications of the Company Secretary in terms of the Companies Act and BSE Listing Requirements and found them suitable. The Board is satisfied that the Company Secretary maintains an arms-length relationship with the Board.

Restriction on share dealings

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

Compliance

Compliance with laws, rules, regulations and relevant codes is integral to the Group's risk and opportunities management process. The ARC is responsible for, inter alia, ensuring that an appropriate compliance framework and register is in place, that non-compliance is reported and reviewing any major breach of relevant legal and regulatory requirements.

The ARC report sets out the compliance processes and new policies adopted during the year as well as its assessment of the effectiveness of the compliance function.

Combined assurance

The Board is ultimately accountable for ensuring that an effective and efficient system of internal control is designed and implemented within the Group. The Board has delegated this responsibility to the audit and risk committee who, through a combined assurance model oversees the effectiveness of the Group's internal control environment and that it underpins the integrity of the Group's internal and external reporting.

Details on the combined assurance model and risk management are outlined in the risk report as well as the ARC report on pages 77 and 104, respectively.

Investor relations

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

The Company identifies key stakeholders with legitimate interests and expectations relevant to the company's strategic objectives and long-term sustainability, and strives to have transparent, open and clear communications with them. Reports, announcements and meetings with investment analysts and journalists, as well as the company's website, are useful conduits for information. Further detail of these key stakeholders and the company's engagements with them is set out on page 44.

The chairmen of the Board and the Board committees are expected to attend the company's Annual General Meeting, and shareholders can use this opportunity to direct any questions to them that they may have. A summary of the proceedings of general meetings and the outcome of voting on the items of business is available on request.

IT ("information technology") governance

The Board has delegated responsibility for IT to the audit and risk committee but retains overall accountability.

Management has the responsibility for the management of IT and the governance framework which includes:

- An IT steering committee to monitor and manage IT governance; and
- Formulating IT policies and procedures to regulate the management of all IT functions.

All IT acquisitions fall within the same capital approval processes as other capital expenditure projects and would thus, based on value, be submitted to the Board for approval.

The audit and risk committee evaluates the effectiveness of the IT structure of the Group, including network security and threats related to cybercrime. The ARC report is set out on pages 104 to 107.

Whistleblowing measures

Choppies has implemented a whistleblowing process to enable employees and third parties to report any perceived or alleged irregular or unethical behaviour in a confidential and controlled environment. A 24-hour anonymous ethics hotline is managed by an independent external service provider and can be accessed telephonically or via email.

Reports are monitored and managed with feedback to the audit and risk committee.

Refer to the ARC report on page 104 for a summary of matters reported and action taken where necessary.

RISK MANAGEMENT REPORT

Introduction

The Group adopted a structured and consistent approach to risk management, by aligning strategy, processes, people, technology and knowledge for the purpose of evaluating and managing the uncertainties and risks the Group faces in creating shareholder value.

In addition, the Group's risk management framework which outlines the processes and procedures to be followed were identified and approved by the Board. Risk appetite and tolerance levels were also determined and approved by the Board.

Roles and responsibilities

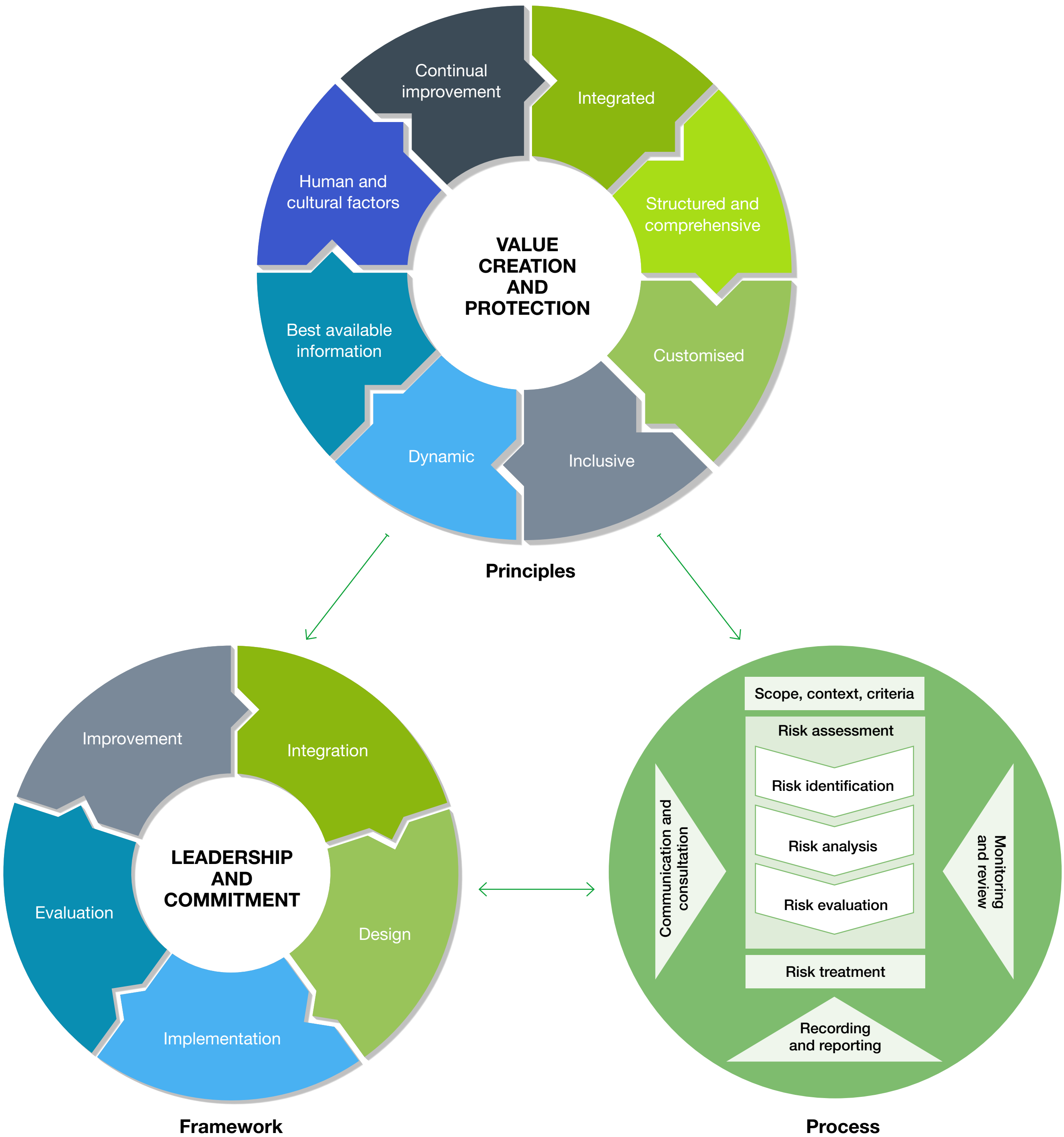
The Board has overall responsibility for the governance of risk within the Group. The audit and risk committee assist the Board by monitoring the effectiveness of the control and risk management implemented by management. The CEO drives the culture of risk management within the Group.

The roles and responsibilities of the different role players is set out below:

Board/executive management	• Communicate the risk management approach to all levels of the organisation • Develop policies and procedures around risk that are consistent with the organisation's strategy and risk appetite • Promote an organisational culture that supports risk management
Audit and risk committee	• Monitor risk management, including identifying areas of risk which may impact the Group and suggesting appropriate controls for mitigation
Group internal audit	• Assess the effectiveness of the overall risk management process • Review the adequacy, effectiveness and efficiency of controls implemented to mitigate risk
Management	• Responsible for the implementation of the risk management system and processes within their functions
All staff	• Responsible for managing risk within their area/function of the organisation

Risk management framework

The following framework, which aligns to ISO 31000:2018 has been used to set out Choppies' response to managing risk across the Group.



- Principles – the essential qualities for risk management.
- Framework – the components necessary for effective risk management.
- Process – the key steps that need to be followed to ensure effective risk management within the Group.

Risk management process

Communication and consultation

Communication and consultation are key to the implementation and execution of the risk management process. This component is relevant for all steps in the process and the Board and management should communicate and consult with external and internal stakeholders throughout the process.

Risk assessment

- **Risk identification**
  This is the identification of what could prevent Choppies from achieving its objectives. The risks are captured in a risk register to ensure they are continually assessed and monitored.

- **Risk analysis**
  This involves understanding the sources and causes of the identified risks; studying probabilities and consequences given the existing controls, to identify the level of residual risk. Key considerations include the likelihood of the risk occurring, potential impacts of the risks if they do occur after considering existing controls and factors that could increase or decrease the risk. In assessing the relevant controls, the current controls are identified, the adequacy of the controls assessed and opportunities for improvement identified. For each risk identified the impact and likelihood of the risk are determined resulting in a rating of the risk. All risks that have been identified are documented in the risk register.

- **Risk evaluation**
  The risk analysis results are assessed to determine whether the residual risk is tolerable. The significance of the risk against the organisational objectives is determined to assign a priority to the risk. The higher the risk the more resources would be allocated to mitigating the risk.

Risk response/risk treatment

Risk response is the process of developing strategic options, and determining actions, to enhance opportunities and reduce threats to Choppies' objectives.

The following table contains examples in determining the appropriate treatment to the identified risk:

Risk response	Description
Avoid	Change the strategy or plans to avoid the risk
Reduce	Take action to reduce the likelihood or impact
Transfer	Transfer the risk to a third party such as insurance
Accept	Take no further action and decide to accept the risk

Monitoring and review

It is essential to monitor risks, the effectiveness of the plan and strategies and controls that have been implemented to mitigate unacceptable risks.

Monitoring, review and update of the framework

The audit and risk committee is responsible for the annual monitoring, reviewing and updating of the risk management framework when there are changes to the guidelines or legislation that affect this framework.

Scope and implementation

The above risk management framework and process are filtered into the daily operations and the way the Group does business. In order for risk management to be effective throughout the Group, each role player is required to fulfil specific responsibilities all aimed at embedding risk management practices into everyday business.

In order to assure the continuing focus on risk management the review and update of the risk register forms part of the agenda of executive management meetings.

RISK MANAGEMENT REPORT continued

Risk is not only viewed from a negative perspective. The assessment process also identifies areas of opportunity, for example where effective risk management can be turned into a competitive advantage, or where taking certain risks could result in reward for the Group. Any risk taken is considered within the Group's risk appetite and tolerance which are reviewed and updated annually.

Risk appetite

Risk appetite is defined as the amount and type of risk that the Group is willing to pursue or retain. Risk appetite allows the Group to determine how much risk it is willing to take (including financial and operational impacts) to innovate in pursuit of objectives.

The Board has determined the level of acceptable risk and requires management to manage and report on risk accordingly. Issues and circumstances that could materially affect the Group's reputation constitute unacceptable risk.

A system of internal control is implemented in all key operations and is tailored to each business' characteristics. It provides reasonable, rather than absolute, assurance that the Group's business objectives will be achieved within prescribed risk tolerance levels. The associated risk areas and control processes are monitored and reported on across the Group.

The Group also maintains a comprehensive insurance programme to ensure that material financial consequences of risk events do not result in undue financial impact on Group businesses.

Key business risks

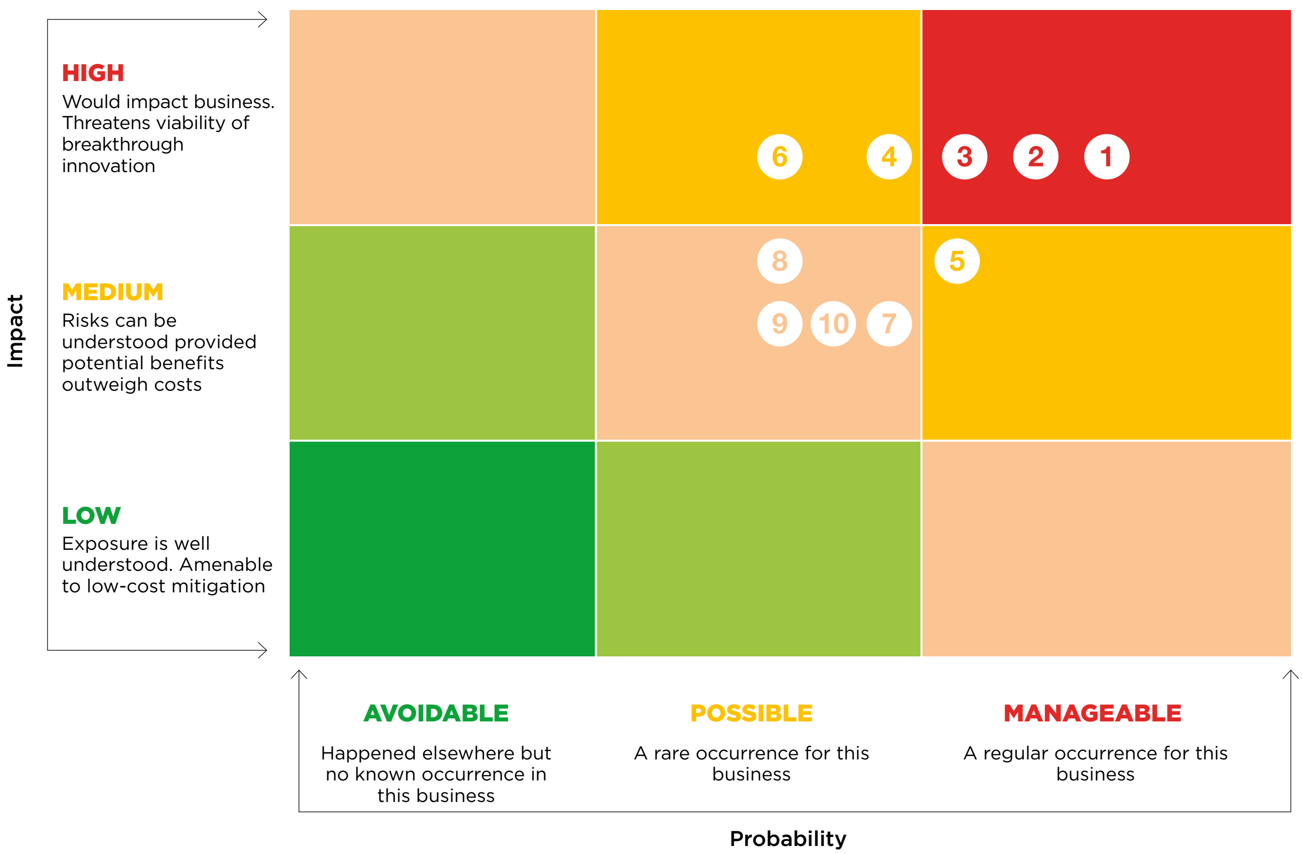
The current key identified risks and their respective mitigations are set out below:

2022	2021	Risk	Description	Mitigation
1	→ -	**Impact of Russia/Ukraine war on world economy**	World markets face food insecurity, heightened inflation pressures on key commodities and energy, and soaring interest rates.	• Stock piling where possible • Centralised buying • Forward buying contracts • Fast track alternative energy sources • Optimise working capital management
2	↑ 3	**Dependence on key executives and skilled employees**	Continuity of key executive and skilled employees is critical in geographies with low availability of skilled resources.	• Succession planning for all key positions • Competitive/attractive remuneration and incentives and benchmarking against market and industry trends • Entrenching a culture of rewards and recognition • Investment in skills through internal and external training and workshops • Sponsoring higher studies for selected resources
3	↑ 4	**Cash flow and liquidity risks**	Lack of required funding for business growth.	• Generation of profits/cash for further investment • Prioritise investment opportunities • Continued operational excellence • Pro-active engagement with lenders • Optimise credit terms with suppliers

2022	2021	Risk	Description	Mitigation
4	↑ 5	**Information technology ("IT") risks**	IT system is key to ensuring availability of accurate, reliable, and timely information for informed decision-making. Exposure to cybersecurity events.	• CTO appointed and assisted by competent vendors • Continued investment in technology to keep abreast of new developments • Cybersecurity, antivirus, and back-up processes in process of being addressed • Aligning security controls with best industry practice • Focus on IT governance ongoing
5	↑ 8	**Working capital**	Poor working capital management will impact cash flow and profits.	• Budget and monthly monitoring and reporting • Focus on stock shrinkages • Strong physical security in place • Regular wall to wall stock counts • Recommended Order Quantity ("ROQ") model in place for stock ordering
6	↑ 12	**Macroeconomic conditions in particular countries**	Some economies remain volatile due to a stressed socio-political situation. Restriction on importation of certain foodstuffs International logistics issues in shipping.	• Continually assess investment in all countries in which the Group operates • High degree of localisation in each geography • Supply agreements with local farmers • Investigating imports through other ports than RSA
7	↓ 6	**Food safety risk**	Food safety and quality are integral to maintaining customer trust and brand equity. Inferior product quality, non-compliance with product safety standards and failing to meet customer expectations may potentially result in harm to customers, claims, regulatory scrutiny, penalties, or significant reputational damage.	• Strict quality control systems through recipe management and standard operating procedures • Uniformity in product offering and quality across country regions • Regular monitoring by executive management • Ongoing food safety audits • Buying team ensure all products comply with regulatory requirements • Conducting lab testing for in house brand product if required
8	↑ 9	**Dependence on key suppliers and pending legislation to support local suppliers**	Ensuring consistent and timely supply from a defined group of suppliers.	• Central monitoring of all transactions with key suppliers • Using distribution centres to mitigate supplier dependence • Keeping number of suppliers within each category within stipulated levels • Buying group arrangements • Supply agreements with local farmers

2022	2021	Risk	Description	Mitigation
9	↓ 1	**Impact of global pandemic: Covid-19**	Health and safety of employees and customers due to global pandemic	• Personal protective equipment and sanitisers in conjunction with current hygiene programme • Monitoring and health care programme • Vaccination drive for employees • Compliance with regulations • Information and training • Regular engagement with Department of Employment and Labour
10	↑ 13	**Fraud/theft/ corruption risk**	Internally risk of fraud and theft by employees. Externally risk through collusion, misappropriation of assets such as cash and inventory (shrinkage), and third-party fraud, armed robberies and theft.	• Relevant policies on financial controls especially cash handling and inventory controls in place and covered in training programmes. • Strict security controls at all locations • Continuous oversight by internal audit • Whistleblowing hotline managed by an independent third party in place • Clear guidelines on anti-bribery and corruption • Full stock count at regular intervals • Continuous monitoring through centralised control room

RISK HEAT MAP



REMUNERATION COMMITTEE REPORT

INTRODUCTION

In accordance with the requirements of King IV, this report is divided into three sections:

SECTION 1: Background statement

SECTION 2: Remuneration philosophy, policy and framework

SECTION 3: Implementation and disclosure of individual executive management's remuneration

SECTION 1: BACKGROUND STATEMENT

Introduction

The remuneration committee assists the Board in discharging its oversight responsibilities relating to the Group's remuneration policy and practices. The committee ensures the remuneration policy is aligned with the Group's strategic objectives and goals, determines the remuneration of executive directors and prescribed officers, and proposes fees for non-executive Directors for shareholder approval.

Shareholder approval

In terms of the Companies Act, the constitution of a Company may provide that the Board has the power to authorise the remuneration and benefits payable by a Company to its directors. The Choppies' constitution does so authorise the Board. King IV, however, recommends a process including separate non-binding votes by shareholders on the remuneration policy and implementation thereof. The Board, being cognisant of the principles of good corporate governance, has decided not to authorise remuneration on its own, as it is entitled to do, but to put the remuneration policy and implementation report, as set out in sections 2 and 3 respectively below, to shareholders for approval at the AGM.

In the November 2021 AGM, the remuneration policy and implementation report were approved by 82% of the votes cast.

Fair and responsible remuneration

As a responsible corporate citizen and, apart from government, the major employer in Botswana, the Company is committed to adopting fair and responsible remuneration practices. The Group continues to strive to improve employment conditions across the business and implement initiatives that will, over time, realise the concept of fair and reasonable remuneration.

Key decisions made during the past year and focus areas for 2023

The main focus area of the committee during the past year was the design of a new long-term incentive scheme ("LTI") in consultation with Bowman Gilfillan Reward Advisory. This LTI scheme has been approved by the BSE and is on the agenda for the November 2022 AGM for shareholder approval. Details of the scheme are set out in section 2 of this report.

Other actions performed by the committee during the year include:

- Confirmed the remuneration philosophy, structure and policy for the Group
- Review the remuneration committee's charter
- The adoption of a malus and clawback policy for all incentive schemes
- Revised and refined the short-term incentive ("STI") scheme and rules
- Benchmark the CEO and prescribed officers' remuneration through independent public available information
- Approved the remuneration packages of the CEO and prescribed officers
- Approved the 2022 STI achievement for the executive management's financial targets and agreed financial targets for 2023
- Considered and approved the overall percentage increase in basic remuneration for all employees
- Recommended the winding up of the existing Choppies Group Share Incentive Trust (note 28 of the annual financial statements)
- Reviewed the levels of non-executive Directors' fees for recommendation to the Board

SECTION 2: REMUNERATION PHILOSOPHY, POLICY AND FRAMEWORK

Policy and philosophy

The Group's remuneration philosophy is that employees are remunerated appropriately for their contribution to the delivery of the Group's strategy. The remuneration policy framework is based on the principles of fair and responsible remuneration and is formulated to attract, retain, motivate and reward high-calibre employees. The Group aims to encourage high levels of performance that are sustainable and aligned with the purpose, strategic direction and specific value drivers of the business. The way the Group remunerates employees reflects the dynamics of the market, as well as the social, economic and environmental context in which the Group operates.

The employment and remuneration arrangements of employees who either form part of a bargaining unit or are independent contractors are governed by separate agreements and are negotiated on at operational level and are therefore not covered by the remuneration policy framework.

Remuneration framework

The key elements of the Group's remuneration framework and structure can be summarised as follows:

	Executive management ("Exco")		Middle management		Store management
	Senior corporate executives	**Country executives**	**Country operational managers**	**Regional managers**	**Store managers**
Guaranteed remuneration ("GR") being basic salary + benefits all covered under total cost to company	Salary, retirement, medical, housing, and vehicle benefit	Salary, retirement, medical, housing, and vehicle benefit	Salary, retirement, medical, housing, and vehicle benefit	Salary, retirement, medical, housing, and vehicle benefit	Salary and retirement benefit
Short-term incentive ("STI"):					
1. Financial targets (67% of the STI represents financial targets)	50% Group EBIT, 50% Group RONA	50% country EBIT, 50% country RONA	30% country GP, 30% country EBITDA, 40% country EBIT	Seven targets based on regional: achieve budget, GP, stock turn, stock losses, expense control, training and development as well as "look and feel"	Four targets based on store: achieve budget, GP, stock turn and stock losses
2. Functional targets (33% of the STI represents of functional targets)	Functional targets only applies to executive management and only vests if both EBIT and RONA thresholds are met.				
3. STI as a % of GR	CEO 73% (based on a maximum of BWP5 million), others 33.3%	25%	25%	25%	16.7%
4. STI stress target	Exceptional performance, as judged by the Remcom for Exco and by the CEO for other management. Amount for Exco members to be limited to 20% of the STI vested as in 3 above.				
5. STI salient points	• The STI is self-funding in that the threshold for the financial target is calculated after taking into account the cost of the STI • Payment of STI bonuses (if any) will only be made to those qualifying employees in the employ of the Company on 30 June 2023, therefore • The STI, if any, will become payable after the Board approves the June 2023 Audited Annual Financial Statements • After 30 June 2023 good/bad leaver provisions will apply • Malus and clawback policy applies • Maximum STI not to exceed 10% of Group EBIT inclusive of the amount of the STI • Zimbabwe legacy debt receipts not to be included for STI purposes in EBIT or RONA.				

Changes made to the 2022 STI

The following changes and refinements were made to the existing STI plan for executive management from the 2023 financial year:

- Introduction of a malus and clawback policy
- Maximum STI not to exceed 10% of the Group EBIT
- Exclusion of the receipts from the Zimbabwean legacy debt
- Increase the on-target award for corporate executives (excluding the CEO) from 25% to 33.3% of GR and for country executives from 16.7% to 25% of GR
- Vesting of financial targets happens if individual EBIT or RONA thresholds are met and not both as was the case in 2022.

Financial performance conditions for 2023 STI

The financial performance conditions for executive management in 2023 are as follows:

	Threshold (0% vesting)	Target (100% vesting)
EBIT	BWP293 million	BWP321 million
RONA	27.5%	30%

Linear vesting to apply between threshold and target.

Long-term incentive ("LTI") scheme

In 2022, following the consolidation phase of the Group, the focus was placed on providing a market-related basic salary to the Group's employees and, accordingly, no LTI plan was in place during the 2022 financial year. However, as communicated in the remuneration policy section of the 2021 remuneration report, the Board has reviewed this position and is of the view that the Group has reached the point where it is appropriate and necessary to introduce the Choppies Enterprises Limited 2022 Share Plan ("the Share Plan"). The Share Plan was designed following thorough market research and independent professional advice. The Share Plan will be used for awards in the 2023 financial year, subject to shareholder approval at the AGM in November 2022.

The rules of the Share Plan are available on request from the Company secretary and the salient features of the Share Plan are set out below.

Feature	Detail
Aim	The Share Plan aims to incentivise the Group's eligible employees to meet strategic objectives that will help deliver value to shareholders, achieve alignment between the participants' remuneration and the interests of the Company's shareholders and act as an attraction/ retention mechanism.
Type of awards	The Share Plan will enable the award of Performance Conditional Shares and Restricted Conditional Shares.
Eligibility	Remcom will consider participation on an ad hoc or annual basis to any person holding full-time salaried employment with any member of the Group. In practice, annual Performance Conditional Share awards will be made to the executive committee and Restricted Conditional Share awards will be focused on key talent (generally below the executive committee level) or for sign-on awards to compensate new employees for the value forfeited from their previous employer.
Performance conditional shares	The vesting of Performance Conditional Shares will be subject to: i) the achievement of performance condition(s), determined by Remcom ("the Performance Conditions"), and; (ii) continued employment with the Group for the duration of the vesting period ("the Employment Condition"). Annual awards of Performance Conditional Shares will be made as a percentage of a participant's guaranteed pay, initially at 25% to 33%. While acknowledging that these award levels are below market benchmarks, it is the intention that the awards will increase towards market benchmarks when the Company performance and increases in the share price merit such awards. The CEO elected not to receive an award in FY2023. Performance Conditions for the first award will be as follows:

Condition	Notes	Weight	Threshold	Target
Vesting percentage			30%	100%
HEPS in FY2025		65.0%	15 thebe	22 thebe
Post-tax RONA (average of FY2023, FY2024 and FY2025)	1	25.0%	WACC + 12.5%	WACC + 15%
ESG conditions		10.0%	Management to propose	
		100%		

For each performance condition:
- 0% will vest for performance below threshold
- 30% will vest for performance at threshold
- 100% will verst for performance at target

There will be linear vesting between threshold and target.

[1] *WACC is the weighted average cost of capital averaged over the performance period.*

Feature	Detail
Restricted Conditional Shares	The vesting of Restricted Conditional Shares is subject to the Employment Condition.
Setting of performance and employ-ment periods	Remcom will set appropriate Performance Conditions measured over set performance periods ("the Performance Period"), and Employment Conditions measured over set employment periods ("the Employment Period"), as relevant, on an annual basis, considering the business environment at the time of making the awards, and where considered necessary, in consultation with shareholders. Initially, upon the commencement of the Share Plan, the Performance Period will be three years and the Employment Period will be three to five years, with one-third vesting each year.
Dividend equivalents	Participants will not be entitled to any shareholder rights before the settlement of awards. However, participants may be entitled to dividend equivalents on settlement of vested awards.
Manner of settlement	Due to the tightly held nature of the Company's shares, settlement could be by means of an issue of new shares or using treasury shares (built-up judiciously over the Performance Period). Market purchases could also be used on vesting to avoid dilution but only where these purchases can be made without excessive influence on the share price. As a fallback provision only, Remcom may direct settlement of awards in cash.
Company limit	The aggregate number of shares which may at any one time be settled in terms of the Share Plan shall not exceed 65 000 000 shares to all participants (approximately 5% of the issued share capital of the Company). In calculating this limit, new shares issued, or treasury shares used in settlement will be included. Awards settled by shares purchased in the market or settled in cash, and shares which do not subsequently vest because of forfeiture will be excluded in determining the limit. The Company limit must be adjusted in the event of a sub-division or consolidation of shares.
Individual limit	The maximum number of shares which may be allocated to an individual participant in respect of all unvested awards may not exceed 6 500 000 shares. The individual limit may be adjusted in the event of a capitalisation issue, special distribution, rights issue, or reduction in capital of the Company.
Termination of employment	Where the employment of a participant is terminated due to breach of contract due to absence from work; serious misconduct; incompatibility; retirement before the normal retirement date; or resignation, all unvested shares will be forfeited and cancelled unless Remcom determines otherwise. Where the employment of a participant is terminated due to death; ill health; disability; injury; redundancy; subject to Remcom's discretion, retirement at the normal retirement age; or the employer Company ceasing to be a member of the Group, the awards will vest early on a pro-rated basis as follows: • In the case of Performance Conditional Shares, to reflect the number of months served of the employment period, and the extent to which the Performance Conditions have been satisfied. The remainder of the award will lapse, or, at the discretion of the Remcom, the participant's unvested award(s) shall vest on the original vesting date specified in the award letter, as if the participant's employment had not terminated • In the case of Restricted Conditional Shares, to reflect the number of months served of the employment period. The remainder of the award will lapse, or, at the discretion of the Remcom, the participant's unvested award(s) shall vest on the original vesting date specified in the award letter, as if the participant's employment had not terminated. Remcom may exercise its discretion to determine the fault or no-fault status of participants and permit awards to be settled at the normal vesting date, without time pro-rating, but subject to applicable performance conditions, as if the participant's employment was not terminated.

Feature	Detail
Malus and clawback	All awards will be subject to malus and clawback provisions, in line with market practice.
Corporate transactions	In the event of a change of control, awards will vest early on a pro-rata basis based on the proportion of the Employment Period served and the extent to which the Performance Conditions (if any) have been achieved. The balance of the awards will continue in force, on the basis of the original terms and conditions, unless the Remcom determines that this is not feasible, and in this case, they will be adjusted or converted for replacement awards provided that the participant is no worse off as a result of such adjustment or replacement. Remcom may, where necessary, adjust the Company limit (without the prior approval of shareholders in a general meeting), to take account of a sub-division or consolidation of the shares of the Company. Such adjustment should give a participant entitlement to the same proportion of the equity capital as that to which they were previously entitled. Remcom may, where required, adjust the individual limit to take account of a capitalisation issue, a special distribution, a rights issue, or reduction in capital of the Company. Such adjustment should give a participant: entitlement to (i) the same proportion of equity capital as that to which they were previously entitled in terms of an existing award or (ii) the 0.5% (half a percent) of the number of issued shares in the share capital of the Company.

Service contracts

The Board entered into contracts with all non-executive Directors.

Executive management is subject to the Company's standard terms and conditions of employment where the notice period varies from six months (in the case of the CEO) to one calendar month. In line with the Group policy, no executive member is compensated for the loss of office, and nobody has special termination benefits or is entitled to balloon payments.

There is no restraint of trade provisions in place for any executive management.

Non-executive directors' fees

Non-executive Directors are paid an annual retainer, on a monthly basis, as well as an attendance fee per meeting. The Company draws on the experience, skills and knowledge of the non-executive Directors with the result that they are also performing consultative services but are not paid a separate fee for these services. In this regard, extensive work has been done by the independent Non-executive Directors during the past years that otherwise would have resulted in high external consulting fees. The fee structure is evaluated regularly based on public surveys and internal benchmarking taking into account the additional services rendered, the complexity and the responsibilities assumed.

No increase in fees is proposed for 2023. The table below sets out the retainer portion of the non-executive Director's fees:

	Fixed fee per annum	
	2022 Actual	2023 Recommended
Chairman of the Board	**BWP660 000**	BWP660 000
Chairman of the ARC/ Remcom	**BWP500 000**	BWP500 000
Chairperson of the investment committee	**BWP360 000**	BWP360 000
Other members of the Board	**BWP300 000**	BWP300 000

In addition to the above retainers, sitting fees of BWP33 333 per Board and committee meeting is paid.

Non-executive directors do not qualify for share options, nor do they participate in any variable pay incentive schemes, to preserve their independence.

SECTION 3: IMPLEMENTATION AND DISCLOSURE OF REMUNERATION POLICY

This section of the report explains the implementation of the remuneration policy and provides details of the remuneration paid to executive directors (the CEO is the only executive director), prescribed officers and non-executive Directors for the financial year ended 30 June 2022.

Annual salary increases

The average salary increase effective 1 July 2022 for executive management is as follows:

	2022	2021
CEO*	**0%**	0%
Executive management excluding CEO	**6.1%**	8.7%

** The GR of the CEO remained constant over the last few years but is well in line with benchmarks.*

Executive remuneration

The remuneration of the CEO and prescribed officers* is reflected in the following table:

				Total remuneration	
Name	**Designation**	**GR BWP'000**	**STI** BWP'000**	**2022 BWP'000**	**2021 BWP'000**
R Ottapathu	CEO	6 821	3 325	**10 146**	7 572
M Rajcoomar	CFO	3 220	501	**3 721**	2 599
V Sanooj	Group Compliance Officer	2 005	273	**2 279**	1 881
S Kolazhy	Chief Buyer	1 568	225	**1 793**	1 434

** Prescribed officer is defined as senior members of management that report directly to the CEO.*
*** The STI is based on the achievement of 50% of the financial and 100% of the functional targets for 2022 (2021: nil).*

Non-executive Directors' fees

Non-executive Directors' emoluments were as follows:

	Board		**Committees**			**Total fees**	
Name	Retainer fees BWP'000	Sitting fees BWP'000	Audit and risk BWP'000	Remcom BWP'000	Social, ethics and HR BWP'000	**2022 BWP'000**	2021 BWP'000
DKU Corea	660	200		67**	33	**960**	1 000
F Ismail	300	100				**400**	600
T Pritchard	500	200	133	100	33	**966**	1 099
CJ Harward	360	200	133	100		**793**	1 067
V Chitalu – Company	300	200	133	67	33	**733**	
– Subsidiary*	340					**340**	
	2 460	900	399	334	99	**4 192**	3 766

** Fees paid to Mr Chitalu as chairperson of the Company's Zambian subsidiary.*
*** Amount paid in respect of the previous HR, Remcom and HR committee before Remcom was constituted as a separate committee.*

On behalf of the remuneration committee

Tom Pritchard
Chairperson
30 September 2022

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE REPORT

BACKGROUND

The scope of the social and ethics committee was expanded during the past year to include matters relating to human resources as referred to in the governance report on page 70. Accordingly, a new charter including the new functions has been approved for this committee.

ROLE AND RESPONSIBILITY

The role of the social and ethics committee is to assist the Board in all matters relating to organisational ethics, responsible corporate citizenship, health and safety, sustainable development, environmental awareness and stakeholder relationships including overseeing the Group's shared value programme and initiatives. Effective from the current year the committee also oversees the human resource function of the Group.

The key objectives and responsibilities of the committee are aligned with King IV, the 10 principles set out in the United Nations Global Compact as well as the OECD recommendations regarding corruption.

ACTIVITIES DURING THE PAST YEAR

During the past year the committee reviewed:

- Corporate governance policies and codes
- Whistleblowing procedures and reports
- Environmental awareness initiatives
- Covid-19 preventative measurements
- Health and safety programme
- Progress made with shared value initiatives
- Corporate social responsibility policy and initiatives
- Donations and sponsorships
- Management's feedback (based on relevant legislation and best practice) regarding the Group's activities relating to:
  - Social and economic development
  - Good corporate governance
  - ESG matters
  - Consumer relationships
  - Labour and employment.

FUTURE OUTLOOK

The committee is relatively new as it had its inaugural meeting during the previous year with the focus at the time on compliance with the United Nations Global Compact as well as the OECD recommendations. Various corporate governance policies were also introduced.

In FY2023 the committee will build on the foundation laid during the past two years to ensure that policies and programmes are in place to maintain high standards of good corporate citizenship and address the needs of internal and external stakeholders, including sound labour practices and strong consumer relations.

CONCLUSION

No material non-compliance with legislation and regulations, nor material regulatory fines or penalties relevant to the areas within the committee's mandate, have been brought to its attention during the reporting period.

Uttum Corea
Chairman social, ethics and human resources committee
30 September 2022

APPLICATION OF KING IV PRINCIPLES

The various principles of King IV are embodied in the different sections of the integrated report. The listing requirements of the BSE however require a full disclosure as an annexure in the annual report and for that reason the below has been prepared for inclusion in the integrated report.

The Group complies with the King IV principles as explained below:

Leadership, ethics and corporate citizenship

PRINCIPLE 1	**Leadership** The Board should lead ethically and effectively.	The Board of Directors leads ethically and effectively, adhering to the duties of a director by acting with due care and diligence and maintaining sufficient working knowledge of Choppies and its industry and remaining informed about matters for decision-making. The Board is competent to steer and set the strategic direction of the Group and oversee the implementation of approved strategies by management, ensuring accountability for the Group's performance. The Board is mindful of the impact of the Group's activities on society and the environment, considering key risks and opportunities, and seeks to ensure sustained value creation for all stakeholders. The Board charter sets out the role and responsibilities of directors. The charter also outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the company, which is done in accordance with legislation and BSE and JSE Listings Requirements and further supported by a share dealing policy. Each director signs a declaration at Board meetings, declaring any interests or potential conflicts, or confirming that there are no conflicts of interest. The Board, its committees, its chair and individual members are subject to a formal evaluation process at least every two years. The results are discussed and actioned by all concerned.
PRINCIPLE 2	**Organisational ethics** The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board ensures that Choppies' ethics are managed effectively and provides effective leadership based on an ethical foundation. An ethical corporate culture is promoted and sustained by: • Endorsing the values of the Group documented in *the code of business conduct and ethics* • The code is published on the website and incorporated by reference in employee contracts • Endorsing internal policies, specifically around *anti-bribery and corruption, gifts and entertainment and whistleblowing* to tackle practices inimical to ethical conduct more efficiently • Monitoring and reporting on the measures taken by the Group to achieve adherence thereof (through the social, ethics and HR, and audit and risk committees) • All business conducted by the Board and management aligns with the values of the Group. The implementation and execution of the *code of business conduct and ethics* and related policies are delegated to management.

Leadership, ethics and corporate citizenship continued

PRINCIPLE 3

Responsible corporate citizenship

The Board ensures that the Group is, and is seen to be, a responsible corporate citizen. The Board endorses the values, strategy and conduct which are congruent with being a responsible corporate citizen.

The Board should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board assesses the consequences of the Group's activities by monitoring performance against measures and targets in the following areas:

- *Workplace* (including, but not limited to, employment equity, fairness of remuneration principles, development of and the health and safety of employees)
- *Economy* (including, but not limited to, economic transformation, fraud and corruption practices and policies, approving a responsible and transparent tax policy)
- *Society* (including, but not limited to, public health and safety, consumer protection, protection of human rights)
- *Environment* (including, but not limited to, responsibilities in respect of pollution and waste disposal).

The monitoring of above activities is delegated to the social, ethics and HR committee.

Strategy, performance and reporting

PRINCIPLE 4

Strategy and performance

The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board appreciates that strategy, risk, performance and sustainability are inseparable and gives effect to this in the following manner:

- Providing strategic direction by assessing and approving the Group's strategy submitted by top management
- In approving the Group strategy, the Board challenges it constructively with reference to, amongst others, the timelines and parameters which determine the meaning of short, medium and long-term, respectively, availability of resources and relationships connected to the various forms of capital, and the expectations of material stakeholders
- Assessing the impact (risk and opportunities) of the short, medium and long-term strategy and responding to negative consequences on the economy, society and environment
- Approving policies and plans to implement the strategy, including key performance measures for assessing the achievement of the strategic objectives
- Upon approval, the Board empowers top management to implement the said strategy and to provide it with timely, accurate and relevant feedback on progress.

PRINCIPLE 5

Reporting

The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

The Board delegates the governance and approval of the integrated report to the audit and risk committee.

The audit and risk committee discharges its duties by:

- Ensuring that the Group issues a report annually
- Assessing the integrity of external reports (including the nature, scope and extent of assurance, legal requirements, intended user)
- Approving the reporting frameworks adopted by management
- Ensuring that all issued reports (online or printed) comply with legal requirements and meet the legitimate and reasonable information needs of material stakeholders
- Approving the threshold of materiality used for purposes of disclosing information or not
- Overseeing the assurance provided by the internal audit department on sustainability reporting and disclosure.

Governing structures and delegation

PRINCIPLE 6	**Primary role and responsibilities of the Board** The Board should serve as the focal point and custodian of corporate governance in the organisation.	The Board is the custodian of corporate governance in the Group. The Board has adopted a charter setting out its responsibilities, duties and accountability towards Choppies. The charter is reviewed annually. Choppies' governance practices are disclosed on page 70 of this integrated report.
PRINCIPLE 7	**Composition of the Board** The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	An independent Non-executive Chairman leads the Board. The Board comprises a balance of executive and non-executive members, with the majority being non-executive of whom most are independent. Directors are appointed through a formal process. The nominations committee identifies suitable candidates and final approval of appointment resides with the entire Board. All effort is taken to ensure the composition of the Board comprises the appropriate mix of knowledge, skills and experience (business, commercial and industry) which is sufficient to deliver on strategies and create long term shareholder value. The Board comprises of a minimum of four directors with no maximum number. In terms of the company's constitution all new Non-executive Directors appointed during the year, as well as one-third of the existing Non-executive Directors, must retire on a rotational basis each year but may offer themselves for re-election. The nominations committee makes recommendations regarding the re-election of the retiring directors considering performance, meeting conduct, etc. A formal induction programme exists for all new directors. Upon their appointment new directors receive an induction pack consisting of, inter alia, agendas and minutes of the previous Board and sub-committee meetings, the latest integrated report, relevant insurance information, strategic documents, relevant policies and charters, and are informed of their fiduciary duties in terms of the Companies Act and BSE/JSE Listings Requirements. They also visit various sites and distribution centres and have meetings with executive management. The roles and responsibilities of the chair and the CEO are separated. The Board ensures that succession plans are in place for the Board and senior management.

PRINCIPLE 8	**Committees of the Board** The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	The Board has delegated particular roles and responsibilities to Board committees, which operate under Board approved charters, setting out the nature and extent of the responsibilities delegated and decision-making authority. These charters are reviewed annually. The Board ensures that each Board committee has the necessary skills, experience and knowledge to discharge its duties effectively. The delegation by the Board of its responsibilities does not constitute a discharge of its accountability. Each committee comprises of three independent Non-executive Directors. A summary of each committee's terms of reference are contained in the corporate governance section of the integrated report. The number of meetings and attendance are published in the integrated report under corporate governance. Each committee has a section in the integrated report where the committee expresses its views regarding its satisfaction on the fulfilment of its responsibilities.
PRINCIPLE 9	**Evaluations of the performance of the Board** The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	A performance evaluation of the Chairman, individual directors, the Board as a whole and the Board committees are subject to a formal evaluation process, either externally facilitated or self-evaluation at least every two years. The nominations committee leads the evaluation process. Each director is required to comment on the Board structure and responsibilities, processes, practices and culture of the Board, overall performance, the structure, resources and performance in respect of statutory duties of the committees. The results of the evaluations are discussed with the Board as a whole and suggested changes and comments are actioned.
PRINCIPLE 10	**Appointment and delegation to management** The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The Board is responsible for the appointment of the CEO and evaluates the CEO's performance annually against agreed performance measures and targets. The Board has approved a delegations of authority matrix, which details the powers and matters reserved for itself and those to be delegated to management through the CEO. The Group's CEO is responsible for leading the implementation and execution of the Group's strategy, policies and operational plans and reports to the Board. The Board ensures that key management functions are led by a competent and appropriately authorised individual and are adequately resourced.

APPLICATION OF KING IV PRINCIPLES continued

Governance functional areas

PRINCIPLE 11	**Risk governance** The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The Board is the ultimate custodian of risk governance. To this end, the Board has approved the risk management policy and framework upon the recommendations by the audit and risk committee. Management continuously identifies, assess, mitigates and manages risks within the existing operating environment. Mitigating controls are put in place to address these risks. The Board is apprised of the Group's top risks; the audit and risk committee is responsible for ensuring a comprehensive risk register is tabled at Board meetings and lessons learnt are taken into consideration when formulating appropriate measures for mitigating the potential negative impact of the top risks on the achievement of the Group's strategic objectives. Choppies' top risks are disclosed on page 80 of this integrated report.
PRINCIPLE 12	**Technology and information governance** The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board understands the importance, relevance and inherent risks in information technology ("IT"). It oversees the governance of IT and information. The Board delegated to the audit and risk committee the authority to ensure appropriate compliance structures are in place. The audit and risk committee monitors IT governance and approves the IT strategy. The Chief Information Officer is responsible for implementing and executing effective technology and information management systems.
PRINCIPLE 13	**Compliance governance** The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Chief Compliance Officer is responsible for guiding the Board in discharging its regulatory responsibilities. The audit and risk committee as well as the social, ethics and HR committees monitor the process implemented by management to ensure legal compliance. The Group's compliance function ensures that processes are in place and are continuously improved to mitigate the risk of non-compliance with laws, and to ensure appropriate responses to changes and developments in the regulatory environment. The Group has adopted a combined assurance model based on three lines of defence, whereby reliance is placed on various internal and external assurance providers to ensure the Group's compliance with applicable laws, codes and standards. The audit and risk committee oversees the application of the combined assurance model on an ongoing basis. The Board discloses details on how it discharged its responsibility towards governing and managing compliance, areas of focus, and inspections by authorities as well as material or repeated instances of non-compliance in the integrated report. (This is available on page 70).

Governance functional areas continued

PRINCIPLE 14	**Remuneration governance** The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Group's remuneration committee is tasked by the Board to independently approve and oversee the implementation of a remuneration policy. The committee has considered the internal and external factors that influence remuneration in formulating a policy. The policy is designed to attract, motivate, reward, and retain human capital, and to promote the achievement of the Group's strategic objectives. Furthermore, the Group's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, the operational and strategic requirements of the Group and providing attractive and appropriate remuneration packages to employees. The remuneration of the directors and top management is considered on an annual basis and benchmarked against peer groups to ensure fair remuneration. The Group discloses the remuneration of each director and top management in the integrated report. The remuneration report, including the implementation report and the remuneration policy are set out on pages 83 to 88 of the integrated report. The remuneration policy and the implementation report are tabled annually at the AGM as separate votes.
PRINCIPLE 15	**Assurance** The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The Board has adopted a combined assurance model to obtain assurance from various assurance providers that internal controls are efficient and effective, including internal and external audit, regulatory authorities, line functions, etc. Assurance services are overseen by the audit and risk committee. The committee is responsible for, amongst other things: • Reviewing the adequacy and effectiveness of the financial reporting process and system of internal control • Approving the integrated report, annual financial statements, interim reports and media releases and recommending to the Board for final approval • Overseeing the internal audit function and approving the annual work plan • Making recommendations to the shareholders for the appointment of the external auditors and confirming their independence • Reviewing the expertise, resources and experience of the Company's finance function • Ensuring that the financial reporting procedures are appropriate and that those procedures are effective. The internal audit function is outsourced to an independent professional firm. The report of the audit and risk committee is set out on pages 104 to 107 of the integrated report.

APPLICATION OF KING IV PRINCIPLES continued

Stakeholder relationships

PRINCIPLE 16	**Stakeholders** In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	An overview of stakeholder relationships and engagement are provided on page 44 of the integrated report. The Board is committed to providing timely, relevant and transparent information on corporate strategy and financial performance. The Board, through the social, ethics and HR committee, governs stakeholder relationships, communication and reporting and delegates to management the responsibility for execution. Shareholders are encouraged to attend and actively participate in the AGM. The Board ensures that the chairpersons of the Board's committees and the designated external auditor are present at the AGM to respond to questions from shareholders.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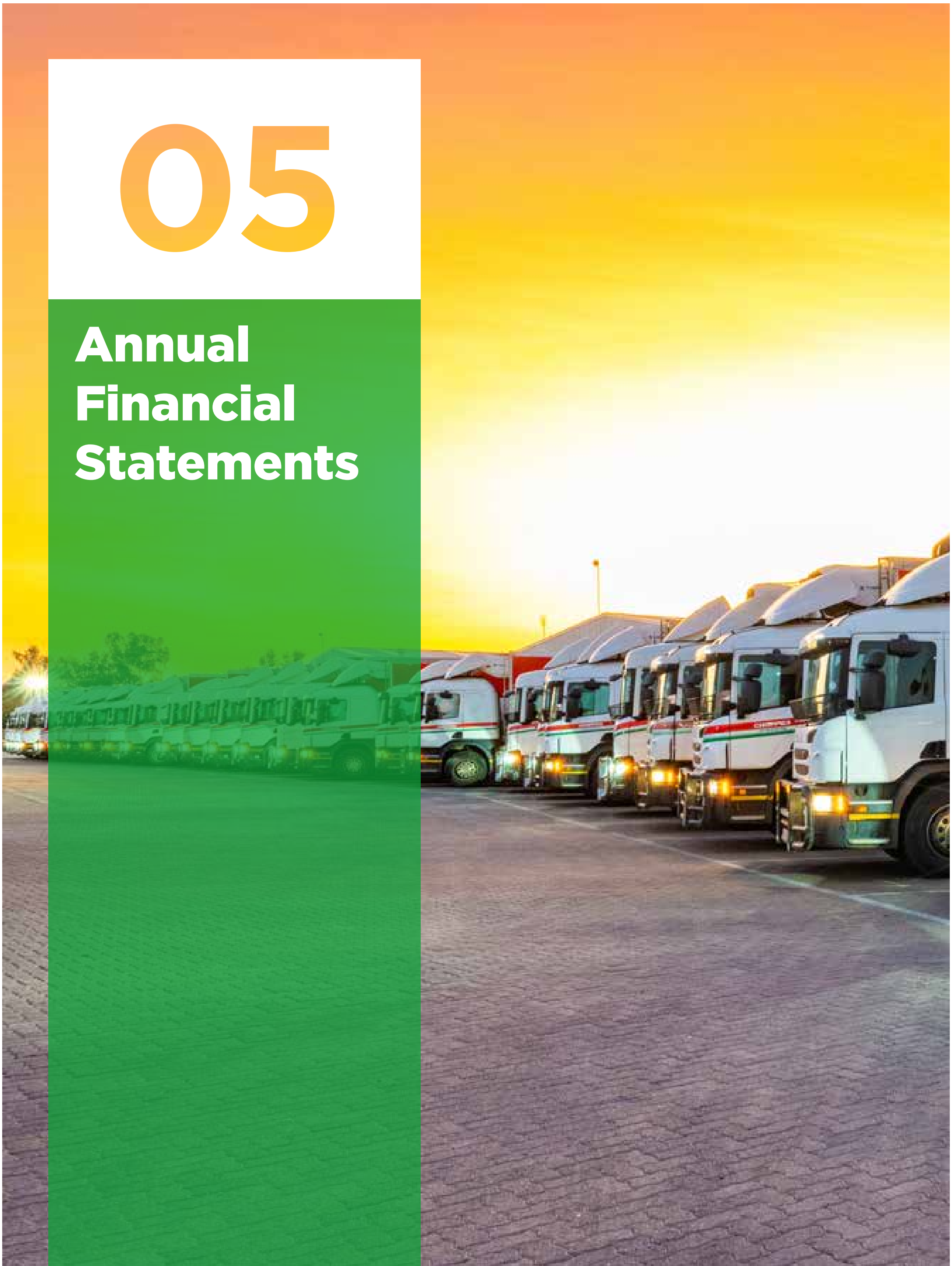
05

Annual Financial Statements



ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Choppies Enterprises Limited, comprising the statements of financial position as at 30 June 2022 and the statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year ended 30 June 2022, the accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards ("IFRS"), Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, the Botswana Stock Exchange, Johannesburg Stock Exchange Listings Requirements and requirements of the Botswana Companies Act.

The directors are also responsible for such internal controls they deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. In addition, the directors are responsible for the preparation and presentation of the other information accompanying the financial statements.

The directors have assessed the ability of the Company and its subsidiaries to continue as going concerns (refer to note 44) and the impact of the Russia-Ukraine war on its business and, based on management's assessment, have no reason to believe these businesses will not be going concerns in the year ahead.

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

Approval of the consolidated and separate financial statements

Having considered the unmodified audit opinion of the auditors as set out on pages 108 to 115, for the year 30 June 2022, the Board of Directors approved the consolidated and separate financial statements of Choppies Enterprises Limited, as identified in the first paragraph on 20 September 2022 and these are signed on their behalf by:

R OTTAPATHU
Chief Executive Officer
20 September 2022

DKU COREA
Chairman

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

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

- The annual financial statements set out on pages 116 to 186, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer;
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executives and primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the audit committee and the auditors and deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving directors.

R OTTAPATHU
Chief Executive Officer

M Rajcoomar
Chief Financial Officer

20 September 2022

CERTIFICATE OF THE COMPANY SECRETARY

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

DPS CONSULTING SERVICES (PTY) LTD
Company Secretaries
10 October 2022

DIRECTORS' REPORT

for the year ended 30 June 2022

The Board of Directors ("Directors") is pleased to submit their report on the financial statements of Choppies Enterprises Limited ("the Company") for the year ended 30 June 2022.

1. LISTING INFORMATION

Choppies Enterprises Limited is a Botswana-based investment holding company operating in the retail sector in Southern Africa. Choppies is dual-listed on the Botswana Stock Exchange ("BSE") and JSE Limited ("JSE"). The Company registration number is BW00001142508.

2. NATURE OF BUSINESS

The business of the Group is food and general merchandise retailing, as well as financial service transactions supported by centralised distribution channels, through distribution and logistical support centres. The Group operates in Botswana, Zimbabwe, Zambia and Namibia. The Company operates as an investment holding company.

3. REVIEW OF FINANCIAL RESULTS

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

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these financial statements, pages 116 to 186.

4. STATED CAPITAL

Issued	**2022 BWP**	2021 BWP	**2022 Number of shares**	2021 Number of shares
Ordinary shares	**906 196 000**	906 196 000	**1 303 628 341**	1 303 628 341

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

5. DIVIDENDS

No dividends were declared during the period under review (2021: nil).

6. DIRECTORATE

Details of directors and movements during the year is given on page 18 of the Integrated Annual Report.

7. DIRECTOR'S INTERESTS IN SHARES

As at 30 June 2022, the Directors held direct and indirect beneficial interests in 46.08% (2021: 44.18%) of its issued ordinary shares as set out on page 190 of the Integrated Annual Report.

8. SHAREHOLDERS

Details of shareholders are set out on page 190 of the Integrated Annual Report.

9. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any material events, except for those stated in note 45 of the annual financial statements, which occurred after the reporting date and up to the date of this report.

10. GOING CONCERN

The Directors, relying on the presentations by management, believe that the Company and Group will continue as going-concerns for the foreseeable future and, accordingly, the financial statements have been prepared on a going-concern basis. More details about the going-concern assessment are provided in note 44 of the annual financial statements.

11. SECRETARY

DPS Consulting Services (Pty) Ltd
Plot 28892 (Portion of plot 50370)
Gaborone, Botswana

12. INDEPENDENT AUDITORS

Mazars
Plot 139, Finance Park
Gaborone, Botswana

13. DATE OF AUTHORISATION FOR THE ISSUE OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 116 to 186, were approved by the Board on 20 September 2022.

REPORT OF THE AUDIT AND RISK COMMITTEE ("ARC")

for the year ended 30 June 2022

INTRODUCTION

The background to this Board committee, its main functions, composition, and attendance by members, are set out on page 72 of the governance report. This section deals with the activities of the ARC during the FY2022.

COMBINED ASSURANCE

In its previous report, the ARC expressed the view that it was "too soon" to refer to a combined assurance model at Choppies, mainly due to the relative new assurance services and functions. For combined assurance to be effective, as envisaged in King IV, it involves a process that will take time for it to become an integral part of the Group's overall control environment.

The ARC plays its role in embedding combined assurance in the Group by inviting the assurance providers, internal and external, to all of its meetings which goes a long way in laying the groundwork ensuring the necessary culture is created for an effective combined assurance model.

The ARC is, however, satisfied that the framework is in place for a combined assurance model in the Group and that satisfactory progress has been made during the past year.

RISK MANAGEMENT

During the previous year, the Group adopted a structured approach to risk management and formulated a risk management framework and policy, the details of which are set out in the risk management report on page 77. This approach is therefore still in its infant stage, and it will take time for management to incorporate it into the DNA of the business. The ARC will continue to play its role of oversight.

During the year, the ARC reviewed the risk register which is updated on a continued basis. The committee is satisfied that all key risks are identified and monitored. The impact of the war in Ukraine on the world economy and the Company surfaced as the top risk. The previous top risk namely Covid-19 dropped to number 9 as the effects of the pandemic have since subsided. The top 10 risks facing the Group are listed in the risk management report.

The updated risk register and mitigation proposals have been approved by the Board.

COMPLIANCE

Management continues to make good progress in its compliance model that was introduced around two years ago. This model lists and analyses all applicable laws and regulations that have an impact on the Group's activities including the BSE and JSE Listings Requirements. The ARC reviewed this model and is satisfied that the Group complies with all the laws and regulations listed therein.

Internally several governance policies and committee charters were drawn up during the last few years and have been reported, especially in the previous integrated report. The ARC was instrumental in drafting these policies and is satisfied that the framework for a world-class governance system is in operation in the Choppies Group. Several implementation issues emerged during the past year. These matters are in the process of being addressed by the Board.

The ARC has recommended to the Board that King IV refresher courses be held for directors and senior management during the next year.

FINANCE FUNCTION

Progress has been made to strengthen the finance staff at country level with the appointments of chartered accountants in Zambia and Zimbabwe. Further appointments are in the pipeline which are necessary to strengthen the finance department at a senior level.

Satisfactory progress has been made during the past year to document the internal control processes in the Group.

The preparation of financial reports, including the annual financial statements, were prepared under the supervision of Mr Minnesh Rajcoomar CA(SA), the Group CFO. In terms of section 5.11(h) of the BSE Listings Requirements, the committee reviewed the experience and expertise of Mr Rajcoomar and is satisfied that he is suitable to head up the Group's finance function.

INFORMATION TECHNOLOGY (IT)

To thrive in an ever-changing digital world, it is essential for an organisation to establish a technology governance framework while ensuring risks are identified and managed. Deploying technologies to assist with quality assurance and remove the risk of human error from critical operational and financial data is essential to enable effective decision-making and quality reporting. Information security is essential to protect our own and third-party information.

At Choppies the ARC embraces the above statements as well as the recommendations of King IV and use these as a guide to oversee IT processes delegated to it by the Board.

Stability returns to the Group's IT department with the appointment of an in-house CIO. IT governance processes were strengthened with the adoption of an IT charter setting out the functions, responsibilities and procedures of a steering committee that was formed.

All IT acquisitions fall within the same capital approval processes as other capital expenditure projects and would thus, based on value, be submitted to the Board for approval.

The need for a standardised ERP solution throughout the Group's operations is becoming increasingly important to cater for the ever-changing environment. This is especially relevant in countries, other than Botswana, where too much manual intervention can compromise the accuracy and timing of information. An ERP solution will be a key focus area for the steering committee going forward.

The ARC has recommended that an independent assurance of the effectiveness of the Group's technology and information arrangements be considered during the next year.

No incidents of breaches in cybersecurity were reported.

WHISTLEBLOWING MEASURES

The ARC reviewed the reports from whistleblowers for the past year. No incidents of irregular or unethical behaviour were reported.

INTERNAL AUDIT

Good progress has been made in bedding down the internal audit function by the independent audit firm, BDO. The internal audit plan is risk-based with identifying risk areas covered on a rotation basis. In addition, all stores in the Group are covered by a physical audit at least once a year.

The ARC is satisfied with the approach and work of internal audit and considers it as an essential element in a combined assurance model. In addition, the ARC is satisfied that the internal audit function is independent, has unrestricted access to the ARC, and has the necessary resources to enable it to discharge its duties.

GOING CONCERN

The negative equity of the Group improved from BWP448 million to BWP341 million owing mainly to trading profits. The negative equity was caused by regions that were discontinued during the prior years, especially South Africa.

In assessing whether the Group and Company will be a going concern for at least the following 12 months, the ARC considered the work done by management as set out in note 44 of the annual financial statements. Having reviewed this work, the ARC concluded to recommend to the Board that the Company and Group can operate as going concerns for at least the next year to July 2023.

EXTERNAL AUDITORS AND AUDIT REPORT

At long last, the dragged effect of the disclaimer on the Group's FY2018 results and the knock-on effect thereof in subsequent years, worked itself out during the current year thus enabling Mazars to issue an unqualified audit report.

The ARC noted the inclusion of the going concern in the auditor's opinion as a "material uncertainty" but that the audit opinion was not modified in respect of this matter.

REPORT OF THE AUDIT AND RISK COMMITTEE ("ARC") continued

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

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

EXTERNAL AUDIT FEES

Fees non-audit services

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

Fees – audit services

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

Financial year – BWP	2022	2021
Botswana	**3 900 000**	4 824 150
Zimbabwe	**1 100 000**	1 350 000
Zambia	**525 000**	450 000
Namibia	**286 000**	221 000

The above fees require a confirmatory vote by shareholders.

INTERNAL FINANCIAL CONTROLS

Management is accountable to the Board for the design, implementation, monitoring and integrating of internal financial controls for the day-to-day running of the Group, focusing on the efficiency and effectiveness of operations, safeguarding the Group's assets, legal and regulatory compliance, business sustainability and reliable reporting, including financial reporting.

The ARC is satisfied that the Group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements following reviews and reports made by the independent internal and external auditors as well as management.

No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the past financial year.

INTEGRATED REPORT

The ARC evaluated the integrated report of the Group for the year ended 30 June 2022 and based on the information provided to the committee, considers that the Group complies in all material respects with the requirements of the Companies Act and IFRS, and the ARC recommended the integrated report to the Board for approval.

KEY FOCUS AREAS

In executing its compliance duties during the 2022 financial year, the ARC, in addition to the above, also:

- Nominated to re-appoint Mazars as external auditors for the 2023 financial year
- Confirmed that Mazars and the designated auditor, Shashi Velambath, are accredited by the BSE
- Approved the audit plan and audit strategy memorandum
- Reviewed the audit report to management on identified areas of internal control weaknesses

- Reviewed the audit conclusion report to the ARC
- Met with the external auditors in the absence of management
- Determined the fees to be paid to Mazars as disclosed above and their terms of engagement
- Received no complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group, or other related matters
- Reviewed the draft audited financial statements and integrated report, the preliminary profit announcement and interim statements
- Met with the external auditors to discuss the annual financial statements before their approval by the board
- Approved the outsourcing of the internal audit to BDO and also approved their audit plan
- Reviewed the reports of the internal audit and the providers of the whistleblowing providers
- Met with CIO and management and reviewed their reports to the ARC regarding the IT environment
- Reviewed the report from the CFO covering among others the financial staff situation
- Made submissions to the board on matters concerning the Group's accounting policies, financial controls, records and reporting
- Reviewed the application of the King IV principles
- Concurred that the adoption of a going concern premise in the preparation of the annual financial statements was appropriate
- Reviewed the risk register and top risks as well as the risk management programme
- Reviewed the compliance register
- Reviewed the status of income tax returns
- Recommended to the Board not to declare a dividend.

CONCLUSION

The ARC members have acted independently and with due regard to their duties as directors and members of the ARC, which was taken seriously. We trust that this report allowed shareholders an insight into the Company in terms of our charter.

On behalf of the ARC

Tom Pritchard
Chairperson
30 September 2022

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Tel: +267 395 7466
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www.mazars.co.bw

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2022

TO THE SHAREHOLDERS OF CHOPPIES ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate annual financial statements of Choppies Enterprises Limited and its subsidiaries ("Choppies Group") set out on pages 116 to 186 which comprise the consolidated and separate statement of financial position as at 30 June 2022, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Choppies Group as at 30 June 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 44 on the financial statements, which indicates that as at 30 June 2022 the Group's total liabilities exceeded its total assets by BWP341 million (2021: BWP448 million), the total current liabilities exceed its total current assets by BWP403 million (2021: BWP401 million) and the Group incurred accumulated losses of BWP798 million (2021: BWP938 million). As stated in Note 44 of the consolidated and separate financial statements, these events or conditions, along with other matters as set forth, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Matter #01	Accounting for Supplier Rebate Income
Description of Key Audit Matter	The Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. As such, the group recognises other income or a reduction in cost of sales because of amounts receivable from suppliers. We regarded the recognition of supplier rebates to be a matter of most significance to the audit as there is a risk that rebates may be materially misstated due to the significant magnitude thereof, the varying terms with the suppliers and the judgements made in accruing for rebates as at year- end in relation to the nature and level of fulfilment of the group's obligation under the supplier agreements. Such agreements typically allow for various adjustments to the original selling price of goods subsequent to delivery of the goods, including (but not limited to) trade rebates, volume discounts (often measured using purchases over an extended period of time), early settlement discounts, advertising, and other allowances (collectively, "rebate income"). The disclosure associated with supplier rebates is set out in the financial statements on the following note: • Note 1.21 – Rebates from suppliers.
How we addressed the Key Audit Matter	We assessed the systems used to calculate rebates as well as the controls implemented by management over the accuracy of the calculation of rebates. We have tested the inputs used in calculating the supplier rebates by performing, among other, the following procedures for a sample of rebates: • We reviewed the major supplier agreements to understand their terms; • We assessed management's conclusion as to whether the rebate relates to a specific and genuine service, and consequently the treatment of the rebate in relation to the measurement of the cost of inventory at year end, through comparison to prior year treatment and evaluation of the types and terms of rebates received with reference to contractual terms; • We recalculated and assessed the rebate amounts recognised and the period in which they were recognised. This was based on the review of contractual performance obligations on a sample of contracts with suppliers to assess the conditions required for supplier rebates to be recognised and whether or not these had been met; • We assessed the recognition and classification of the rebates and other income and related costs in terms of the requirements of IAS 2, Inventories; and • We have assessed and evaluated the presentation and disclosure of the above matter, as set out in the note 1.21 of the financial statements (Rebates from suppliers).

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INDEPENDENT AUDITOR'S REPORT continued

for the year ended 30 June 2022

Matter #02	Accuracy and Completeness of Related Party Transactions
Description of Key Audit Matter	The Group has undertaken transactions with numerous related parties. These include sales of goods to related parties, as well as purchase of goods from related parties. We have identified accuracy and completeness of the related party transactions as a key audit matter due to the significance of related party transactions; the risk that transactions are entered into on a non-arm's length basis, and the risk that such transactions remain undisclosed. The disclosure associated with related parties is set out in the financial statements on the following notes: • Note 1.7– Financial Instruments (IFRS 9) – Amounts due from related parties • Note 39 – Related Parties.
How we addressed the Key Audit Matter	Our procedures relating to related party relationships, transactions and balances included, amongst others: • We inquired from management and those charged with governance, and performed other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, established to identify, account for, and disclose related party relationships and transactions in the financial statements; • We maintained alertness for related party information when reviewing records; and other supporting documents during the fieldwork phase of the audit. • We reviewed an extensive list of business documents and compiled a list of related parties and related party transactions independently; • Where management asserted that the transactions are in fact at arm's length, we assessed this assertion by: – Comparing the terms of the related party transactions to those of an identical or similar transaction with one or more non-related parties; – Comparing the terms of the transaction to known market terms for broadly similar transactions on an open market; – Considering the appropriateness of management's process for supporting the assertion; – Verifying the source of the internal or external data supporting the assertion, and testing the data to determine their accuracy, completeness, and relevance; and – Evaluating the reasonableness of any significant assumptions on which the assertion is based. We have assessed and evaluated the presentation and disclosure of the above matter, as set out in the note 1.7 (Financial Instruments (IFRS 9) – Amounts due from related parties) and note 39 (Related Parties) of the financial statements.

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Matter #03	IFRS 16 – Leases Accounting Standard
Description of Key Audit Matter	As of June 30, 2022, right-of-use assets in the amount of BWP597 million (2021: BWP580 million and lease liabilities in the amount of BWP744 million (2021: BWP722 million were recognized in Choppies Enterprises Limited's Annual Financial Statements. Right-of-use assets accounts for 32% of total assets with an associated lease liability approximating 33% of total liabilities and thus have a material impact on the group's net assets and financial position. The calculation of the lease term and the incremental borrowing rates used as discount rates can be discretionary and based on estimates. In addition, extensive data from the leases must be recorded to calculate the effects of IFRS 16 and the development of lease liabilities and right-of-use assets in accordance with the standard. This data is the basis for the measurement and recognition of the lease liabilities and right-of-use assets. There is a risk that the lease liabilities and right-of-use assets are not recognised in full in the annual statement of financial position. Furthermore, there is a risk that the lease liabilities and right-of-use assets have not been measured correctly. Due to the significance of the estimates and judgements involved which could result in a material misstatement this has been deemed a key audit matter. The disclosure associated with right-of-use assets and lease liabilities is set out in the annual financial statements on the following notes: • Note 16 – Right-of-use assets • Note 32 – Lease liabilities.
How we addressed the Key Audit Matter	We critically evaluated the computations and assumptions relating to the IFRS 16 accounting standard. Our evaluation included the following procedures: • We analysed the accounting instructions underlying the completeness and conformity with IFRS 16 • We performed detailed testing on a sample basis, which was chosen in part on a representative and in part on a risk-oriented basis, and reviewed the accuracy and completeness of the lease contracts and that the correct inputs have been applied; • To the extent that discretionary decisions were made regarding the lease term, we reviewed whether, in light of the market conditions and risks in the industry, the underlying assumptions are plausible and consistent with other assumptions made in the Annual Financial Statements; and • We reproduced the group's calculations of the carrying amounts of the lease liabilities and right-of-use assets. To this end, we evaluated the measurement and recognition of lease liabilities and right-of-use assets for selected leases, chosen in part on a representative and in part on a risk-oriented basis. The risk-based assessment included an evaluation of proper measurement in the case of changes to or reassessments of the underlying contract; We assessed the appropriateness of the Group's disclosures of the impact of the IFRS 16 accounting standard and the application in the notes to the Annual Financial Statements (Note 32 Lease liabilities and Note 16 on Right- of-Use Assets).

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INDEPENDENT AUDITOR'S REPORT continued

for the year ended 30 June 2022

Matter #04	**Goodwill impairment**
Description of Key Audit Matter	As disclosed in note 17, the value of the Nanavac Investments (Private) Limited (Zimbabwe) Goodwill arose when the Group assumed control of Nanavac Investments (Private) Limited (Zimbabwe). It arose from the acquisition of Nanavac Investments (Private) Limited (Zimbabwe) and is allocated to the cash generating units ("CGUs") which are individual operating stores in Zimbabwe. In line with IAS 36 Impairment of Assets, management performs an impairment test on the recoverable amount of goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amounts may be impaired. The recoverable amount of the goodwill has been determined by management using the higher of fair value less cost to sell and value in use calculations. In this instance, the recoverable amount was determined based on value in use, by using the discounted cash flow model. The valuation techniques applied by management involves a significant amount of estimation and judgement. The most significant judgements and assumptions used in determining the valuation of the recoverable amounts include among others: • Short- and long-term revenue growth; • Discount rate; • Capitalisation rates; • Net operating costs; • Working capital movement; and • Capital outlay. The significant of the estimates and judgements involved, coupled with the high number of individual estimates performed, could result in a material misstatement, and therefore warrant specific audit focus. The disclosure associated goodwill is set out in the annual financial statements on the following notes: • Note 17– Goodwill • Accounting policy Note 1.2 – Consolidation.

How we addressed the Key Audit Matter	We performed substantive tests of detail on the lowest level of cash generating units to which the goodwill has been allocated. We performed the following substantive procedures: • We challenged management with respect to the budgets and forecasts by comparing the Group's historical forecast growth rates and gross margins with actual results to determine whether they are reasonable and supportable; • We evaluated the appropriateness of the valuation methodology applied by management to calculate the recoverable amount of each CGU. We considered the principles and integrity of the discounted cash flow models against the requirements of the IAS 36 and acceptable industry standards; • We evaluated the appropriateness of the Group's discount rates used in each discounted cash flow model, by comparing these discount rates against external industry data and assessing the reasonableness of specific risk premium inputted into the calculation of the discount rates; • We reperformed the arithmetical accuracy of the calculations contained in management's model verifying that all formulae therein were applied accurately; and • We evaluated the completeness and accuracy of disclosures relating to the impairment assessment in the consolidated financial statements, to assess the compliance with the requirements of IAS 36 Impairment of Assets.

Other information

The directors are responsible for other information. The other information comprises the information included in the document titled "Choppies Enterprises Limited Consolidated and Separate Annual Financial statements for the year ended 30 June 2022", which includes the Directors' Responsibilities and Approval of the Consolidated and Separate Financial Statements and the Chief Executive Officer and Chief Financial Officer Responsibility Statement, which we obtained prior to the date of this report, and the Annual Integrated Report, which is expected to made available to us after that date. The other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

INDEPENDENT AUDITOR'S REPORT continued

for the year ended 30 June 2022

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

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

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

Auditor's Responsibility for the Audit of the Consolidated and Separate Annual Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Certified Auditors
Practicing member: Shashikumar Velambath
Membership number: CAP 022 2022

Date: 20 September 2022
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

		Group		Company	
Figures in Pula million	Note(s)	**2022**	2021	**2022**	2021
Continuing operations					
Revenue	4	**6 097**	5 376	**-**	–
Retail sales	4	**6 042**	5 3331	**-**	–
Cost of sales	5	**(4 735)**	(4 142)	**-**	–
Gross profit		**1 307**	1 189	**-**	–
Other operating income	4	**55**	45	**-**	–
Loss on disposal of plant and equipment	6	**(2)**	–	**-**	–
Movement in credit loss allowances	7	**(7)**	17	**(30)**	(3)
Administrative expenses	8	**(834)**	(857)	**-**	–
Selling and distribution expenses	9	**(35)**	(16)	**-**	–
Foreign exchange gains/(losses) on lease liability		**28**	(19)	**-**	–
Contingent consideration on sale of South African operations	38	**(20)**	–	**-**	–
Foreign exchange gains on Zimbabwean legacy debt receipts	11	**15**	–	**-**	–
Other operating expenses	10	**(220)**	(134)	**-**	–
Net monetary loss on Zimbabwe entities		**(8)**	1	**-**	–
Operating profit/(loss)	7	**279**	226	**(30)**	(3)
Finance costs	12	**(99)**	(110)	**-**	–
Profit/(loss) before taxation		**180**	116	**(30)**	(3)
Taxation	13	**(35)**	(34)	**-**	–
Profit/(loss) from continuing operations		**145**	82	**(30)**	(3)
Discontinued operations					
Loss from discontinued operations		**-**	(22)	**-**	–
Profit/(loss) for the year		**145**	60	**(30)**	(3)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**(113)**	(75)	**-**	–
Exchange differences on translating foreign operations in hyperinflationary currency		**75**	34	**-**	–
Total items that may be reclassified to profit or loss		**(38)**	(41)	**-**	–
Other comprehensive loss for the year net of taxation		**(38)**	(41)	**-**	–
Total comprehensive income/(loss) for the year		**107**	19	**(30)**	(3)
Profit/(loss) attributable to:					
Owners of the parent		**140**	69	**(30)**	(3)
Non-controlling interest		**5**	(9)	**-**	–
		145	60	**(30)**	(3)

		Group		Company	
Figures in Pula million	Note(s)	**2022**	2021	**2022**	2021
Profit/(loss) attributable to:					
Owners of the parent:					
From continuing operations		**140**	85	**(30)**	(3)
From discontinued operations		**–**	(16)	**–**	–
		140	69	**(30)**	(3)
Non-controlling interests:					
From continuing operations		**5**	(3)	**–**	–
From discontinued operations		**–**	(6)	**–**	–
		5	(9)	**–**	–
Total comprehensive income (loss) attributable to:					
Owners of the parent		**103**	25	**(30)**	(3)
Non-controlling interests		**4**	(6)	**–**	–
		107	19	**(30)**	(3)
Earnings per share					
Basic earnings/(loss) per share					
Basic earnings per share (thebe) – from continuing operations	14	**10.7**	6.5	**–**	–
Basic loss per share (thebe) – from discontinued operations	14	**–**	(1.3)	**–**	–
		10.7	5.2	**–**	–
Diluted earnings/(loss) per share					
Diluted earnings per share (thebe) – from continuing operations	14	**10.7**	6.5	**–**	–
Diluted loss per share (thebe) – from discontinued operations	14	–	(1.3)	**–**	–
		10.7	5.2	**–**	–

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2022

		Group		Company	
Figures in Pula million	Notes	**2022**	2021	**2022**	2021
Non-current assets					
Property, plant and equipment	15	**538**	507	**–**	–
Right-of-use assets	16	**597**	580	**–**	–
Goodwill	17	**48**	60	**–**	–
Intangible assets	18	**4**	5	**–**	–
Investments in subsidiaries	19	**–**	–	**74**	104
Investments in new projects	20	**8**	8	**–**	–
		1 195	1 160	**74**	104
Current assets					
Inventories	21	**461**	341	**–**	–
Amounts due from related parties	22	**4**	5	**164**	168
Advances and deposits	23	**56**	44	**–**	–
Trade and other receivables	24	**75**	65	**–**	1
Current tax receivable		**10**	10	**–**	–
Restricted cash	25	**–**	5	**–**	–
Cash and cash equivalents	26	**85**	74	**–**	–
		691	544	**164**	169
Total assets		**1 886**	1 704	**238**	273
Equity attributable to equity holders of parent					
Stated capital	27	**906**	906	**906**	906
Treasury shares	28	**(30)**	(30)	**–**	–
Hyper inflationary reserve	29	**269**	194	**–**	–
Foreign currency translation reserves	30	**(586)**	(474)	**–**	–
Retained loss		**(798)**	(938)	**(668)**	(638)
		(239)	(342)	**238**	268
Non-controlling interest	19	**(102)**	(106)	**–**	–
		(341)	(448)	**238**	268
Non-current liabilities					
Borrowings	31	**530**	616	**–**	–
Lease liabilities	32	**587**	572	**–**	–
Deferred taxation	33	**16**	19	**–**	–
		1 133	1 207	**–**	–
Current liabilities					
Trade and other payables	35	**717**	568	**–**	5
Amounts due to related entities	34	**44**	44	**–**	–
Borrowings	31	**87**	86	**–**	–
Lease liabilities	32	**157**	150	**–**	–
Current tax payable		**21**	29	**–**	–
Bank overdraft	26	**68**	68	**–**	–
		1 094	945	**–**	5
Total liabilities		**2 227**	2 152	**–**	5
Total equity and liabilities		**1 886**	1 704	**238**	273

STATEMENTS OF CHANGES IN EQUITY

Figures in Pula million	Stated capital	Treasury shares	Foreign currency transla-tion reserve	Hyper inflationary transla-tion reserve	Retained loss	Total attri-butable to equity holders of the Group/ Company	Non-control-ling interest	Total equity
Group								
Balance at 1 July 2020	**906**	**(30)**	**(396)**	**160**	**(1 007)**	**(367)**	**(100)**	**(467)**
Loss for the year	–	–	–	–	69	69	(9)	60
Other comprehensive (loss)/income	–	–	(78)	34	–	(44)	3	(41)
Total comprehensive loss for the year	**-**	**-**	**(78)**	**34**	**69**	**25**	**(6)**	**19**
Balance at 30 June 2021	**906**	**(30)**	**(474)**	**194**	**(938)**	**(342)**	**(106)**	**(448)**
Profit for the year	–	–	–	–	140	140	5	145
Other comprehensive (loss)/income	–	–	(112)	75	–	(37)	(1)	(38)
Total comprehensive income for the year	**-**	**-**	**(112)**	**75**	**140**	**103**	**4**	**107**
Balance at 30 June 2022	**906**	**(30)**	**(586)**	**269**	**(798)**	**(239)**	**(102)**	**(341)**
Note(s)	27	28	30	29			19	

Figures in Pula million	Stated capital	Treasury shares	Foreign currency transla-tion reserve	Hyper inflationary transla-tion reserve	Retained loss	Total attri-butable to equity holders of the Group/ Company	Non-control-ling interest	Total equity
Company								
Balance at 1 July 2020	**906**	**-**	**-**	**-**	**(635)**	**271**	**-**	**271**
Loss for the year	–	–	–	–	(3)	(3)	–	(3)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(3)**	**(3)**	**-**	**(3)**
Balance at 30 June 2021	**906**	**-**	**-**	**-**	**(638)**	**268**	**-**	**268**
Loss for the year	–	–	–	–	(30)	(30)	–	(30)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(30)**	**(30)**	**-**	**(30)**
Balance at 30 June 2022	**906**	**-**	**-**	**-**	**(668)**	**238**	**-**	**238**
Note	27							

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2022

		Group		Company	
Figures in Pula million	Notes	**2022**	2021	**2022**	2021
Cash flows from operating activities					
Profit/(loss) before taxation		**180**	116	**(30)**	(3)
Adjustments for:					
Depreciation and amortisation	7	**241**	259	**-**	–
Losses on disposals of assets	6	**2**	–	**-**	–
Finance costs	12	**99**	110	**-**	–
Impairment losses and reversals		**-**	–	**30**	–
Foreign exchange gains/(losses) on lease liability		**(28)**	19	**-**	–
Restricted cash movements		**5**	8	**-**	–
Changes in working capital:					
Movement in inventories		**(120)**	(35)	**-**	–
Movement in trade and other receivables		**(10)**	(9)	**4**	5
Movement in advances and deposits		**(12)**	(6)	**-**	–
Movement in amount due from related entities		**1**	–	**-**	65
Movement in trade and other payables		**149**	20	**(4)**	(60)
Movement in amounts due to related entities		**-**	(39)	**-**	–
Cash generated from operations		**507**	443	**-**	7
Tax (paid)/received		**(44)**	(22)	**-**	(7)
Cash flows of discontinued operations		**-**	(43)	**-**	–
Net cash from operating activities		**463**	378	**-**	–
Cash flows from investing activities					
Purchase of property, plant and equipment	15	**(120)**	(46)	**-**	–
Proceeds on disposal of property, plant and equipment		**7**	5	**-**	–
Purchase of other intangible assets	18	**(2)**	(3)	**-**	–
Business combinations	37	**-**	(6)	**-**	–
Investments in new projects	20	**-**	(10)	**-**	–
Net cash from investing activities		**(115)**	(60)	**-**	–
Cash flows from financing activities					
Proceeds from borrowings and lease liabilities	36	**36**	502	**-**	–
Repayment of borrowings	36	**(96)**	(429)	**-**	–
Lease payments – right-of-use assets	36	**(170)**	(162)	**-**	–
Net cash flows of discontinued operations		**-**	(38)	**-**	–
Finance costs	12	**(94)**	(98)	**-**	–
Net cash from financing activities		**(324)**	(225)	**-**	–
Total cash movement for the year		**24**	93	**-**	–
Cash at the beginning of the year		**6**	(88)	**-**	–
Cash balances from discontinued operations		**-**	2	**-**	–
Effect of translation of foreign entities		**(13)**	(1)	**-**	–
Total cash at end of the year	26	**17**	6	**-**	–

ACCOUNTING POLICIES

for the year ended 30 June 2022

CORPORATE INFORMATION

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate annual financial statements ("the financial statements") are prepared in accordance with the International Financial Reporting Standards ("IFRS"), the Botswana Companies Act, the Botswana Stock Exchange, the Johannesburg Stock Exchange requirements and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The financial statements were approved by the board of directors on 20 September 2022.

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 and the presentation currency of the Group. All amounts have been rounded to nearest millions, except where otherwise stated.

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

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

Judgements made by the board in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in significant judgements and sources of estimation uncertainty in note 1.28

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 17).

Goodwill

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

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

Investment in subsidiaries

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation (continued)

Transactions elimination on consolidation

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

Non-controlling interest ("NCI")

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

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

Loss of control

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

Changes in Group's interests in subsidiaries

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

Business combinations

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold improvements	Straight line	Over the lease term
Plant and machinery	Straight line	
• Bakery equipment		4 – 20 years
• Butchery and takeaway equipment		5 – 17 years
• Refrigeration equipment		7 – 14 years
• Cold-room and compressors, generators		7 – 20 years
• Electrical and fittings		6 – 14 years
• Others (scales, pallet jacks and mechanical equipment)		6 – 7 years
Furniture and fixtures	Straight line	
• Shelving		7 – 14 years
• Check out tills		6 – 14 years
• Drop safe		20 – 29 years
• Others (cabinets and counters)		10 years
Motor vehicles	Straight line	4 – 5 years
Office equipment	Straight line	3 – 10 years
Aircraft	Straight line	20 years
Computer hardware and accessories	Straight line	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

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

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 – 10 years

1.5 Impairment of non-financial assets

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

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

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

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decrease 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Leases

Group as lessor

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

Measurement and recognition of leases as a lessee

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

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

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate.

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

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

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

The Group has elected to account for short-term leases and leases of low-value assets (BWP60 000) using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

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

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

Group as a lessee

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

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

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease. Operating lease income is included in other income (note 4).

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial instruments

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

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

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

Financial liabilities:

- Amortised cost.

Note 41 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

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

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

Amounts due from related entities at amortised cost

Classification

Amounts due from related entities (note 24) are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Impairment

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

Significant increase in credit risk

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

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

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

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

Definition of default

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

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

Write off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries/reversals made are recognised in the statement of profit or loss and other comprehensive income as a movement in credit loss allowance (note 7).

Measurement and recognition of expected credit losses

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

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

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

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

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

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in material operating items requiring separate disclosure in profit or loss as a movement in credit loss allowance (note 7).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 41).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

Derecognition

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

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

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 24).

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

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at transaction price in accordance with IFRS 15.

They are subsequently measured at amortised cost.

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

Application of the effective interest method

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

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

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating expenses (note 6).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other receivables (note 24).

Impairment

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 24.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as a movement in credit loss allowance (note 7).

Write off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 24) and the financial instruments and risk management note (note 41).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss.

Borrowings and loans from related parties

Classification

Amounts due to related entities (note 22) and borrowings (note 31) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 12.)

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 41 for details of risk exposure and management thereof.

Derecognition

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

Trade and other payables

Classification

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

Recognition and measurement

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

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

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

If trade and other payables contain imputed interest, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 12).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 41 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating (losses)/gains (note 6).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 41).

Derecognition

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

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

Financial guarantee contracts

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

With reference to Note 31, the Company provides financial guarantees to certain banks in respect of bank facilities granted to certain subsidiaries. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the company.

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

Refer to note 38 for details of financial guarantee contracts.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

Cash and cash equivalents

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

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

Bank overdrafts

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

Derecognition financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.8 Inventories

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

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

1.9 Tax and deferred taxation

Deferred tax assets and liabilities

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

Deferred tax is not recognised for:

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Tax and deferred taxation (continued)

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

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

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

Tax expenses

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

Dividends withholding tax

Dividends withholding tax is a tax on shareholders and is applicable on all dividends declared. Withholding tax applicable in Botswana for both residents and non-residents is 10%. Dividends payable to non-exempt shareholders registered on the Johannesburg Stock Exchange are subject to 20% withholding tax in accordance with the South African Income Tax Act 58 of 1962, unless varied in accordance with any relevant Double Tax Agreement.

1.10 Non-current assets (disposal groups) held for sale or distribution to owners

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

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

1.11 Stated capital and equity

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

Ordinary shares are classified as equity.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Botswana Pula;
- Retained (loss) profit – includes all current and prior period retained (loss) profits;
- Treasury shares – refer to accounting policy 1.12; and
- Hyperinflationary reserve – this is the effect of all components of shareholders equity that are restated by applying a general price index from the beginning period or dates on which those items arose.

1.12 Treasury shares

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Share incentive scheme

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

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

1.14 Employee benefits

Short-term employee benefits

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

Severance benefits

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

Gratuity

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 the employment contract period of continuous employment or on termination of employment at the option of the employee. The expected gratuity liability is provided in full by way of accrual.

Defined contribution plans

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

1.15 Revenue from contracts with customers

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

To determine whether to recognise revenue, the Group follows a 5-step process:
- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when/as performance obligation(s) are satisfied.

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

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

ACCOUNTING POLICIES continued

for the year ended 30 June 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Translation of foreign currencies

Transactions in foreign currencies

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

Foreign operations

The assets and liabilities of foreign operations, which are not entities operating in a hyperinflationary economy, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at the weighted average rate of exchange for the year, except to the extent that the translation differences are allocated to NCI. Profits or losses arising on the translation of assets and liabilities of foreign entities are recognised in other comprehensive income and presented within equity and shown separately in a foreign currency translation reserve.

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

Translation of foreign operations in hyperinflationary economies

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

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

1.17 Determination of functional currency in Zimbabwe

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Zimbabwean subsidiary is the Zimbabwean Dollar ("ZWL") which became legal tender on 24 June 2019. The Group has concluded that the functional currency of the Zimbabwean economy remains the Zimbabwean Dollar ("ZWL"). During the year, the Group noted that there was still constrained exchangeability between the Zimbabwe Dollar ("ZWL") and the major foreign currencies such as the United States Dollar ("USD") and the Botswana Pula ("BWP"). A lack of or constrained exchangeability arises if an entity is unable to readily exchange a currency for another currency through the legal exchange mechanism within a reasonably short period of time.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Determination of functional currency in Zimbabwe (continued)

Accounting for hyper-inflationary subsidiary

The Zimbabwean economy has continued to be hyper-inflationary and the results of operations of the Zimbabwean subsidiary has been prepared in accordance with IAS 29 – Financial Reporting in Hyper-inflationary Economies ("IAS 29"). IAS 29 requires that financial statements prepared in the currency of a hyper-inflationary economy be stated in terms of a measuring unit current at the reporting date and the corresponding figures for the previous periods be stated in the same terms to the latest reporting date. The restatement has been calculated by means of conversion factors derived from month on month consumer price index ("CPI") prepared by the Zimbabwe Statistical Agency. The indices and conversion factors used to restate the financial statements as at 30 June 2022 are as follows:

Date	Indices	Conversion factor
30 June 2022	**8707.40**	**1.00**
30 June 2021	2986.40	2.916

Sensitivity of functional currency

The Group translated the Zimbabwe results by applying the closing exchange rate as at 30 June 2022 specified by Reserve Bank of Zimbabwe, which was BWP1.00 : ZWL29.45 (2021: BWP7.83) (in line with the requirement of the provision of IAS 21 for the translation of hyperinflationary economies). The effect if the Group had applied a weaker closing exchange rate to translate the result of its Zimbabwean subsidiary on 30 June 2022, is presented in the table below. We assumed that the closing exchange rate was weaker by ZWL1.00.

Summarised statement of profit or loss and other comprehensive income for the year ended 30 June 2022	ZWL to BWP at closing rate	ZWL to BWP at closing rate plus ZWL 1.00	Net impact
Revenue	775 326	749 862	25 464
Profit after tax	23 271	764	22 506

Plant and equipment

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

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

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

Inventories

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

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

Shareholders' equity

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Operating expenses

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

1.19 Agency fees and commission

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

1.20 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.

1.21 Rebates from suppliers

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

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

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

1.22 Profit or loss from discontinued operations

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

1.23 Finance income

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

1.24 Finance cost

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

1.25 Operating segments

The Group discloses segmental financial information which is being used internally by the entity's chief executive officer ("CEO") in order to assess performance and allocate resources. Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's CEO and for which discrete financial information is available. Operating segments, per geographical regions, are aggregated for reporting purposes. The aggregated businesses in each region have similar economic characteristics. They engaged in similar activities of retail trade.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.26 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.

1.27 Basic earnings and headline earnings per share

The Group presents basic and diluted earnings per share ("EPS") and headline earnings per share ("HEPS") information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss after taxation attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss after taxation attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Headline earnings are calculated in accordance with Circular 1/2021 issued by the South African Institute of Chartered Accountants as required by the Johannesburg Stock Exchange Listings Requirements.

1.28 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.

Key sources of estimation uncertainty

Impairment of trade receivables

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period (refer to note 24).

Allowance for slow moving, damaged and obsolete inventory

The Group assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales in note 5.

Fair value estimation

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

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

Impairment testing

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.28 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

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

Restricted cash

We no longer consider cash deposits relating to the Zimbabwe operations as restricted as we are able to expatriate funds to Botswana.

Business combinations

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

Use of adjusted measures

Adjusted EBITDA in the operating segmental information is EBITDA excluding foreign exchange rate differences on IFRS 16 lease liabilities, profit or loss on sale of assets, Zimbabwean legacy debt receipts (see note 11) as well as income or expenditure of a capital nature.

The adjusted EBITDA measure is shown as management believes them to be relevant to the understanding of the Group's financial performance. This measure is used for internal performance analysis and provide additional useful information on underlying trends to equity holders. This measure is not a defined term under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

2. SEGMENT RESULTS

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

The Group has four continuing operating segments (2021: four) as described below, which are the Group's strategic divisions. Operating segments are disclosed by geographical regions.

Performance is measured based on EBITDA, adjusted EBITDA and EBIT as the board believes that such information is the most relevant in evaluating the results of the segments against each other and other entities which operate within the retail industry.

Botswana – retail of fast-moving consumer goods in Botswana.

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

30 June 2022

			Rest of Africa comprises of Namibia, Zambia and Zimbabwe			
Statement of profit or loss and other comprehensive income	**Botswana**	**Rest of Africa**	**Namibia**	**Zambia**	**Zimbabwe**	**Total Group**
Revenue	**4 254**	**1 843**	**276**	**786**	**781**	**6 097**
Retail sales	**4 209**	**1 833**	**275**	**783**	**775**	**6 042**
Adjusted EBITDA	**405**	**101**	**5**	**59**	**37**	**506**
Movement in credit loss allowance	**(2)**	**(5)**	**–**	**–**	**(5)**	**(7)**
Loss on disposal of plant and equipment	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Foreign exchange gains/(losses) on lease liability		**28**		**28**	**–**	**28**
Losses relating to South African operations	**(20)**	**–**	**–**	**–**	**–**	**(20)**
Foreign exchange gains on Zimbabwean legacy debt receipts	**–**	**15**	**–**	**–**	**15**	**15**
EBITDA	**381**	**139**	**5**	**87**	**47**	**520**
Depreciation and amortisation	**(190)**	**(51)**	**(14)**	**(21)**	**(16)**	**(241)**
Operating profit/(loss) (EBIT)	**191**	**88**	**(9)**	**66**	**31**	**279**
Statement of financial position						
Assets	**1 223**	**663**	**141**	**260**	**262**	**1 886**
Liabilities	**1 121**	**1 106**	**200**	**394**	**512**	**2 227**

The Zambian and Zimbabwean operating segments are now identified as a reportable segment in the current period due to their contribution to revenue exceeding the quantitative threshold of ten percent. The prior period segment data presented for comparative purposes have been restated to reflect the new reportable segments. By default the Namibia operating segment is disclosed despite its contribution to revenue not exceeding the quantitative threshold of ten percent. The prior-period segment data presented for comparative purposes have been restated to reflect adjusted EBITDA.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2022

2. SEGMENT RESULTS (continued)

30 June 2022

			Rest of Africa comprises of Namibia, Zambia and Zimbabwe			
Statement of profit or loss and other comprehensive income	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	Total Group
Revenue	4 188	1 188	154	495	539	5 376
Retail sales	4 145	1 186	154	495	537	5 331
Adjusted EBITDA	431	56	4	40	12	487
Movement in credit loss allowance	17	–	–	–	–	17
Foreign exchange gains/(losses) on lease liability		(19)		(19)	–	(19)
EBITDA	448	37	4	21	12	485
Depreciation and amortisation	(201)	(58)	(10)	(38)	(10)	(259)
Operating profit/(loss) (EBIT)	247	(21)	(6)	(17)	2	226
Statement of financial position						
Assets	1 225	479	100	151	228	1 704
Liabilities	1 198	954	144	336	474	2 152

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform. The effective date of the Group is for years beginning on or after 01 January 2021.

The Group has adopted the amendment for the first time in the 2022 consolidated and separate annual financial statements. The impact of the amendment requires additional disclosure only.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9

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

The effective date of the Group is for years beginning on or after 01 January 2021.

The amendment did not have an impact on the Group and Company's consolidated and separate financial statements since the actual replacement of LIBOR has not yet taken place. The amendment is only expected to impact the Group for the first time in 2023 when the publication of one month UK LIBOR rates cease.

3.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2022 or later periods:

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

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

3. NEW STANDARDS AND INTERPRETATIONS (continued)

3.2 Standards and interpretations not yet effective (continued)

Classification of Liabilities as Current or Non-Current – Amendment to IAS 1 (continued)

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

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

The effective date of the amendment is for years beginning on or after 01 January 2023.

The Group expects to adopt the amendment for the first time in the 2024 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 as the classification of liabilities is unlikely to change as a result of this amendment.

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

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

The effective date of the Group is for years beginning on or after 01 January 2022.

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

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate annual financial statements as no unusual modifications subject to the '10% test' impacting financial liabilities have taken or are expected to take place.

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

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

The effective date of the Group is for years beginning on or after 01 January 2022.

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

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate annual financial statements as no income is earned with plant and equipment during its construction phase.

Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37

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

The effective date of the Group is for years beginning on or after 01 January 2022.

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

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate annual financial statements as no onerous contracts currently exist.

4. REVENUE

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Revenue from contracts with customers				
Sale of goods	**6 042**	5 331	**–**	–
Other operating income				
Commission received on financial services	**32**	29	**–**	–
Rental income	**4**	3	**–**	–
Transportation income	**11**	8	**–**	–
Miscellaneous income	**3**	4	**–**	–
Effect of hyper-inflation accounting	**5**	1	**–**	–
	55	45	**–**	–
	6 097	5 376	**–**	–
Disaggregation of revenue from contracts with customers by segment				
The Group disaggregates revenue from customers as follows:				
Sale of goods				
Botswana	**4 209**	4 145	**–**	–
Namibia	**275**	154	**–**	–
Zambia	**783**	495	**–**	–
Zimbabwe	**775**	537	**–**	–
	6 042	5 331	**–**	–

5. COST OF SALES

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Sale of goods	**4 735**	4 142	**–**	–
Sale of goods include foreign exchange gains of BWP2 million (2021: BWP12 million)				

6. OTHER OPERATING (LOSSES)/GAINS

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Losses on disposals				
Property, plant and equipment	**(2)**	–	**–**	–

7. OPERATING PROFIT/(LOSS)

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Auditor's remuneration – external				
Audit fees	**8**	13	**-**	–
Consulting and professional fees				
Consulting and professional service fees	**14**	12	**-**	–
Legal fees	**1**	5		
	15	17	**-**	–
Employee costs				
Basic	**377**	362	**-**	–
Retirement benefit plans	**12**	11	**-**	–
Share-based payments	**1**	–	**-**	–
Total employee costs	**390**	373	**-**	–
Leases				
Variable lease payments	**8**	8	**-**	–
Gain on rental concession	**(9)**	(12)	**-**	–
	(1)	(4)	**-**	–
Depreciation and amortisation				
Depreciation of property, plant and equipment	**84**	88	**-**	–
Depreciation of right-of-use assets	**154**	168	**-**	–
Amortisation of intangible assets	**3**	2	**-**	–
Total depreciation and amortisation	**241**	258	**-**	–
Movement in credit loss allowances				
Trade and other receivables	**7**	(17)	**30**	3
The current year impairment in the Company relates to the Choppies Group Incentive Share Trust. Refer to note 19.				

8. ADMINISTRATION

Auditors remuneration	**8**	13	**-**	–
Bank charges	**49**	50	**-**	–
Computer expenses	**25**	23	**-**	–
Consulting and professional fees	**14**	12	**-**	–
Depreciation of right-of-use assets	**154**	168	**-**	–
Donations	**1**	1	**-**	–
Electricity and water charges	**109**	106	**-**	–
Employee costs	**390**	373	**-**	–
Effect of hyper-inflation accounting	**(25)**	15	**-**	–
Insurance	**16**	14	**-**	–
Legal fees	**1**	5	**-**	–
Motor vehicle expenses	**35**	29	**-**	–
Other expenses	**23**	20	**-**	–
Security	**35**	32	**-**	–
Short term leases	**(9)**	(12)	**-**	–
Variable lease payments	**8**	8	**-**	–
	834	857	**-**	–

9. SELLING AND DISTRIBUTION EXPENSES

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Advertising	**20**	12	**–**	–
Effect of hyper-inflation accounting	**10**	–	**–**	–
Travel and accommodation	**5**	4	**–**	–
	35	16	**–**	–

10. OTHER EXPENSES

	Group 2022	Group 2021	Company 2022	Company 2021
Amortisation	**3**	2	**–**	–
Depreciation	**84**	88	**–**	–
Effect of hyper-inflation accounting	**83**	1	**–**	–
Repairs and maintenance	**50**	43	**–**	–
	220	134	**–**	–

11. FOREIGN EXCHANGE GAINS ON ZIMBABWEAN LEGACY DEBT RECEIPTS

	Group 2022	Group 2021	Company 2022	Company 2021
Foreign exchange gains on Zimbabwean legacy debt receipts	**(15)**	–	**–**	–

In February 2009, the Government of Zimbabwe introduced the multicurrency system which had the United States Dollar (USD) as its base currency. As time progressed, the Zimbabwe economy started experiencing foreign currency shortages on the market as there was an increase in the use of electronic settlement platforms namely, Real Time Gross Settlement ("RTGS") platforms. A monetary policy measure introduced in October 2018 directing the separation of foreign currency accounts ("FCAs") into two categories namely RTGS FCA and Nostro FCA at a parity rate of 1:1.

The Government of Zimbabwe through another policy measure issued Statutory Instrument 33 (SI 33 of 2019) which introduced the RTGS Dollar which physical denominations in bond notes and coins at a base rate of USD1: ZWL2.5. The introduction of the currency and its addition to the multicurrency basket brought about the interbank market which was to function on a willing buyer, willing seller basis. The enacting instrument gave a legal requirement for accounting treatment of local assets and liabilities denominated in United States Dollars (USD) to be transferred to Zimbabwe Dollars (ZWL) at parity.

One of the safeguards introduced by the Monetary Policy Statement in order to maintain stability in the Zimbabwean foreign currency market was that all foreign liabilities or legacy debts due to suppliers and service providers, as well as declared dividends would be treated separately. These foreign liabilities or legacy debts transactions would be registered with the Reserve Bank of Zimbabwe Exchange Control Division for the purposes of providing the Reserve Bank sufficient information to determine the roadmap to expunge them in an orderly manner. In order to operationalise the Monetary Policy Statement, the Reserve Bank issued Exchange Control Directive RU28/2019 which provided the Blocked Funds Framework that contained guidelines to be followed in the registration of foreign liabilities or legacy debts. Exchange Control Directive RU102/2019 published in September directed banking institutions to transfer all RTGS$ balances in relation to registered legacy debts to the Reserve Bank.

11. FOREIGN EXCHANGE GAINS ON ZIMBABWEAN LEGACY DEBT RECEIPTS (continued)

In 2021, the Government of Zimbabwe assumed the obligation to settle these Blocked Funds in terms of Part XIII of the Finance Act No. 7 of 2021. The Group proceeded to transfer the ZWL equivalent of the legacy debt at a rate of USD/ZWL1:1 to the RBZ as per requirement of the Exchange Control directive RU28 of 2019 amounting to ZWL29 624 114.07. In this regard, the Group received communication from the Reserve Bank of Zimbabwe dated 4 May 2022 to the effect that an amount of USD29 624 114.07 had been successfully registered with the Bank's Exchange Control division as blocked funds to be paid in monthly instalments of USD125 000 per week until it has been paid in full, which is expected to be August 2027.

As at 30 June 2022, the Group had received an amount of USD500 000 and ZWL286 682 079. Prior to RBZ's communication, the legacy debts had been accounted for at the prevailing auction rate. The Group has continued to carry the legacy debts at the prevailing auction rate as they view this as prudent given Zimbabwe's perennial shortages of foreign currency. Any resulting gains from the United States Dollar receipts from the RBZ in settling the debts have been accounted for in the profit or loss on receipt as a foreign exchange gain separately on the face of the statement of profit or loss and other comprehensive income.

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Summary of receipts				
Received in ZWL	**9**	–	**–**	–
Received in USD	**6**	–	**–**	–
	15	–	**–**	–

12. FINANCE COSTS

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Shareholders loans	**6**	6	**–**	–
Lease liabilities	**56**	56	**–**	–
Bank overdraft	**37**	48	**–**	–
Total finance costs	**99**	110	**–**	–

13. TAXATION

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Major components of the tax expense				
Current				
Income tax – current period	**38**	43	**–**	–
Deferred				
Originating and reversing temporary differences	**(3)**	(9)	**–**	–
	35	34	**–**	–
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting profit/(loss)	**180**	116	**(30)**	(3)
Tax at the applicable tax rate of 22% (2021: 22%)	**40**	26	**(7)**	(1)
Tax effect of adjustments on taxable income				
Unrecognised deferred tax asset	**(15)**	12	**–**	–
Disallowed expenses	**4**	1	**–**	554
Effects of different tax rates	**6**	(5)	**–**	–
	35	34	**(7)**	553

13. TAXATION (continued)

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
The tax losses carried forward for certain subsidiaries are BWP225 million (2021: BWP184 million) which can be claimed by these subsidiaries to reduce future tax payments. These losses cannot be offset across different legal entities and can be carried forward no longer than 5 years.				
The tax losses carried forward per expiry date are as follows:				
2022	**16**	–	**–**	–
2021	**86**	61	**–**	–
2020	**77**	53	**–**	–
2019	**51**	33	**–**	–
2019 and prior	**25**	38	**–**	–
	255	185	**–**	–

14. EARNINGS PER SHARE

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Basic earnings per share				
Basic earnings per share (thebe) – continuing operations	**10.7**	6.5	**–**	–
Basic earnings per share (thebe) – discontinued operations	**–**	(1.3)	**–**	–
	10.7	5.2	**–**	–
Diluted earnings per share				
Basic earnings per share (thebe) – continuing operations	**10.7**	6.5	**–**	–
Basic earnings per share (thebe) – discontinued operations	**–**	(1.3)	**–**	–
	10.7	5.2	**–**	–
Profit or loss for the year attributable to equity holders of the parent				
Continuing operations	**140**	85	**–**	–
Discontinued operations	**–**	(16)	**–**	–
	140	69	**–**	–

14. EARNINGS PER SHARE (continued)

Headline earnings and diluted headline earnings per share

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Headline earnings per share				
Basic earnings per share (thebe) – continuing operations	**12.4**	6.5	**–**	–
Basic earnings per share (thebe) – discontinued operations	**–**	–	**–**	–
	12.4	6.5	**–**	–
Diluted headline earnings per share				
Basic earnings per share (thebe) – continuing operations	**12.4**	6.5	**–**	–
Basic earnings per share (thebe) – discontinued operations	**–**	–	**–**	–
	12.4	6.5	**–**	–

	2022			2021		
Group	**Gross**	**Income tax effect**	**Net**	Gross	Income tax effect	Net
Headline earnings						
Profit for the year attributable to owners of the Company						
Continuing operations			**140**			85
Discontinued operations						(16)
Re-measurement:						
Loss of disposal of property, plant and equipment	**2**	**–**	**2**	2	–	2
Contingent consideration on sale of South African operations	**20**	**–**	**20**	–	–	–
Impairment losses	**–**	**–**	**–**	14	–	14
Headline earnings/(loss)	**–**	**–**	**162**	–	–	85

14. EARNINGS PER SHARE (continued)

Group	2022 Gross	2022 Income tax effect	2022 Net	2021 Gross	2021 Income tax effect	2021 Net
Continuing operations						
Profit for the year attributable to owners of the Company						
Continuing operations			**140**			85
Re-measurement:						
Loss of disposal of property, plant and equipment	**2**	**–**	**2**	–	–	–
Contingent consideration on sale of South African operations	**20**	**–**	**20**	–	–	–
Headline earnings	**–**	**–**	**162**	–	–	85
Discontinued operations						
Profit for the year attributable to owners of the Company						
Discontinued operations			**140**			(16)
Re-measurement:						
Loss of disposal of property, plant and equipment	**–**	**–**	**–**	2	–	2
Impairment losses	**–**	**–**	**–**	14	–	14
Headline loss	**–**	**–**	**–**	–	–	–

Figures in Pula million	Group 2022	Group 2021	Company 2022	Company 2021
Adjusted for:				
Reconciliation of weighted average number of ordinary shares used for earnings per share to weighted average number of ordinary shares used for diluted earnings per share				
Weighted average number of ordinary shares used for basic earnings per share – 000’s	**1 303 628**	1 303 628	**–**	–
Weighted average number of ordinary shares at 30 June	**1 303 628**	1 303 628	**–**	–
Adjusted for:				
Weighted average number of ordinary shares used for basic earnings per share – 000’s	**1 303 628**	1 303 628	**–**	–
Options – 000’s	**975**	–	**–**	–
Weighted average number of ordinary shares at 30 June – 000’s	**1 304 603**	1 303 628	**–**	–

15. PROPERTY, PLANT AND EQUIPMENT

Group	2022 Cost	2022 Accumulated depreciation	2022 Carrying value	2021 Cost	2021 Accumulated depreciation	2021 Carrying value
Leasehold improvements	**57**	**(23)**	**34**	54	(20)	34
Plant and machinery	**603**	**(350)**	**253**	554	(316)	238
Furniture and fixtures	**189**	**(131)**	**58**	184	(116)	68
Motor vehicles	**208**	**(116)**	**92**	199	(123)	76
Office equipment	**107**	**(80)**	**27**	107	(73)	34
IT equipment	**149**	**(110)**	**39**	127	(106)	21
Aircraft	**58**	**(23)**	**35**	58	(22)	36
Total	**1 371**	**(833)**	**538**	1 283	(776)	507

Reconciliation of property, plant and equipment – Group – 2022

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Opening balance								
Cost	**54**	**554**	**184**	**199**	**107**	**127**	**58**	**1 283**
Accumulated depreciation and impairment	**(20)**	**(316)**	**(116)**	**(123)**	**(73)**	**(106)**	**(22)**	**(776)**
Net book value at 01 July 2021	**34**	**238**	**68**	**76**	**34**	**21**	**36**	**507**
Additions	**3**	**34**	**12**	**48**	**-**	**23**	**-**	**120**
Disposals and scrappings – cost	**–**	**–**	**–**	**(31)**	**-**	**-**	**-**	**(31)**
Disposals and scrappings – accumulated depreciation	**–**	**–**	**–**	**22**	**-**	**-**	**-**	**22**
Hyperinflation – cost	**12**	**31**	**6**	**(2)**	**-**	**5**	**-**	**52**
Hyperinflation – accumulated depreciation	**(5)**	**(18)**	**(7)**	**(4)**	**-**	**3**	**-**	**(31)**
Foreign exchange movements – cost	**(12)**	**(16)**	**(13)**	**(6)**	**-**	**(6)**	**-**	**(53)**
Foreign exchange movements – accumulated depreciation	**5**	**20**	**4**	**5**	**–**	**4**	**–**	**38**
Depreciation	**(3)**	**(36)**	**(12)**	**(16)**	**(7)**	**(11)**	**(1)**	**(86)**
Net book value at 30 June 2022	**34**	**253**	**58**	**92**	**27**	**39**	**35**	**538**
Made up as follows								
Cost	57	603	189	208	107	149	58	1 371
Accumulated depreciation and impairment	(23)	(350)	(131)	(116)	(80)	(110)	(23)	(833)
	34	253	58	92	27	39	35	538

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – Group – 2021

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Opening balance								
Cost	50	506	163	192	105	114	58	1 188
Accumulated depreciation and impairment	(11)	(244)	(97)	(111)	(62)	(87)	(21)	(633)
Net book value at 01 July 2020	39	262	66	81	43	27	37	555
Additions	3	24	4	19	1	5	–	56
Acquisitions – cost	–	–	3	1	1	1	–	6
Acquisitions – accumulated depreciation	–	–	(2)	(1)	(1)	(1)	–	(5)
Disposals and scrappings – cost	–	(9)	–	(20)	–	–	–	(29)
Disposals and scrappings – accumulated depreciation	–	–	–	14	–	–	–	14
Hyperinflation – cost	7	57	16	9	–	11	–	100
Hyperinflation – accumulated depreciation	(8)	(41)	(6)	(9)	–	(9)	–	(73)
Foreign exchange movements – cost	(6)	(24)	(2)	(2)	–	(4)	–	(38)
Foreign exchange movements – accumulated depreciation	–	5	–	1	–	2	–	8
Depreciation	(1)	(36)	(11)	(17)	(10)	(11)	(1)	(87)
Net book value at 30 June 2021	34	238	68	76	34	21	36	507
Made up as follows								
Cost	54	554	184	199	107	127	58	1 283
Accumulated depreciation and impairment	(20)	(316)	(116)	(123)	(73)	(106)	(22)	(776)
	34	238	68	76	34	21	36	507

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings note 31:

The Group entered into a Loan Facilities Agreement during the 2021 reporting period which was secured by a cross-company guarantee issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP636 million issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date BWP516 million of these facilities were utilised. Refer to notes 26 and 31 for further disclosure of the facilities.

Net carrying amounts of leased assets

Impairment and reversal of impairment

During the current year no impairment indicators were identified relating to buildings and plant and machinery. There is no impairment for the period under review for buildings (2021: BWP Nil) and plant and machinery BWP Nil (2021: BWP Nil).

16. RIGHT-OF-USE ASSETS

	2022			2021		
Group	**Cost**	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Right-of-use – buildings	**1 046**	**(449)**	**597**	902	(322)	580

Reconciliation of right-of-use asset	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Cost	**902**	821	**-**	–
Accumulated depreciation	**(322)**	(158)	**-**	–
Net book value at 01 July	**580**	663	**-**	–
Additions	**162**	119	**-**	–
Disposals – cost	**-**	(13)	**-**	–
Disposals – accumulated depreciation	**-**	2	**-**	–
Foreign exchange movements – cost	**(6)**	(38)	**-**	–
Foreign exchange movements – accumulated depreciation	**(6)**	(1)	**-**	–
Effects of hyperinflation – cost	**(12)**	15	**-**	–
Effects of hyperinflation – accumulated depreciation	**34**	(1)	**-**	–
Depreciation	**(155)**	(166)	**-**	–
	597	580	**-**	–
Comprising of:				
Cost	**1 046**	902	**-**	–
Accumulated depreciation	**(449)**	(322)	**-**	–
	597	580	**-**	–
Other disclosures				
Interest expense on lease liabilities	**56**	56	**-**	–
Gain on rental concession	**(9)**	(12)	**-**	–
Variable lease payments	**8**	8	**-**	–

17. GOODWILL

	2022			2021		
Group	**Cost**	**Accumulated impairment**	**Carrying value**	Cost	Accumulated impairment	Carrying value
Goodwill	**48**	**-**	**48**	60	–	60

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Cost	**60**	61	**-**	–
Effects of hyperinflation accounting	**31**	22	**-**	–
Effects of movement in exchange rates	**(43)**	(23)	**-**	–
	48	60	**-**	–

17. GOODWILL (continued)

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

No Impairment indicators were identified relating to goodwill.

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Goodwill				
Nanavac Investments (Pvt) Limited (Zimbabwe)	**48**	59	**-**	–
The following assumptions were applied in the evaluation of goodwill discount rate is 22% (2021: 14%-22%).				
Average sales growth rate				
In Zimbabwe	**30**	10	**-**	–
Terminal value growth rate	**24**	24	**-**	–
Five year average inflation rate				
in Zimbabwe	**50**	50	**-**	–
Five year gross profit margin				
In Zimbabwe – percentage	**21.0**	22.8	**-**	–

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

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

18. INTANGIBLE ASSETS

	2022			2021		
Group	**Cost**	**Accumulated amortisation**	**Carrying value**	Cost	Accumulated amortisation	Carrying value
Computer software	**32**	**(28)**	**4**	31	(26)	5

18. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets – Group

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Cost	**30**	28	**-**	–
Accumulated amortisation	**(12)**	(10)	**-**	–
Accumulated impairment	**(13)**	(13)	**-**	–
Net book value at 01 July	**5**	5	**-**	–
Additions	**2**	2	**-**	–
Amortisation	**(3)**	(2)	**-**	–
	4	5	**-**	–
Comprising of:				
Cost	**32**	30	**-**	–
Accumulated amortisation	**(15)**	(12)	**-**	–
Accumulated impairment	**(13)**	(13)	**-**	–
	4	5	**-**	–

19. INVESTMENTS IN SUBSIDIARIES

Choppies Enterprises Limited held the below interests in the stated capital of subsidiaries consolidated into these financial statements. The Company has 9 (2021: 9) subsidiaries, 7 (2021: 7) of which were operating during the financial year.

- Four (2021: four) subsidiaries are wholly owned including Choppies Group Share Incentive Trust Scheme.
- The other five (2021: five) subsidiaries are majority held.

Choppies Group Share Incentive Trust Scheme

Choppies Group share incentive trust scheme is termed as a subsidiary mainly due to the control exercised by the Company over its management. The trust does not have any capital or equity fund which is owned by the Company. Details of the movement of the trust is given in note 28. The value mentioned towards the trust is the cost of shares transferred to the Trust for its management as per the provisions of trust deed.

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Opening balance at the beginning of the year	**-**	–	**104**	104
Impairment during the year	**-**	–	**(30)**	–
Closing balance	**-**	–	**74**	104

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19. INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists the entities which are controlled directly by the Company, and the carrying amounts of the investments in the Company's separate financial statements.

Company

Name of company	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
Choppies Distribution Centre (Pty) Limited	**100%**	100%	**74**	74
Choppies Supermarkets Namibia (Pty) Limited	**100%**	100%	**–**	–
Choppies Supermarkets Tanzania Limited	**75%**	75%	**13**	13
Choppies Supermarkets Tanzania Limited – Impairment			**(13)**	(13)
Choppies Enterprises Kenya Limited	**75%**	75%	**179**	179
Choppies Enterprises Kenya Limited – impairment			**(179)**	(179)
Choppies Distribution Centre Kenya Limited	**75%**	75%	**–**	–
Choppies Group Share Incentive Trust Scheme (Note 1)	**100%**	100%	**–**	30
Choppies Supermarket Mozambique Limitada	**90%**	90%	**34**	34
Choppies Supermarket Mozambique Limitada – impairment			**(34)**	(34)
Choppies Supermarkets Limited (Zambia)	**90%**	90%	**–**	–
Nanavac Investments (Pvt) Limited	**100%**	100%	**–**	–
			74	104

Note 1: *The loan between the Trust and the Company was impaired at a Company level during the current year.*

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material (5% of total assets) 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 2022	2021
Choppies Supermarkets Limited	Zambia	**10%**	10%

2022	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Summarised statement of financial position							
Choppies Supermarkets Limited	**163**	**97**	**260**	**101**	**293**	**394**	**(13)**

2022	Revenue	Profit/ (loss) before tax	Profit/ (loss) after tax	Total compre-hensive income	Non-controlling interest
Summarised statement of profit or loss and other comprehensive income					
Choppies Supermarkets Limited	**783**	**53**	**53**	**5**	**5**

19. INVESTMENTS IN SUBSIDIARIES (continued)

2022	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
Summarised statement of cash flows				
Choppies Supermarkets Limited	**99**	**(42)**	**(22)**	**36**

2021	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Summarised statement of financial position							
Choppies Supermarkets Limited	95	56	151	92	244	336	(18)

2021	Revenue	Profit/(loss) before tax	Profit/(loss) after tax	Total comprehensive income	Non-controlling interest
Summarised statement of profit or loss and other comprehensive income					
Choppies Supermarkets Limited	(495)	(29)	(29)	(3)	(30)

2021	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
Summarised statement of cash flows				
Choppies Supermarkets Limited	16	(13)	(27)	(25)

Assessment of investments in subsidiaries for impairment

The Company assesses investments in subsidiaries for potential impairment when their impairment indicators have been identified. The Company assesses the current and future financial performance of these subsidiaries, taking into account the company's business model (5 year projection). An impairment loss is recognised if a subsidiary does not show a cumulative profitable return over the next five years from the year end. All investments in subsidiaries are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the investments' recoverable amount exceeds its carrying amount. Future performance was assessed based on cash flow projections for the Group's subsidiaries below and the following key assumptions:

19. INVESTMENTS IN SUBSIDIARIES (continued)

	Choppies Supermarkets Limited (Zambia)		Choppies Supermarkets Namibia (Pty) Limited		Choppies Distribution Centre (Pty) Limited	
	2022	2021	**2022**	2021	**2022**	2021
Revenue growth rates	**8%**	10%	**18%**	9%	**6%**	6%
Gross profit margins	**19%**	19%	**17%**	19%	**23%**	24%
Inflation rates	**10%**	10%	**6%**	5%	**8%**	2%
Terminal growth rates	**5%**	5%	**5%**	5%	**6%**	6%

The Group reviewed the projections and operations of the regions, namely Botswana, Namibia and Zambia and remains optimistic of the region as it is showing good growth and value add to the Group. As a result, the Group did not impair these investments in the financial year 2022 due to the expected positive EBITDA and increase in value based on future projections.

20. INVESTMENT IN NEW PROJECTS

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Investments in new projects is reconciled as follows:				
Balance at the beginning of the year	**8**	10	**-**	-
Amounts reclassified as additions to property, plant and equipment during the year	**(15)**	(10)	**-**	-
Capital advanced during the year	**13**	10	**-**	-
Effects of exchange rates	**2**	(2)	**-**	-
	8	8	**-**	-

21. INVENTORIES

	Group		Company	
	2022	2021	**2022**	2021
Merchandise	**472**	350	**-**	-
Goods in transit	**1**	1	**-**	-
	473	351	**-**	-
Provision for inventory obsolescence	**(12)**	(10)	**-**	-
	461	341	**-**	-
Cost of inventories recognised as an expense during the year	**4 735**	4 142	**-**	-

The Group has identified a misclassification of BWP44 million between the value of inventory and the value of provisions for obsolescence as certain valuation adjustments were disclosed as provisions in the 2021 reporting period.

In accordance with IAS 8 requirements, the Group has restated the note for the 2021 reporting period. This was no impact on the statement of financial position, the statement of comprehensive income, statement of changes in equity or statement of cash flows.

22. AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Amounts due from related entities				
Amounts due from related entities – subsidiaries (note 39)	**-**	–	**164**	168
Amounts due from related entities – other related parties	**4**	5	**-**	–
	4	5	**164**	168

Transactions with related entities are carried out on mutually agreed terms and conditions in the normal course of business on an arm's length basis. Refer to note 39 for the details of related party balances and transactions.

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

Exposure to credit risk

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

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

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

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

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

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

23. ADVANCES AND DEPOSITS

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Prepaid expenses	**7**	3	**-**	–
Rent deposits	**9**	8	**-**	–
Other deposits	**1**	1	**-**	–
Electricity deposits	**3**	3	**-**	–
Advance to suppliers	**31**	26	**-**	–
Other advances	**5**	3	**-**	–
	56	44	**-**	–

Advances to suppliers are prepayments for inventory and services.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Financial instruments:				
Trade receivables	**15**	11	**–**	1
Loss allowance	**(10)**	(3)	**–**	–
Trade receivables at amortised cost	**5**	8	**–**	1
Rebate receivable	**29**	25	**–**	–
Other receivable	**32**	24	**–**	–
Non-financial instruments:				
Value added tax	**9**	8	**–**	–
Total trade and other receivables	**75**	65	**–**	1

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

Financial instrument and non-financial instrument components of trade and other receivables

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
At amortised cost	**66**	57	**–**	–
Non-financial instruments	**9**	8	**–**	–
	75	65	**–**	–

Exposure to credit risk

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

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

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

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

Credit risk on rebate receivable

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

24. TRADE AND OTHER RECEIVABLES (continued)

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

Group	2022	2022	2021	2021
Figures in Pula million	**Estimated gross carrying amount at default**	**Loss allowance (lifetime expected credit loss)**	Estimated gross carrying amount at default	Loss allowance (lifetime expected credit loss)
Expected credit loss rate:				
Not past due: 71% (2021: 4.7%)	**7**	**(5)**	4	–
More than 91 days past due: 100% (2021: 100%)	**5**	**(5)**	5	(5)
Specific debtors Payless n/a (2021: 100%)	**–**	**–**	124	(124)
Total	**12**	**(10)**	133	(129)

Reconciliation of loss allowances

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Opening balance in accordance with IFRS 9	**3**	**129**	–	–
Provision for ECL current year	**7**	**–**	–	–
Reversal of prior year provision	**–**	**(2)**	–	–
Bad debts written off	**–**	**(124)**	–	–
Closing balance	**10**	**3**	–	–

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

25. RESTRICTED CASH

Cash and cash equivalents held by the entity that are not available for use by the Group.

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Cash and cash equivalents – Restricted cash Zimbabwe	**–**	**5**	–	–

We no longer consider cash deposits relating to the Zimbabwe operations as restricted as we are able to expatriate funds to Botswana.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2022

26. CASH AND CASH EQUIVALENTS

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Cash and cash equivalents consist of:				
Cash on hand	**10**	7	**-**	–
Bank balances	**75**	67	**-**	–
Bank overdraft	**(68)**	(68)	**-**	–
	17	6	**-**	–
Current assets	**85**	74	**-**	–
Current liabilities	**(68)**	(68)	**-**	–
	17	6	**-**	–

The Company has a cash balance of BWP437 530.

The Group has the following facilities:

- Facility D – raised during March 2021 with a consortium of banks as described under note 31. Facility D is a BWP50 million overdraft facility from Absa Bank Botswana Limited, Stanbic Bank Botswana Limited and First National Bank Botswana Limited, secured by a cross-company guarantee of BWP50 million issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP50 million issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date BWP49 million of this facility was utilised. The overdraft facility is payable in full by March 2023.
- BWP20 million overdraft facility from First Capital Bank Botswana Limited payable July 2022. This facility is unsecured. At the reporting date BWP19 million of the facility was utilised.

27. STATED CAPITAL

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Issued				
1 303 628 341 issues ordinary shares at no par value	**906**	906	**-**	–

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.

28. TREASURY SHARES

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

On 22 May 2017, the Group issued 12 000 000 ordinary shares valued at BWP30 720 000, to the Choppies Group Incentive Trust. A total number of 1 475 000 shares were granted to selected employees on 30 June 2018. These shares remained under the control of the trust and had a three-year vesting period. There have been no further share grants since 2018. Due to the shares being suspended on both the Botswana Stock Exchange and JSE, the scheme was suspended, and shares were not transferred to the employees who were still in the employ of the Company. The board took a decision during the current financial year to reinstate the scheme.

Certain employees are eligible for their share allocation and of the 1 475 000 shares granted, 945 000 had vested and 530 000 were forfeited. These shares will be transferred to the eligible employees in the next financial year.

The vesting was accounted for according to IFRS 2 resulting in BWP1.3 million charged to the current year profit and loss. This is calculated as follows:

- 975 000 shares valued at BWP2.4 million (BWP2.50 per share being the market price as at 29 June 2018), less the BWP1.1 million expensed prior to the schemes suspension.

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Shares granted in terms of the scheme meet the definition of an equity-settled share-based payments.				
Total number of shares issued to the trust by issuing new share capital	**12 000 000**	12 000 000	**–**	–
Value of shares held by the trust	**29 615 835**	29 615 835	**–**	–

29. HYPERINFLATIONARY TRANSLATION RESERVE

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Opening balance	**194**	160	**–**	–
Exchange differences on translating foreign operations in hyperinflationary economy	**75**	34	**–**	–
	269	194	**–**	–

30. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Opening balance	**(474)**	(396)	**–**	–
Exchange differences on translating foreign operations	**(113)**	(75)	**–**	–
Exchange differences on translating foreign operations attributable to non-controlling interest	**1**	(3)	**–**	–
	(586)	(474)	**–**	–
Foreign currency translation reserve comprises of:				
Foreign currency translation reserve – continuing operations	**(586)**	(474)	**–**	–
Foreign currency translation reserve – discontinued operations	**–**	–	**–**	–
	(586)	(474)	**–**	–

31. BORROWINGS

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Held at amortised cost				
Secured				
First National Bank Botswana Limited	**56**	64	**–**	–
Absa Bank Botswana Limited	**255**	293	**–**	–
Stanbic Bank Botswana Limited	**143**	163	**–**	–
ABSA Bank South Africa Limited	**3**	7	**–**	–
Absa Bank Kenya Plc	**10**	24	**–**	–
Unsecured				
Shanta Retail Holding Limited	**37**	44	**–**	–
Loan from shareholders	**113**	107	**–**	–
	617	702	**–**	–
Split between non-current and current portions				
Non-current liabilities	**530**	616	**–**	–
Current liabilities	**87**	86	**–**	–
	617	702	**–**	–

Refer to note 36 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and note 41 Financial instruments and financial risk management for the fair value of borrowings.

31. BORROWINGS (continued)

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

Facility	End date	ABSA	Stanbic	FNB	Total facility	**Balance at June 2022**	Balance at June 2021
Facility A1	Feb – 2023	72 000 000	41 000 000	16 000 000	129 000 000	**37 060 199**	103 286 478
Facility B	Feb – 2023	150 000 000	84 000 000	33 000 000	267 000 000	**267 000 000**	267 000 000
Facility C	Mar – 2026	84 000 000	47 000 000	19 000 000	150 000 000	**150 000 000**	150 000 000
Total		306 000 000	172 000 000	68 000 000	546 000 000	**454 060 199**	520 286 478

The lenders have made available three term facility loans:

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

Facility A1 is part of a basket of facilities including the Absa Bank of SA loan (facility A2) and Absa Bank of Kenya loan (facility A3) as detailed in the notes below and the Bank Overdraft (facility D) as detailed in note 26.

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

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

Absa South Africa Bank Limited

The lenders have made available a term facility loan:

Facility	End date	ABSA ZAR	Nominal amount BWP	**Balance at June 2022 BWP**	Balance at June 2021 BWP
Facility A2	Jan – 2023	12 129 084	9 181 397	**2 677 907**	7 339 442

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

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

31. BORROWINGS (continued)

Absa Bank of Kenya Plc

In the prior year the outstanding balance was transferred to liabilities for disposal group. The facility was for KSH300 000 000. During the current financial year the Kenyan Shilling loan was transferred from the Kenyan subsidiary to Botswana and converted to a US Dollar loan.

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

Facility	End date	ABSA ZAR	Nominal amount BWP	**Balance at June 2022 BWP**	Balance at June 2021 BWP
Facility A3	Feb – 2023	2 800 000	34 825 868	**10 157 539**	24 173 026

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

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

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

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

	2022	2021
• Gross debt to EBITDA	**1.5**	1.1
• Interest Cover ratio	**5.4**	5.2
• Debt service cover ratio	**1.7**	2.0

**The Botswana Group consists of the parent Company and the Botswana subsidiary – Choppies Distribution Centre (Pty) Ltd.*

Shanta Retail Holding Limited

In August 2019, the Group obtained a short term loan for USD4 million to further finance the working capital requirements of Choppies Enterprises Kenya Limited from the minority shareholder Shanta Retail Holding Limited. Choppies Enterprises Limited issued a guarantee for the loan and entered into convertible loan agreement with a minority shareholder of Shanta Retail Holding Limited on the condition that the loan amount will be converted into shares in the event that Choppies Enterprises Limited defaults on repayment when due.

The loan is interest free and has no fixed repayment terms. The loan was included under liabilities for disposal group in the 2020.

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

31. BORROWINGS (continued)

Loan from founding shareholders

Pursuant to the terms of a debt reduction interceptor agreement entered into between Choppies Enterprises Limited, Choppies Distribution Centre Proprietary Limited a subsidiary of Choppies Enterprises Limited and Absa Bank Limited, First National Bank of Botswana Limited, Stanbic Bank of Botswana Limited, Standard Bank SA Limited and Standard Chartered Bank Botswana Limited (the Lenders) on 11 October 2019 and terms of the guarantee entered into by the founding shareholders and the lenders, pursuant to the intercreditor agreement, the founding shareholders effected a payment of BWP 100 million on 19 October 2019 to the agent for the lenders. The capital of the loan bears interest at a rate equal to 0.5% below the average rate of interest paid by Choppies Enterprises Limited to the lenders under various finance documents as defined in the intercreditor agreement. The repayment of this loan may only happen after the successful implementation of the Group's debt reduction plan. This loan has a reversionary security over the assets secured in favour of the consortium creditors.

At the reporting date, borrowings payables were as follows:

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Cash flows within one year				
Capital repayments	**87**	86	**–**	–
Interest	**33**	39	**–**	–
	120	125	**–**	–
Cash flows within two to five years				
Capital repayments	**617**	702	**–**	–
Interest	**60**	81	**–**	–
	590	697	**–**	–
Total				
Capital repayments	**617**	702	**–**	–
Interest	**93**	120	**–**	–
	710	822	**–**	–

32. LEASE LIABILITIES

	Group 2022	Group 2021	Company 2022	Company 2021
Minimum lease payments due				
• within one year	**206**	196	**–**	–
• in second to fifth year inclusive	**545**	495	**–**	–
• later than five years	**149**	207	**–**	–
	900	898	**–**	–
Less: future finance charges	**(156)**	(176)	**–**	–
Present value of minimum lease payments	**744**	722	**–**	–
Present value of minimum lease payments due				
• within one year	**157**	149	**–**	–
• in second to fifth year inclusive	**405**	394	**–**	–
• later than five years	**182**	179	**–**	–
	744	722	**–**	–
Non-current liabilities	**587**	572	**–**	–
Current liabilities	**157**	150	**–**	–
	744	722	**–**	–

Refer to note 36 Changes in liabilities arising from financing activities for details of the movement in the lease liabilities.

32. LEASE LIABILITIES (continued)

Details of leases

The Group has leases for the stores it operates in Botswana, Zambia, Namibia and Zimbabwe. With the exception of short-term leases, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 15).

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

Scania Finance Southern Africa (Pty) Limited

Finance lease liabilities

These lease liabilities are secured over motor vehicles with a net book value of BWP30 million (2021: BWP2 million). These liabilities bear interest at the South African prime lending rate less 0.5%-1% per annum and are repayable in 24-36 monthly instalments.

Alensy Energy Solutions (Pty) Ltd

These lease liabilities are secured over solar equipment with a net book value of BWP2 million (2021: BWP2 million). These liabilities bear interest at the South African prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Gain on rental concession	**(9)**	(12)	**–**	–
Variable lease payments	**8**	8	**–**	–
	(1)	(4)	**–**	–

Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying assets. Variable lease payments are expensed in the period they are incurred.

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

30 June 2022	**Carrying amounts**	**Depreciation expense**	**Impairment**
Buildings	**597**	**154**	**–**
Motor vehicles	**30**	**3**	**–**
Solar equipment	**2**	**–**	**–**
	629	**157**	**–**
30 June 2021			
Buildings	580	168	–
Motor vehicles	2	1	–
	582	169	–

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

33. DEFERRED TAX

Movement in deferred tax is analysed as follows:

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Reconciliation of deferred tax asset/(liability)				
At beginning of year	**(19)**	(29)	**–**	–
Charge to the profit or loss	**3**	9	**–**	–
Business combination	**–**	1	**–**	–
	(16)	(19)	**–**	–
Deferred tax liability				
Accelerated capital allowances	**(37)**	(146)	**–**	–
Right of use asset	**(93)**	(1)	**–**	–
Unrealised foreign exchange loss	**(1)**	1	**–**	–
Total deferred tax liability	**(131)**	(146)	**–**	–
Deferred tax asset				
Lease liabilities	**113**	125	**–**	–
Tax losses carried forward	**2**	2	**–**	–
Total deferred tax asset	**115**	127	**–**	–
Deferred tax liability	**(131)**	(146)	**–**	–
Deferred tax asset	**115**	127	**–**	–
Total net deferred tax liability	**(16)**	(19)	**–**	–

34. AMOUNTS DUE TO RELATED ENTITIES

Amounts due to related entities				
Amounts due to related entities	**44**	44	**–**	–

These balances are trade related, unsecured, interest free and are repayable under normal trading terms. Refer to note 39 for the details of related party balances and transactions.

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

35. TRADE AND OTHER PAYABLES

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Financial instruments:				
Trade payables	**585**	440	**–**	–
Consideration payable to Kind Investment (Pty) Ltd	**15**	8	**–**	4
Other payables	**108**	110	**–**	1
Non-financial instruments:				
Withholding tax payable	**2**	3	**–**	–
Vat payables	**7**	7	**–**	–
	717	568	**–**	5
Financial instrument and non-financial instrument components of trade and other payables				
At amortised cost	**708**	558	**–**	5
Non-financial instruments	**9**	10	**–**	–
	717	568	**–**	5

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

Fair value of trade and other payables

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value. Information of the Group's exposure to currency and liquidity risks is included in note 41.

36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – Group – 2022

	Opening balance	Foreign exchange movements	New leases	Repay-ments	Accrued interest	Closing balance
Borrowings	**551**	**–**	**–**	**(84)**	**–**	**467**
Shareholders loan	**107**	**–**	**–**	**–**	**6**	**113**
Shanta	**44**	**5**	**–**	**(12)**	**–**	**37**
Finance leases	**2**	**–**	**36**	**(7)**	**–**	**31**
Lease liabilities	**720**	**45**	**112**	**(164)**	**–**	**713**
Total liabilities from financing activities	**1 424**	**50**	**148**	**(267)**	**6**	**1 361**

Reconciliation of liabilities arising from financing activities – Group – 2021

	Opening balance	Discontinued movements	Foreign exchange movement	New leases	(Repay-ments)/ accrued interest	Closing balance
Borrowings	446	40	–	556	(491)	551
Shareholders loan	102	–	–	–	5	107
Shanta	–	107	(33)	–	(30)	44
Finance leases	8	–	2	–	(8)	2
Lease liabilities	745	–	18	111	(154)	720
Total liabilities from financing activities	1 301	147	(13)	667	(678)	1 424

37. BUSINESS COMBINATIONS

Jexman Holdings Proprietary Limited

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

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

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	**–**	9	**–**	–
Deferred tax	**–**	2	**–**	–
Trade and other receivables	**–**	1	**–**	–
Current tax receivable	**–**	1	**–**	–
Cash and cash equivalents	**–**	3	**–**	–
Lease liabilities	**–**	(8)	**–**	–
Trade and other payables	**–**	(2)	**–**	–
Total identifiable net assets	**–**	6	**–**	–
Acquisition date fair value of consideration paid				
Cash	**–**	(6)	**–**	–

The acquisition-related costs amounted to BWP179 000. These costs have been expensed in the year of acquisition and are included in consulting and professional charges in the profit or loss.

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

38. CONTINGENCIES

The Group has the following contingent liabilities at the reporting date:

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

Beneficiaries	Currency	**2022 '000**	2021 '000	**2022 BWP'000**	2021 BWP'000
Delta Corporation Limited	USD	**800**	800	**9 950**	8 724
National Foods Operations Limited	USD	**2 000**	2 000	**24 876**	21 810
Dairibord Zimbabwe (Pvt) Limited	USD	**1 000**	1 000	**12 438**	10 905
Unilever Zimbabwe (Pvt) Limited	USD	**800**	800	**9 950**	8 724
Lobels Biscuits (Pvt) Limited	USD	**400**	400	**4 975**	4 362
Zimbabwe Sugar Sales (Pvt) Limited	USD	**479**	479	**5 952**	5 224
Choppies Zimbabwe	ZWL	**100 000**	–	**3 396**	–
				71 537	59 749

The guarantees are callable on demand.

38. CONTINGENCIES (continued)

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

Beneficiaries	2022 TZS'000	2021 TZS'000	2022 BWP'000	2021 BWP'000
Tanzanian Breweries Limited	**10 000**	10 000	**47**	46
Bonite Bottlers Limited	**7 500**	7 500	**35**	34
	17 500	17 500	**82**	80

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

Beneficiaries	2022 ZAR'000	2021 ZAR'000	2022 BWP'000	2021 BWP'000
Consumer goods and services	**–**	138	**–**	105
Southern African Music Rights Organisation	**–**	561	**–**	428
Delareyville Municipality	**–**	1 892	**–**	1 444
QWIX Technology	**–**	780	**–**	1 595
Barakaat Property Investments (Mondeor Lease)	**–**	499	**–**	381
Recyquip Engineering and Manufacturing (Pty) Ltd	**–**	1 282	**–**	979
Mont Catering & Refrigerations SA (Pty) Ltd	**–**	6 709	**–**	5 121
	–	11 861	**–**	10 053

The guarantees were called during the year and were accrued during the year (refer to note 35) and included further considerations totalling BWP20 million.

39. RELATED PARTIES

Relationships

Subsidiaries (Refer to note 19)

The Group's related parties include its key management, companies with common directors and ownership.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Related party balances				
Amounts due from related entities (subsidiaries)				
Choppies Distribution Centre (Pty) Ltd	**–**	–	**137**	141
Nanavac Investments (Pty) Ltd	**–**	–	**35**	35
Nanavac Investments (Pty) Ltd – impairment	**–**	–	**(18)**	(18)
Choppies Supermarkets Limited (Zambia)	**–**	–	**10**	10
Choppies Supermarkets Namibia (Pty) Limited	**–**	–	**–**	–
	–	–	**164**	168

39. RELATED PARTIES (continued)

The balances are unsecured, interest-free and repayable on demand. In the Company an impairment reversal of BWP Nil (2021: BWP3 million) was recognised for amounts due from related party, Choppies Supermarket SA (Pty) Ltd. No other impairment losses have been recognised during the financial year.

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

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

	Group		Company	
Figures in Pula thousand	**2022**	2021	**2022**	2021
Amounts due from related entities (third parties) – BWP				
Acree (Pty) Ltd	**81**	53	**-**	–
Admiral Touch (Pty) Ltd	**106**	31	**-**	–
Auto World (Pty) Ltd	**91**	82	**-**	–
Bagpiper (Pty) Ltd	**30**	41	**-**	–
Balance Fortune (Pty) Ltd	**16**	12	**-**	–
Brookside Farm (Pty) Ltd (Adam's Apple (Pty) Ltd)	**99**	–	**-**	–
Cottonvale (Pty) Ltd	**-**	1	**-**	–
Distron Botswana (Pty) Ltd	**3**	28	**-**	–
Distron Zambia (Pty) Ltd	**2**	–	**-**	–
Feasible Investments (Pty) Ltd	**69**	60	**-**	–
Gainville (Pty) Ltd	**91**	18	**-**	–
Honey Guide (Pty) Ltd	**138**	66	**-**	–
Iceland Enterprises SA (Pty) Ltd	**1**	–	**-**	–
Ilo Industries (Pty) Ltd	**440**	251	**-**	–
Kala Hari Medical Distributors (Pty) Ltd	**21**	1 752	**-**	–
Kamoso Africa (Pty) Ltd	**26**	–	**-**	–
Keriotic Investments (Pty) Ltd	**1 013**	1 026	**-**	–
Lubsoga (Pty) Ltd	**21**	1	**-**	–
Mackinnon Holdings (Pty) Ltd	**2**	2	**-**	–
Mont Catering and Refrigeration (Pty) Ltd	**-**	1	**-**	–
Ovais Investment (Pty) Ltd	**77**	43	**-**	–
Pennywise Investments (Pty) Ltd	**3**	6	**-**	–
Princieton (Pty) Ltd	**-**	4	**-**	–
RBV Consultant (Pty) Ltd	**654**	466	**-**	–
Real Plastic Mould (Pty) Ltd	**111**	95	**-**	–
Rootlet (Pty) Ltd	**-**	6	**-**	–
Shaysons Investments (Pty) Ltd	**3**	80	**-**	–
Solace (Pty) Ltd	**305**	225	**-**	–
Stride of Success (Pty) Ltd	**-**	5	**-**	–
The FaR Property Company Ltd	**-**	9	**-**	–
Vet Agric Suppliers (Pty) Ltd	**1 046**	926	**-**	–
ZCX Investments (Pty) Ltd	**-**	20	**-**	–
	4 449	5 310	**-**	–

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

**Negative values are advance payments received.*

39. RELATED PARTIES (continued)

	Group		Company	
Figures in Pula thousand	**2022**	2021	**2022**	2021
Amounts due to related entities (third parties) – BWP				
Acree (Pty) Ltd	**389**	998	**–**	–
Admiral Touch (Pty) Ltd	**576**	390	**–**	–
Aleris (Pty) Ltd	**23**	–	**–**	–
Anuksha (Pty) Ltd	**35**	16	**–**	–
Auto World (Pty) Ltd	**21**	58	**–**	–
Bagpiper (Pty) Ltd	**179**	439	**–**	–
Balance Fortune (Pty) Ltd	**1 133**	2 345	**–**	–
Bargen (Pty) Ltd	**18**	104	**–**	–
Brookside Farm (Pty) Ltd (Adam's Apple (Pty) Ltd)	**873**	–	**–**	–
Cottonvale (Pty) Ltd	**116**	13	**–**	–
Distron Botswana (Pty) Ltd	**790**	1 660	**–**	–
Distron Zambia (Pty) Ltd	**946**	614	**–**	–
ETG (Pty) Ltd	**–**	4	**–**	–
Electometic Enterprises (Pty) Ltd	**508**	885	**–**	–
Feasible Investments (Pty) Ltd	**3 144**	2 708	**–**	–
Ghanzi Highway Fillings Station	**58**	33	**–**	–
Honey Guide (Pty) Ltd	**4 901**	3 429	**–**	–
Iceland Enterprises SA (Pty) Ltd	**349**	–	**–**	–
Ilo Industries (Pty) Ltd	**4 993**	3 211	**–**	–
Industrial Filling Station (Pty) Ltd	**51**	28	**–**	–
Kala Hari Medical Distributors (Pty) Ltd	**80**	11	**–**	–
Kamoso Africa (Pty) Ltd	**–**	216	**–**	–
Keriotic Investments (Pty) Ltd	**12 246**	18 081	**–**	–
Mackinnon Holdings (Pty) Ltd	**64**	49	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**1 283**	90	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**–**	526	**–**	–
Part Quip (Pty) Ltd	**75**	52	**–**	–
Pennywise Investments (Pty) Ltd	**–**	5	**–**	–
Pharma Futura (Pty) Ltd	**1 022**	386	**–**	–
Pinestone (Pty) Ltd	**466**	336	**–**	–
Prosperous People (Pty) Ltd	**101**	62	**–**	–
RBV Consultants (Pty) Ltd	**3 919**	4 033	**–**	–
Real Plastic Mould (Pty) Ltd	**1 502**	1 071	**–**	–
Shaysons Investments (Pty) Ltd	**290**	248	**–**	–
Shree Trading (Pty) Ltd	**42**	19	**–**	–
Solace (Pty) Ltd	**703**	483	**–**	–
Vet Agric Supplies (Pty) Ltd	**3 516**	1 102	**–**	–
Whitecoral (Pty) Ltd	**50**	29	**–**	–
	44 462	43 734	**–**	–

39. RELATED PARTIES (continued)

	Group		Company	
Figures in Pula thousand	**2022**	2021	**2022**	2021
Sale/(sales returns) of stock to related entities – BWP				
Acree (Pty) Ltd	**697**	637	**–**	–
Admiral Touch (Pty) Ltd	**564**	940	**–**	–
Auto World (Pty) Ltd	**1 691**	1 382	**–**	–
Bagpiper (Pty) Ltd	**552**	538	**–**	–
Balance Fortune (Pty) Ltd	**223**	126	**–**	–
Boitumelo Foundation	**415**	107	**–**	–
Cottonvale (Pty) Ltd	**163**	131	**–**	–
Distron Botswana (Pty) Ltd	**377**	28	**–**	–
Electrometic Enterprises (Pty) Ltd	**88**	86	**–**	–
Exelligent (Pty) Ltd	**1**	–	**–**	–
Farouk Ismail	**250**	5	**–**	–
Feasible Investments (Pty) Ltd	**726**	579	**–**	–
Gainville (Pty) Ltd	**86**	80	**–**	–
Honey Guide (Pty) Ltd	**669**	112	**–**	–
Ilo Industries (Pty) Ltd	**4 110**	2 816	**–**	–
Kala Hari Medical Distributors (Pty) Ltd	**–**	2 429	**–**	–
Kamoso Africa (Pty) Ltd	**64**	3	**–**	–
Keriotic Investments (Pty) Ltd	**6 532**	6 700	**–**	–
Lobsaga (Pty) Ltd	**–**	29	**–**	–
Mackinnon Holdings (Pty) Ltd	**12**	67	**–**	–
Marvelous Hope (Pty) Ltd	**15**	–	**–**	–
Megatop Holdings (Pty) Ltd	**154**	105	**–**	–
Mont Catering Refrigeration (Pty) Ltd	**17**	12	**–**	–
Ovais Investments (Pty) Ltd	**546**	383	**–**	–
Pennywise Investments (Pty) Ltd	**71**	60	**–**	–
Pharma Futura (Pty) Ltd	**29**	26	**–**	–
Princieton (Pty) Ltd	**22**	22	**–**	–
RBV Consultants (Pty) Ltd	**3 721**	3 073	**–**	–
Real Plastic Mould (Pty) Ltd	**988**	777	**–**	–
Rootlet (Pty) Ltd	**90**	81	**–**	–
Shaysons Investments (Pty) Ltd	**1 213**	258	**–**	–
Solace (Pty) Ltd	**3 307**	3 196	**–**	–
Strides of Success (Pty) Ltd	**125**	47	**–**	–
The FaR Property Company Ltd	**198**	178	**–**	–
Venta (Pty) Ltd	**–**	10	**–**	–
Vet Agric Suppliers (Pty) Ltd	**10 490**	8 826	**–**	–
Zcx Investment (Pty) Ltd	**299**	186	**–**	–
	38 505	34 035	**–**	–

39. RELATED PARTIES (continued)

	Group		Company	
Figures in Pula thousand	**2022**	2021	**2022**	2021
Purchase of goods or services from related entities – BWP				
Acree (Pty) Ltd	**2 579**	2 650	**–**	–
Admiral Touch (Pty) Ltd	**9 304**	6 566	**–**	–
Aleris (Pty) Ltd	**256**	–	**–**	–
Anuksha (Pty) Ltd	**369**	243	**–**	–
Auto World (Pty) Ltd	**411**	465	**–**	–
Bagpiper (Pty) Ltd	**141**	238	**–**	–
Balance Fortune (Pty) Ltd	**13 881**	11 573	**–**	–
Bargen (Pty) Ltd	**721**	373	**–**	–
Brookside Farm (Pty) Ltd (Adam's Apple (Pty) Ltd))	**8 398**	–	**–**	–
Cottonvale (Pty) Ltd	**1 016**	74	**–**	–
Dinawa Farms (Pty) Ltd	**–**	110	**–**	–
Distron Botswana (Pty) Ltd	**7 132**	7 632	**–**	–
Electrometic Enterprises (Pty) Ltd	**6 171**	5 006	**–**	–
Feasible Investment (Pty) Ltd	**25 271**	18 194	**–**	–
Ghanzi Halfway Filling Station (Pty) Ltd	**513**	320	**–**	–
Honey Guide (Pty) Ltd	**50 272**	45 067	**–**	–
Iceland Enterprises SA (Pty) Ltd	**622**	–	**–**	–
Ilo Industries (Pty) Ltd	**53 596**	49 722	**–**	–
Industrial Filling Station (Pty) Ltd	**537**	382	**–**	–
Kala Hari Medical Distributors (Pty) Ltd	**492**	3 405	**–**	–
Kamoso Africa (Pty) Ltd	**3**	1 055	**–**	–
Keriotic Investments (Pty) Ltd	**88 499**	126 850	**–**	–
Mackinnon Holdings (Pty) Ltd	**720**	369	**–**	–
Megatop Holdings (Pty) Ltd	**–**	175	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**–**	86	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**1 982**	2 163	**–**	–
Part Quip (Pty) Ltd	**874**	742	**–**	–
Pearl Grey (Pty) Ltd	**–**	6	**–**	–
Pennywise Investments (Pty) Ltd	**96**	242	**–**	–
Pharma Futura (Pty) Ltd	**21 702**	13 060	**–**	–
Pinestone (Pty) Ltd	**5 997**	3 797	**–**	–
Prosperous People (Pty) Ltd	**967**	755	**–**	–
RBV Consultants (Pty) Ltd	**27 997**	29 166	**–**	–
Real Plastic Mould (Pty) Ltd	**14 265**	11 921	**–**	–
Sariox (Pty) Ltd	**1 250**	532	**–**	–
Shaysons Investments (Pty) Ltd	**1 348**	1 192	**–**	–
Shree Trading (Pty) Ltd	**295**	200	**–**	–
Solace (Pty) Ltd	**40 765**	40 947	**–**	–
Vet Agric Suppliers (Pty) Ltd	**109 674**	99 611	**–**	–
Whitecoral (Pty) Ltd	**437**	141	**–**	–
ZCX Investments (Pty) Ltd	**391**	475	**–**	–
	498 944	485 505	**–**	–

39. RELATED PARTIES (continued)

	Group		Company	
Figures in Pula thousand	**2022**	2021	**2022**	2021
Rent paid to (received from) related parties – BWP				
The FaR Property Company Ltd	**61 944**	58 744	**–**	–
Interest paid to (received from) related parties – BWP				
O Ottapathu	**4 420**	4 446	**–**	–
FE Ismail	**1 105**	1 111	**–**	–
	5 525	5 557	**–**	–

**Rent paid is the actual rental payments as per lease agreements. Included in the statement of profit or loss and other comprehensive income is an interest expense of BWP15 million (2021: BWP16 million) relating to the right-of-use asset.*

40. DIRECTORS' EMOLUMENTS

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

	Group		Company	
Figures in Pula million	**2022**	2021	**2022**	2021
Directors fees – BWP thousand				
Non-executive directors				
FE Ismail	**100**	300	**–**	–
CJ Harward	**433**	767	**–**	–
DKU Corea	**300**	400	**–**	–
T Pritchard	**467**	733	**–**	–
V Chitalu	**433**	–	**–**	–
	1 733	2 200	**–**	–
Salaries – BWP thousand				
Executive directors				
R Ottapathu	**10 146**	7 572	**–**	–
Retainer fees – BWP thousand				
Non-executive directors				
FE Ismail	**300**	300	**–**	–
T Pritchard	**500**	366	**–**	–
DKU Corea	**660**	600	**–**	–
CJ Harward	**360**	300	**–**	–
Valentine Chitalu	**640**	–	**–**	–
	2 460	1 566	**–**	–
Salaries – BWP thousand				
Related to other key management personnel				
M Rajcoomar	**3 721**	2 599	**–**	–
V Sanooj	**2 279**	1 881	**–**	–
Subheesh Kolazhy	**1 793**	1 434	**–**	–
	7 793	5 914	**–**	–

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2022

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

Figures in Pula million	Note(s)	Amortised cost	Total	Fair Value
Group – 2022				
Loans to Group companies	22	**4**	**4**	**–**
Trade and other receivables	24	**66**	**66**	**66**
Cash and cash equivalents	26	**85**	**85**	**85**
		155	**155**	**151**
Group – 2021				
Loans to Group companies	22	5	5	–
Trade and other receivables	24	54	54	54
Cash and cash equivalents	26	74	74	74
		133	133	128

	Note(s)	Amortised cost	Carrying amount	Fair Value
Company – 2022				
Loans to Group companies	22	**164**	**164**	**–**
Company – 2021				
Loans to Group companies	22	168	168	–

Carrying value is a reasonable approximation of fair value.

Categories of financial liabilities

	Note(s)	Amortised cost	Total	Fair Value
Group – 2022				
Trade and other payables	35	**708**	**708**	**708**
Loans from Group companies	34	**44**	**44**	**–**
Borrowings	31	**617**	**617**	**617**
Lease liabilities	32	**744**	**744**	**744**
Bank overdraft	26	**68**	**68**	**68**
		2 181	**2 181**	**2 137**

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Categories of financial liabilities

	Note(s)	Amortised cost	Total	Fair Value
Group – 2021				
Trade and other payables	35	558	558	558
Loans from Group companies	34	44	44	–
Borrowings	31	702	702	702
Lease liabilities	32	722	722	722
Bank overdraft	26	68	68	68
		2 094	2 094	2 050

Carrying value is a reasonable approximation of fair value.

	Note(s)	Amortised cost	Carrying amount	Fair Value
Company – 2022				
Company – 2021				
Trade and other payables	35	5	5	5

Carrying value is a reasonable approximation of fair value.

Capital risk management

The capital structure and gearing ratio of the Group at the reporting date was as follows:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial 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.

41. FINANCIAL INSTRUMENTS AND 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.

Market risk

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

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;
- Advances and deposits; and
- Financial guarantee contracts at a Company level.

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

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

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables that have similar characteristics are grouped together and assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and according to the geographical location of customers where applicable.

In determining the level of likely credit losses on write-off of trade receivables, the Group has taken cognisance of historical collections from external debt collection processes and delayed settlement arrangements with debtors, as well as the impact which the expected future development of macro-economic indicators (specifically Gross Domestic Product) may have on historical collection and default rates, including the possible impact of the Russia-Ukraine war on its business and collection.

Trade receivables are considered irrecoverable where:

- The customer has not made any payment within 180 days from the date of invoice (at which stage amounts are considered in full default);
- No alternative payment arrangements have been made and adhered to by the customer during the first 90 days after date of invoice; and
- Alternative collection efforts (mainly through external debt collection agencies), initiated once the invoice has been outstanding for more than 90 days, have failed.

On the above basis the expected credit loss for trade receivables as at 30 June 2022 was determined as follows (refer to note 24).

41. FINANCIAL INSTRUMENTS AND 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:

		2022			2021		
	Note(s)	**Gross carrying amount**	**Credit loss allowance**	Amortised cost	Gross carrying amount	Credit allowance	Amortised cost
Group							
Loans to Group companies	22	**4**	**-**	4	5	–	5
Trade and other receivables	24	**76**	**(10)**	66	57	(3)	54
Cash and cash equivalents	26	**85**	**-**	85	74	–	74
		165	**(10)**	155	136	(3)	133
Company							
Loans to Group companies	22	**164**	**-**	164	164	–	168

Liquidity risk

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Note(s)	Less than 1 year	2 to 5 years	Over 5 years	Contractual cash flows	Carrying amount
Group – 2022						
Non-current liabilities						
Borrowings	3	**-**	**623**	**545**	**1 168**	**530**
Lease liabilities	32	**-**	**495**	**149**	**644**	**587**
Current liabilities						
Trade and other payables	35	**708**	**-**	**-**	**708**	**708**
Borrowings	31	**120**	**-**	**-**	**120**	**87**
Lease liabilities	32	**206**	**-**	**-**	**206**	**157**
Bank overdraft	26	**68**	**-**	**-**	**68**	**68**
		(1 102)	**(1 118)**	**(694)**	**(2 914)**	**(2 137)**
Group – 2021						
Non-current liabilities						
Borrowings	31	–	698	–	698	616
Lease liabilities	32	–	495	206	701	572
Current liabilities						
Trade and other payables	35	558	–	–	558	558
Borrowings	31	125	–	–	125	86
Lease liabilities	32	–	–	–	–	150
Bank overdraft	26	68	–	–	68	68
		(751)	(1 193)	(206)	(2 150)	(2 050)
Company – 2022						
Current liabilities						
Trade and other payables	35	**-**	**-**	**-**	**-**	**-**
Company – 2021						
Current liabilities						
Trade and other payables	35	5	–	–	5	5

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency risk

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
Figures in Pula million	Note(s)	**2022**	2021	**2022**	2021
Current assets					
Trade and other receivables	24	**1**	–	**-**	–
Cash and cash equivalents	26	**-**	1	**-**	–
Liabilities					
Trade and other payables	35	**(1)**	(3)	**-**	–
Loan – Borrowings	26	**(1)**	–	**-**	–
Net US Dollar exposure		**(1)**	(2)	**-**	–
ZAR exposure					
Current assets					
Trade and other receivables	24	**52**	–	**-**	–
Cash and cash equivalents	26	**77**	26	**-**	–
Current liabilities					
Trade and other payables	35	**(230)**	(200)	**-**	–
Loans	26	**(4)**	–	**-**	–
Net ZAR exposure		**(105)**	(174)	**-**	–
Current assets					
Cash and cash equivalents	26	**-**	–	**-**	–
Net exposure to foreign currency in Pula		**(106)**	(176)	**-**	–

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The net carrying amounts, in foreign currency of the above exposure was as follows:

		Group		Company	
Figures in Pula million	Note(s)	**2022**	2021	**2022**	2021
Exposure in foreign currency amounts					
US Dollar exposure					
Current assets				**-**	–
Trade and other receivables	24	**8**	3	**-**	–
Cash and cash equivalents	26	**4**	7	**-**	–
Current liabilities				**-**	–
Trade and other payables	35	**(14)**	(38)	**-**	–
Net US Dollar exposure		**(2)**	(28)	**-**	–
Net ZAR exposure					
Current assets				**-**	–
Trade and other receivables	24	**39**	20	**-**	–
Cash and cash equivalents	26	**59**	20		
Current liabilities				**-**	–
Trade and other receivables	35	**(174)**	(153)	**-**	–
Loan	26	**(3)**	–	**-**	–
Net ZAR exposure		**(79)**	(113)	**-**	–
GBP exposure				**-**	–
Current assets:				**-**	–
Cash and cash equivalents	26	**2**	2	**-**	–
Exchange rates				**-**	–
Year-end exchange rates				**-**	–
South Africa Rand		**1 3211**	1 3083	**-**	–
United States Dollar		**0 0804**	0 0941	**-**	–
British Pound Sterling		**0 0663**	0 0662	**-**	–
Average exchange rates				**-**	–
South African Rand		**1 3240**	1 3800	**-**	–
United States Dollar		**0 0862**	0 0901	**-**	–
British Pound Sterling		**0 0665**	0 0665	**-**	–

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Company	**2022**	2021	**2022**	2021
Increase or decrease in rate	**Increase**	Decrease	**Increase**	Decrease
Impact on profit or loss before tax:				
South African Rand denominated assets – banks	**4**	(4)	**2**	(2)
United States Dollar denominated assets – banks	**1**	(1)	**1**	(1)
British Pound Sterling denominated assets – banks	**–**	–	**–**	–
South African Rand denominated assets – receivables	**7**	(7)	**2**	(2)
United States denominated assets – receivables	**–**	–	**–**	–
South African Rand denominated liabilities	**(19)**	19	**(17)**	17
United States Dollar denominated liabilities	**(2)**	2	**(4)**	4
	(9)	9	**(16)**	16
Impact on profit or loss after tax:				
South African Rand denominated assets – banks	**3**	(3)	**2**	(2)
United States Dollar denominated assets – banks	**1**	(1)	**1**	(1)
British Pound Sterling denominated assets – banks	**–**	–	**–**	–
South African Rand denominated assets – receivables	**5**	(5)	**2**	(2)
United States denominated assets – receivables	**–**	–	**–**	–
South African Rand denominated liabilities	**(15)**	15	**(13)**	13
United States Dollar denominated liabilities	**(1)**	1	**(3)**	2
	(7)	7	**(11)**	10

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.

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Fixed rate borrowings expose the Group to fair value interest rate risk. Variable rate borrowings, loans and cash and cash equivalents results in cash flow interest rate risks. Other than ensuring optimum money market rates for deposits, the Group does not make use of financial instruments to manage this risk.

The Group invests with reputable institutions and has obtained borrowings and overdraft facilities, which are subject to normal market interest rate risk. The effective annual interest rates on the Group's call deposits, long-term borrowings and bank overdrafts at year-end were as follows:

Interest rate profile

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

	Note	Average effective interest rate		Carrying amount	
		2022	2021	**2022**	2021
Assets					
Call accounts denominated in Pula		**4.00% to 6.00%**	4.00% to 6.00%	**1**	3
Call accounts denominated in foreign currency		**1.00% to 2.00%**	1.00% to 2.00%	**–**	–
Fixed deposits with banks		**5.50% to 7.00%**	5.50% to 7.00%	**5**	5
				6	8
Liabilities					
Borrowings	31	**600%**	600%	**(744)**	(702)
Net variable rate financial instruments				**(738)**	(694)

Interest cost

	2022	2021
Botswana		
Absa Bank of Botswana Limited (overdraft)	**Prime plus 0.17%**	Prime plus 0.17%
Stanbic Bank Botswana Limited (overdraft)	**Prime plus 0.17%**	Prime plus 0.17%
First National Bank Botswana Limited (overdraft)	**Prime plus 0.17%**	Prime plus 0.17%
Absa Bank of Botswana Limited (term loan)	**Prime plus 0.17%**	Prime plus 0.17%
Stanbic Bank Botswana Limited (term loan)	**Prime plus 0.81%**	Prime plus 0.81%
First National Bank Botswana Limited (term loan)	**Prime plus 0.81%**	Prime plus 0.81%
Absa Bank Kenya PLC	**LIBOR plus 3%**	LIBOR plus 3%
Shanta Retail Holding Limited	**–**	–
Absa Bank of Botswana Limited	**Prime plus 2%**	Prime plus 2%
Alensy Energy Solutions (Pty) Ltd	**Prime plus 2%**	Prime plus 2%
Scania Finance Southern Africa	**Prime plus 2%**	Prime plus 2%

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate sensitivity analysis

With average interest rates as noted, an increase/decrease of 0.5% (2021: 0.5%) in the current interest rates during the reporting period would have increased/decreased the Group's profit before taxation and equity as disclosed below:

Group	**2022**	2021	**2022**	2021
Increase or decrease in rate by 0.5% (2021: 0.5%)	**Increase**	Decrease	**Increase**	Decrease
Impact on pre-tax profit				
Interest paid	**7**	(7)	**4**	(4)

42. FINANCIAL SUPPORT

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

The financial support provided by the Company will continue for each individual Company until such time as the equity and assets, fairly valued, exceed the liabilities for each of the respective individual companies.

Based on the ability of Choppies Distribution Centre (Pty) Ltd to continue providing such support, the individual financial statements of these technically insolvent companies have been prepared on the going concern assumption. The shareholders' deficits at the reporting date for each of the companies are summarised as follows:

	Group		**Company**	
Foreign subsidiaries in BWP million	**2022**	2021	**2022**	2021
Choppies Supermarkets Namibia (Pty) Limited	**-**	–	**59**	43
Choppies Supermarkets Limited (Zambia)	**-**	–	**134**	184
Nanavac Investments (Pvt) Limited	**-**	–	**250**	246
	-	–	**443**	473

43. LOSS FROM DISCONTINUED OPERATIONS

During the financial year 2020, Choppies Enterprises Limited Board decided to discontinue the operations of Kenya, Tanzania, Mozambique and South Africa. The South African operations were sold during April 2020 and Kenya, Tanzania and Mozambique were closed and the Group exited these countries during the 2020 financial year.

At the end of the financial year 2021 any remaining assets and liabilities we transferred to continuing business.

Operating losses of South Africa and the other three regions are summarised as follows:

	2022	2021	**2022**	2021
Consolidated discontinued operations				
Revenue	**-**	–	**-**	–
Cost of sales	**-**	–	**-**	–
Net profit before tax	**-**	–	**-**	–
	-	–	**-**	–
Expenses		(19)		
Net interest	**-**	(3)	**-**	–
Tax	**-**	–	**-**	–
Net loss after tax	**-**	(22)	**-**	–
Loss on remeasurement and disposal	**-**	–	**-**	–
Loss before tax on disposal	**-**	–	**-**	–
	-	(22)	**-**	–

44. GOING CONCERN

The Group and Company annual financial statements have been prepared based on accounting policies applicable to a going concern. This basis assumes that there will be funds available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group's negative equity reduced from BWP448 million at June 2021 to BWP341 million as at June 2022 mainly due to trading profits and hyperinflationary translation reserves exceeding currency weaknesses in Zimbabwe.

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

44. GOING CONCERN (continued)

Financial indicators

- The consolidated and individual subsidiary budgets for the 2023 financial year indicate that the Group will be profitable.
- Modelling and stress testing the forecast financial results for the Group and Company for the next five years indicated improvements in performance going forward.
- Sensitivity and stress tested monthly cash flow projections for the next twelve months to June 2023 and beyond to consider the impact of the working capital and essential capital expenditure;
- The restructured debt facility will allow more flexibility and headroom compared to the previous structure. The debt is detailed under note 31.
- Based on the forecasts, management is confident that the Group will comply with all covenant requirements going forward.
- As at June 2022, there are no fixed term borrowings that have matured and the projections do not indicate any challenges in repayment of borrowings in the next twelve months.
- The founding shareholders have also provided personal sureties towards the Kenyan loan to the minority shareholder's amounting to BWP37 million (2021: BWP44 million), with recourse thereafter to the Group;

Operational indicators

- Management have assessed the economic and operational forecast environment in the countries where the subsidiaries operate. The Zimbabwe situation will continue to be challenging with currency volatility and restrictions on profit repatriation expected to continue.
- The Group has not lost any key supplier or service agreements which are key for generating revenue and profits. The Group is looking to strengthen relationships further and venture into new areas of revenue generation going forward.
- Relationship with suppliers have strengthened further compared to prior years. The inventory levels are therefore expected to remain at required levels to enable the Group to generate the budgeted revenue and achieve customer satisfaction and brand loyalty.
- Management is aware of the competition in the markets in which they operate. They are confident of retaining and increasing the market share in the coming years through effective service delivery.

Legislative and other factors

- Compliance with all laws and regulations applicable to the Group is currently a priority for the Board and management. All identified risks on compliance are continuously being dealt with and appropriate controls are being put in place to detect and act upon any compliance requirements which might arise.
- Management is not aware of any key legislative change which can affect the Group going forward.

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

45. EVENTS AFTER THE REPORTING PERIOD

We expect continued uncertainty in our business and the Southern African economy due to the duration and intensity of global credit conditions which have turned more negative on rising interest rates, the Russia-Ukraine military conflict, slower economic growth, surging prices for energy and commodities, renewed supply-chain disruption, financial market volatility, volatility in employment trends and consumer confidence, all of which may impact our results.


CHOPPIES
CLEANING CREAM
CHOPPIES
Dishwashing Liquid
750ml

06

Shareholders' Information

End your day with a hearty stew cooked with fresh ingredients from our butchery and fresh veg department, as well as pantry items from our wide range of great value Choppies products

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' ANALYSIS

for the year ended 30 June 2022

Shareholder spread	Number of shareholders	Number of shares	% of total shareholdings
1 – 1 000	12 952	2 447 172	0.19
1 001 – 10 000	2 339	8 625 451	0.66
10 001 – 100 000	674	19 417 455	1.49
100 001 – 1 000 000	116	38 914 411	2.99
Over 1 000 000	49	1 234 223 852	94.68
Total	16 130	1 303 628 341	100.00

Distribution of shareholders	Number of shareholders	Number of shares	% of total shareholdings
Companies	234	32 126 550	2.46
Share scheme	1	12 000 000	0.92
Individuals	15 798	77 284 221	5.93
Institutional investors	82	581 541 761	44.61
Directors	3	600 675 809	46.08
Total	16 118	1 303 628 341	100.00

Shareholders type	Number of shareholders	Number of shares	% of total shareholdings
Non-public shareholders	4	601 856 961	46.17
Public shareholders	16 114	701 771 380	53.83
Total	16 118	1 303 628 341	100.00

Directors	Number of shareholders	Number of shares	% of total shareholdings
Ramachandran Ottapathu (including indirect holdings)		328 848 042	25.23
Farouk Ismail (including indirect holdings)		271 691 921	20.84
Carol-Jean Harward		135 847	0.00
Don Kumaray U Corea		–	
Thomas Pritchard		–	
Valentine Chitalu		–	
Total		600 675 809	46.07

TOP 10 SHAREHOLDERS

Choppies share register 30 June 2022

Name of top 10 shareholders 2022	Number of shares held 2022	Percentage of holding 2022
Ramachandran Ottapathu	328 848 042	25.23
Farouk Ismail	271 691 921	20.84
FNBB Nominees Vunani BPOPF	136 498 238	10.47
Marina IV LP	131 291 985	10.07
Botswana Insurance Fund Management	101 646 916	7.80
Allan Gray	93 836 523	7.20
UBS Switzerland AG-Client Assets	33 896 890	2.60
Standard Private Equity (Mauritius)	29 723 816	2.28
Festus Gontebanye Mogae	19 748 188	1.51
Six Sis Ltd	17 955 000	1.38
Total	1 165 137 519	89.38

SHAREHOLDERS' DIARY

Financial year-end	30 June
Preliminary annual results announcement	21 September 2022
Integrated Annual Report posted	31 October 2022
2022 Annual General Meeting	23 November 2022
Next interim results announcement	March 2023
FY2023 annual results announcement	September 2023

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 30 June 2022

CHOPPIES ENTERPRISES LIMITED

(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
("Choppies" or the "Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of Choppies Enterprises Limited will be held by way of Zoom at 14:00 on 23 November 2022 (the "AGM" or "meeting"):

1. To receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2022 together with the Directors' and Auditor's Reports thereon as well as the Integrated Annual Report.

2. To re-elect directors of the company.
   2.1 To confirm the re-election of Ms Carol Jean Harward, who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, and being eligible, offers herself for re-election as an independent Non-executive Director.

   2.2 To confirm the re-election of Mr Tom Pritchard who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, being eligible, offers herself for re-election as an independent Non-executive Director.

3. To consider and if deemed fit, ratify the appointment of Mazars as auditors of the Company for the ensuing financial year.

4. To consider and if deemed fit, ratify the remuneration paid to auditors, Mazars for the year ended 30 June 2022 as set out on page 106 of the Integrated Annual Report.

5. To approve the remuneration policy set out in section 2 of the remuneration report – page 83 of the Integrated Annual Report.

6. To approve the implementation of the remuneration policy as per section 3 of the remuneration report – page 88 of the Integrated Annual Report.

7. To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations of the year ending 30 June 2023 subject to these being made in terms of the Company policy, for charitable purposes and in total not exceeding 1.5% of EBITDA for FY2023.

8. To approve and adopt the Choppies Enterprises Limited 2022 Share Plan ("the Share Plan") as recommended for approval by the Board of Directors of the Company, the salient terms of which are set out in the explanatory statement incorporated in the notice convening the AGM.

9. To authorise the Board of Directors of the Company to create and issue further ordinary shares, up to 65 000 000 (sixty five million) ordinary shares, in the stated capital of the Company and allot such number of such shares to an Eligible Employee (as defined in the Share Plan) provided that the number of ordinary shares to be issued by the Company under the Share Plan shall not in aggregate exceed 5% of the number of ordinary shares in issue, at the material time after issue of the new shares.

10. The answering by the Directors of questions put by shareholders in respect of the affairs and the business of the Company in respect of the year ended 30 June 2022.

11. To close the meeting.

EXPLANATORY STATEMENT IN RESPECT OF THE PROPOSED RESOLUTIONS NUMBERS 8 AND 9 SET FORTH IN THIS NOTICE, WHICH RESOLUTIONS CONSTITUTE SPECIAL BUSINESS OF THE AGM

The Board is committed to offering a market-related, competitive salary to its management and key talent, aligned with performance and the creation of shareholder value. In 2022, following the consolidation phase of the Group, focus was placed on providing a market-related basic salary to the Group's employees and, accordingly, no long-term incentive plan was in place during FY2022. However, as communicated in the remuneration policy section of the 2021 Remuneration Report, the Board has reviewed this position and is of the view that the Group has reached the point where it is appropriate and necessary to introduce the Share Plan.

The Share Plan was designed following thorough market research and independent professional advice and aims to incentivise the Group's eligible employees (as defined in the Share Plan) to meet strategic objectives that will help deliver value to shareholders, achieve alignment between the participants' remuneration and the interests of the Company's shareholders and act as an attraction/retention mechanism. The Share Plan is intended to enhance the Company's overall corporate performance and the value to its shareholders. The Share Plan will mainly be focused to make awards of performance shares which are fully subject to Company performance conditions to executive committee members.

The Share Plan will also allow for the award of restricted shares which are subject to continued employment. These restricted share awards will generally be made to employees below the executive committee level to address retention risks or as sign-on awards to compensate new employees for the value forfeited from their previous employers.

The Share Plan was reviewed and approved by the BSE (as required by the BSE Listings Requirements), Remcom, and the Board (excluding the executive directors who have a personal interest in the approval and adoption of the Share Plan).

The Board is of the view that the Share Plan will be beneficial to the Company and its shareholders and therefore recommends that the shareholders vote in favour of ordinary resolution numbers 8 and 9 set forth in the notice of AGM.

The salient features of the Share Plan are:

Feature	Detail
Aim	The Share Plan aims to incentivise the Group's eligible employees to meet strategic objectives that will help deliver value to shareholders, achieve alignment between the participants' remuneration and the interests of the Company's shareholders and act as an attraction/retention mechanism.
Type of awards	The Share Plan will enable the award of Performance Conditional Shares and Restricted Conditional Shares.
Eligibility	The remuneration committee will consider participation on an ad-hoc or annual basis to any person holding full-time salaried employment with any member of the Group. In practice, annual Performance Conditional Share awards will be made to the executive committee and Restricted Conditional Share awards will be focused on key talent (generally below the executive committee level) or for sign-on awards to compensate new employees for the value forfeited from their previous employer.

Feature	Detail
Performance conditional shares	The vesting of Performance Conditional Shares will be subject to: i) the achievement of performance condition(s), determined by Remcom ("the Performance Conditions"), and; (ii) continued employment with the Group for the duration of the vesting period ("the Employment Condition"). Annual awards of Performance Conditional Shares will be made as a percentage of a participant's guaranteed pay, initially at 25% to 33%. While acknowledging that these award levels are below market benchmarks, it is the intention that the awards will increase towards market benchmarks when the Company performance and increases in the share price merit such awards. Performance Conditions for the first award will be as follows:

Condition	Notes	Weight	Threshold	Target
Vesting percentage			30%	100%
HEPS in FY2025		65.0%	15 thebe	22 thebe
Post-tax RONA (average of FY2023, FY2024 and FY2025)	1	25.0%	WACC + 12.5%	WACC + 15%
ESG conditions		10.0%	Management to propose	
		100%		

For each performance condition:
- 0% will vest for performance below threshold
- 30% will vest for performance at threshold
- 100% will verst for performance at target

There will be linear vesting between threshold and target.

[1] *WACC is the weighted average cost of capital averaged over the performance period.*

Feature	Detail
Restricted Conditional Shares	The vesting of Restricted Conditional Shares is subject to the Employment Condition.

Feature	Detail
Setting of performance and employ-ment periods	Remcom will set appropriate Performance Conditions measured over set performance periods ("the Performance Period"), and Employment Conditions measured over set employment periods ("the Employment Period"), as relevant, on an annual basis, considering the business environment at the time of making the awards, and where considered necessary, in consultation with shareholders. Initially, upon the commencement of the Share Plan, the Performance Period will be three years and the Employment Period will be three to five years, with one-third vesting each year.
Dividend equivalents	Participants will not be entitled to any shareholder rights before the settlement of awards. However, participants may be entitled to dividend equivalents on settlement of vested awards.
Manner of settlement	Due to the tightly held nature of the Company's shares, settlement could be by means of an issue of new shares or using treasury shares (built-up judiciously over the Performance Period). Market purchases could also be used on vesting to avoid dilution but only where these purchases can be made without excessive influence on the share price. As a fallback provision only, Remcom may direct settlement of awards in cash.
Company limit	The aggregate number of shares which may at any one time be settled in terms of the Share Plan shall not exceed 65 000 000 shares to all participants (approximately 5% of the issued share capital of the Company). In calculating this limit, new shares issued, or treasury shares used in settlement will be included. Awards settled by shares purchased in the market or settled in cash, and shares which do not subsequently vest because of forfeiture will be excluded in determining the limit. The Company limit must be adjusted in the event of a sub-division or consolidation of shares. Remcom may, where necessary, adjust the Company limit, without prior approval of shareholders in a general meeting (to take account of subdivision or consolidation of the shares of the Company). Such adjustments should give a participant entitlement the same proportion of the equity capital as to that which he/she was previously entitled.
Individual limit	The maximum number of shares which may be allocated to an individual participant in respect of all unvested awards may not exceed 6 500 000 shares. The individual limit may be adjusted in the event of a capitalisation issue, special distribution, rights issue, or reduction in capital of the Company. Remcom may, where required, adjust the individual limit to take account of a capitalisation issue, a special distribution a rights issue, or a reduction in the capital of the Company. Such adjustment should give a participant entitlement to: (i) the same proportion of equity per capita as that to which he/she was previously entitled in terms of an existing award or (ii) 0.5% (half a percent) of the number of issued shares in the share capital of the Company at the material time.

Feature	Detail
Termination of employment	Where the employment of a participant is terminated due to breach of contract due to absence from work; serious misconduct; incompatibility; retirement before the normal retirement date; or resignation, all unvested shares will be forfeited and cancelled unless Remcom determines otherwise. Where the employment of a participant is terminated due to death; ill health; disability; injury; redundancy; subject to Remcom's discretion, retirement at the normal retirement age; or the employer Company ceasing to be a member of the Group, the awards will vest early on a pro-rated basis as follows: • In the case of Performance Conditional Shares, to reflect the number of months served of the employment period, and the extent to which the Performance Conditions have been satisfied. The remainder of the award will lapse, or, at the discretion of the Remcom, the participant's unvested award(s) shall vest on the original vesting date specified in the award letter, as if the participant's employment had not terminated • In the case of Restricted Conditional Shares, to reflect the number of months served of the employment period. The remainder of the award will lapse, or, at the discretion of the Remcom, the participant's unvested award(s) shall vest on the original vesting date specified in the award letter, as if the participant's employment had not terminated. Remcom may exercise its discretion to determine the fault or no-fault status of participants and permit awards to be settled at the normal vesting date, without time pro-rating, but subject to applicable performance conditions, as if the participant's employment was not terminated.
Malus and clawback	All awards will be subject to malus and clawback provisions, in line with market practice.
Corporate transactions	In the event of a change of control, awards will vest early on a pro-rata basis based on the proportion of the Employment Period served and the extent to which the Performance Conditions (if any) have been achieved. The balance of the awards will continue in force, on the basis of the original terms and conditions, unless the Remcom determines that this is not feasible, and in this case, they will be adjusted or converted for replacement awards provided that the participant is no worse off as a result of such adjustment or replacement.

The full rules of the Share Plan are available for inspection by shareholders during normal business hours at the Company's registered office from the date of issue of this notice up to and including the date of the AGM and on the Company's website at www.choppiesgroup.com.

The CEO of the Company, Mr Ramachandran Ottapathu, has elected not to receive an award, pursuant to the Share Plan, in the year commencing 1 July 2022 and ending 30 June 2023.

In terms of the BSE Listings Requirements, shares made available by a company, the shares of which are listed on the Botswana Stock Exchange, for an employee share incentive scheme should not exceed 5% of the issued share capital of that company, at the time, when the shares for the employee share scheme are issued.

IMPORTANT INFORMATION REGARDING ATTENDANCE, PARTICIPATION AND VOTING AT THE AGM

RECORD DATES

The date on which holders of shares listed on the Botswana Stock Exchange must be recorded as such in the register of shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 18 November 2022. The date on which holders of shares listed on the JSE Limited must be recorded as such in the register of shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 18 November 2022, with the last day of trade on the JSE Limited being Tuesday, 15 November 2022.

ELECTRONIC PARTICIPATION

The AGM will be held entirely through electronic communication being Zoom by which all shareholders participating in the meeting simultaneously hear each other throughout the meeting, as provided for in section 109 of the Companies Act and section 3(b) of the Second Schedule to the Companies Act. The company's Constitution also permits such electronic communication at a meeting of shareholders.

Shareholders who choose not to attend in person but seek to appoint a proxy to attend the meeting on their behalf, can still submit their proxy forms. Proxy forms are to be delivered or sent; by email to the Company Secretary, DPS Consulting Services (Proprietary) Limited ("DPS") as provided for on the proxy form. Where a shareholder has submitted a proxy form, the person attending the AGM on the shareholder's behalf shall be presumed to vote in accordance with the instructions of voting set out in the proxy form.

Shareholders and the proxy of any shareholder who wish to participate in the AGM, will be required to submit the relevant duly completed Electronic Participation Form which is annexed to the notice of AGM together with the relevant documents to DPS, as provided for on the form. Shareholders are strongly encouraged to complete their verification well ahead of time.

Once the identity of a shareholder seeking to attend the meeting and the authority of any person representing such a shareholder (if the shareholder is not an individual or holds their shares through a nominee) or the proxy appointed by a shareholder and the person seeking to attend the AGM has been verified by DPS, the person seeking to attend the AGM will be provided with details on how to join the AGM.

Shareholders who have not appointed a proxy, hence not set forth instructions of voting, and who intend to participate in the meeting, once the identity of the shareholder has been verified, will be provided with a voting form together with instructions on how to join the AGM. Shareholders or proxies for shareholders attending the meeting are urged to send their duly completed voting forms to DPS by delivery, or by email before the meeting.

Pursuant to article 13.3 of the Constitution of the company, the Chairman has regulated the procedure to be adopted at the meeting as follows:

- Voting will be by poll
- In terms of article 15.2 of the Constitution, voting will be by way of submission of voting papers by shareholders or proxies attending the meeting before the meeting or during but before the end of the meeting
- Pursuant to article 15.10 of the Constitution, the auditors, Mazars will scrutinise the proxy forms, the voting forms and the results
- Pursuant to article 15.11 of the Constitution, the Chairman shall declare the result after receipt of a certificate from the auditors in terms of article 15.11 of the Constitution.

The Company shall publish the results of the meeting within 48 hours of the conclusion of the meeting.

NOTICE OF ANNUAL GENERAL MEETING continued

for the year ended 30 June 2022

VOTING INSTRUCTION

Nominee accounts (dematerialised shareholders other than own-name registered shareholders)
Shareholders whose shares are held in a nominee account must not complete the attached form of proxy.

If shares are held in a nominee account, then nominee, Central Securities Depository Participant ("CSDP") or broker of such shareholder should contact the shareholder to ascertain how to cast votes at the AGM and thereafter cast the shareholder's vote in accordance with its instruction.

If you have shares in the Company held in a nominee account and have not been contacted, it would be advisable for you to contact your nominee or CSDP or broker and furnish them with your instruction. If your nominee or CSDP or broker do not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them or, if the mandate is silent in this regard, to abstain from voting.

Unless you advise your nominee, CSDP or broker timeously in terms of your agreement by the cut of time advised by them that you wish to attend the AGM or send a proxy to represent you, your nominee, CSDP or broker will assume you do not wish to attend the AGM or send a proxy.

If a nominee, CSDP or broker is a company, it may appoint a proxy provided that the proxy form is accompanied by a resolution of the nominee, CSDP or broker empowering the person acting on behalf of the nominee, CSDP or broker to appoint the proxy. Alternatively, such nominee, CSDP or broker may appoint by resolution, a person to represent it at a meeting; in such event, the resolution should be delivered to DPS at least 48 hours prior to the holding of the meeting. The proxy or representative appointed by the nominee, CSDP or broker should complete the Electronic Participation Form and deliver that to DPS.

If you wish to participate in the AGM, you must request the necessary letter of representation from your nominee or CSDP or broker and submit this letter together with the Electronic Participation Form to DPS at least 48 hours prior to the holding of the meeting.

"Own-name" shareholders (certificated and own-name registered dematerialised shareholders)
"Own-name" shareholders who wish to participate at the AGM themselves, should submit their duly completed Electronic Participation Form together with an acceptable form of identification to DPS at least 48 hours prior to the holding of the meeting.

"Own-name" shareholders may also appoint a proxy to represent them at the AGM by completing the attached proxy form and returning it to DPS at least 48 hours prior to the time and date of the meeting. If a shareholder appoints someone other than the Chairman of the meeting as their proxy and wants the proxy to participate in the AGM, the proxy must complete and submit the Electronic Participation Form to DPS at least 48 hours prior to the holding of the meeting.

An Integrated Annual Report updating shareholders on key issues pertaining to the company, dealing with certain of the matters which are to be dealt with at the AGM at 14:00 on 23 November 2022, together with notice convening the meeting, proxy forms, and electronic participation forms (to enable participation of a shareholder or a proxy in the electronic meeting) will be sent to shareholders on or about Monday, 31 October 2022.

By Order of the Board

DPS CONSULTING SERVICES (PTY) LTD
Company Secretaries
31 October 2022

FORM OF PROXY

CHOPPIES ENTERPRISES LIMITED
(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
("Choppies" or the "Company")

FORM OF PROXY

I/we___________________________________of___________________________________being holder of _______________

ordinary shares of the company, hereby appoint ____ or

failing him/her ____________________________________or the Chairman of the meeting as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held at 14:00 on 23 November 2022 (the "Annual General Meeting" or "meeting").

	For	**Against**	**Abstain**
Resolution 1 – To receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2022 together with the Directors and Auditor's Reports thereon as well as the Integrated Annual Report.			
Resolution 2.1 – To confirm the re-election of Ms Carol Jean Harward who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, being eligible, offers herself for re-election as an independent Non-executive Director.			
Resolution 2.2 – To confirm the re-election of Mr Tom Pritchard who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, being eligible, offers himself for re-election as an independent Non-executive Director.			
Resolution 3 – To consider and if deemed fit, ratify the appointment of Mazars as auditors of the Company for the ensuing financial year.			
Resolution 4 – To consider and if deemed fit, ratify the remuneration paid to auditors, Mazars for the year ended 30 June 2022 as set out on page 106 of the Integrated Annual Report.			
Resolution 5 – To approve the remuneration policy set out in section 2 of the remuneration report – page 83 of the Integrated Annual Report.			
Resolution 6 – To approve the implementation of the remuneration policy as per section 3 of the remuneration report – page 88 of the Integrated Annual Report.			
Resolution 7 – To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations of the year ending 30 June 2023 subject to these being made in terms of the Company policy, for charitable purposes and in total not exceeding 1.5% of EBITDA for FY2023.			
Resolution 8 – To approve and adopt the Choppies Enterprises Limited 2022 Share Plan ("the Share Plan") as recommended for approval by the Board of Directors of the Company, the salient terms of which are set out in the explanatory statement incorporated in the notice convening the AGM.			
Resolution 9 – To authorise the Board of Directors of the Company to create and issue further ordinary shares, up to 65 000 000 (sixty five million) ordinary shares, in the stated capital of the Company and allot such number of such shares to an Eligible Employee (as defined in the Share Plan) provided that the number of ordinary shares to be issued by the Company under the Share Plan shall not in aggregate exceed 5% of the number of ordinary shares in issue, at the material time including the new shares being issued.			

Each shareholder who is entitled to vote at the Annual General Meeting is entitled to appoint one or more persons as proxy to attend, speak and vote in place of the shareholder at the Annual General Meeting and the proxy appointed need not be a shareholder of Choppies. Please read note 1 to 9 on the reverse side hereof.

Please indicate with an "X" how you wish your votes to be cast.

Signed on this ______________________________ day of ____ 2022

Signature of shareholder(s) ____

Assisted by me (where applicable) ____

FORM OF PROXY continued

NOTE:

1. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy. If the proxy form is signed under a power of attorney, it must be accompanied by a copy of the power of attorney and a signed notice of non-revocation of the power of attorney (unless the power of attorney has already been deposited with the company).

2. The form appointing such a proxy must be deposited at the office of the Company Secretary, DPS Consulting Services (Proprietary) Limited, Plot 28892 (Portion of plot 50370), Twin Towers, West Wing-First Floor Fairground, Gaborone, Botswana, or by email to fadhili@dpsconsultancy.com not less than 48 hours before the meeting.

3. Proxies executed by companies/organisations should be accompanied by a resolution of the organisation appointing the representative to sign the proxy.

4. The completion and lodging of this instrument will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

5. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with the instructions provided in the notice convening the meeting and these notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

6. A form of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. Where ordinary shares are held jointly, all joint shareholders must sign the proxy form.

9. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the company.

ELECTRONIC PARTICIPATION FORM

CHOPPIES ENTERPRISES LIMITED

(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
("Choppies" or the "Company")

Shareholders or their proxies who wish to participate in the Annual General Meeting to be held entirely by way of electronic communication at 14:00 on 23 November 2022 ("the AGM" or "meeting") via electronic communication ("AGM participant") must notify the Company by delivering this form and supporting documents to the office of the Company Secretary DPS Consulting Services (Proprietary) Limited ("DPS"), Plot 28892 (Portion of plot 50370), Twin Towers, West Wing-First Floor Fairground, Gaborone, PO Box 1453, Gaborone, or by email to fadhili@dpsconsultancy.com as soon as possible but no later than 14:00 on Monday, 21 November 2022.

Shareholders are strongly encouraged to complete their verification well ahead of time.

Each AGM participant who has successfully been verified by DPS will be provided with the details on how to join the AGM via Zoom. AGM participants who are a proxy for a shareholder will be provided with a voting form and be presumed to vote at the meeting in accordance with the instructions for voting set out on the proxy form. AGM participants who are not proxies will be provided with a voting form. AGM participants who are not proxies are strongly encouraged to send their completed voting forms to DPS before the meeting. AGM participants who have not sent completed voting forms to DPS prior to the meeting will be able to complete the voting forms and submit the same to DPS by email to fadhili@dpsconsultancy.com during but no later than the close of the meeting.

Reference is made to the Notice of the AGM for important information regarding participation and voting at the AGM.

Name of registered shareholder	
Omang/ID/Passport number/Registration number of registered shareholder	
Name and contact details of CSDP or broker (if shares are held in dematerialised form)	
Shareholder CSD account number/broker account number or own name account number or custodian account number	
Number of ordinary shares held	
Full name of AGM participant	
Omang/ID/Passport number of AGM participant	
Email address of AGM participant	
Cellphone number of AGM participant	

By signing this form, I/we agree and consent to the processing of my/our personal information above for the purposes of participation in the AGM and acknowledge the following:

1. The cost of joining the AGM is for the expense of the AGM participant and will be billed separately by the AGM participant's own internet service provider. The AGM participant is not permitted to share the link with a third party.
2. The company, its agents and third-party service providers cannot be held accountable and will not be obliged to make alternative arrangements in the event of a loss or interruption of network activity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth, power outages or any other circumstances which prevents any AGM participant or proxy holder from participating in the AGM or voting.

Signed on this_______________________________day of____2022

Signature of shareholder(s)____

Assisted by me (where applicable)____

CORPORATE INFORMATION

CHOPPIES ENTERPRISES LIMITED
(Incorporated in Botswana on 19 January 2004)
(Registration number BW00001142508)
Plot 169
Gaborone International Commerce Park
Gaborone, Botswana

REGISTERED ADDRESS
DPS Consulting Services (Pty) Ltd
Plot 28892 (Portion of plot 50370), Twin Towers
West Wing, First Floor, Fairground, Gaborone
Tel: +267 316 2062

LEGAL ADVISERS
Bowman Gilfillan
11 Alice Lane, Sandton, Johannesburg
PO Box 785812, Sandton, 2146, South Africa
Website: www.bowmanslaw.com

BOTSWANA GROUP AUDITOR
Mazars
Plot 139, Finance Park
Gaborone, Botswana
Tel: +267 395 7466

SPONSORING BROKER
Stockbrokers Botswana Ltd
Plot 67978, Ground Floor, East Wing
Mokolwane House, Fairgrounds
Gaborone, Botswana
Tel: +267 395 7900

JSE SPONSOR
PSG Capital
1st floor, Ou Kollege Building
35 Kerk Street
Stellenbosch, 7600
PO Box 7403
Stellenbosch, 7599
South Africa
Tel: +27 21 887 9602

COMPANY SECRETARY
DPS Consulting Services (Pty) Ltd
PO Box 1453, Gaborone, Botswana
Tel: +267 316 2062

BANKERS
Standard Chartered Bank Botswana Limited
6th Floor, Queens Road, Standard
Chartered House Gaborone, Botswana
Tel: +267 360 1535
Fonenet: 2267 1535
Fax: +267 397 5289
Website: www.standardchartered.com

First Capital Bank Botswana Limited
Head Office: Capital House, Plot 17954
Old Lobatse Road Gaborone, Botswana
Tel: +267 390 7801
Fax: +267 392 2818

Stanbic Bank Botswana Limited
Stanbic House, Plot 50672, off Machel Drive
Fairgrounds Private Bag 00168
Gaborone, Botswana
Tel: +267 361 8110
Fax: +267 361 8158
Website: www.stanbicbank.co.bw

Standard Chartered Bank Zimbabwe Limited
51 Plumtree Road, Belmont Bulawayo, Zimbabwe
Tel: +263 9 461582/+263 9 461583
Fonenet: 2631 5702
Website: www.sc.com

Bank of Baroda (Botswana) Limited
Plot 1108, AKD House, Queens Road, The Mall
Gaborone, Botswana
PO Box 21559, Bontleng, Gaborone, Botswana
Tel: +267 393 3773/+267 318 8878
Fax: +267 318 8879
Website: www.bankofbaroda.co.bw

First National Bank Botswana Limited
First Place, Plot 54362 CBD, Gaborone, Botswana
Tel: +267 370 6000

Absa Bank Botswana Limited
Plot 74358, Building 4 Prime Plaza
Central Business District, Gaborone
Tel: +267 395 2041/+267 363 3900
Fax: +267 397 1373

Bank Gaborone
Plot 74768, corner 2nd Commercial and Western
Commercial Road Central Business District
Private Bag 00325
Gaborone, Botswana
Tel: +267 367 1500
Tel: +267 390 4007
Email: info@bankgaborone.co.bw
Website: http://www.bankgaborone.co.bw

FBC Bank Limited
108 Jason Moyo Street
11th Avenue
Bulawayo, Zimbabwe
Tel :(+263 292) 71791/717927
Email: help@fbc.co.zw
Fax: (+263 292) 76224

Central African Building Society (CABS)
Shop 1 & 2 Ascot Complex
Bulawayo, Zimbabwe
Tel: + 263 29 75902/75991
Email: management@cabs.co.zw

Ecobank Zimbabwe Limited
5 Parkade Centre, corner Fife Street and
9th Venue, Bulawayo, Zimbabwe
Tel: 292 2278912/292 2278913
Email: ecobankenquiries@ecobank.com

BancABC Zimbabwe
Jason Moyo Branch
Corner Jason Moyo Street and 12th Avenue
Bulawayo, Zimbabwe
Tel: +263 9 69212-3/67147-8 Ext: 9032
Email: branchx@bancabc.com

ZB Bank
10 Birmingham Road Belmont
Bulawayo, Zimbabwe
Tel: 292 888507 Ext: 3923

Steward Bank
7 King George Road, Harare
Zimbabwe
Tel: 0867 700 4085
Email: customerservice@stewardbank.co.zw

First Capital Bank ("FCB")
625 Famona, Bulawayo
97A Robert Mugabe Way
Bulawayo
Tel: 292 88304
Email: customerservice@firstcapitalbank.co.zw

Ecocash Zimbabwe
1906 Borrowdale Road, Borrowdale, Harare
Tel: +263 242 486121/6 114 (toll free)
Tel: +263 4 486120/486867
Email: ecocashhelp@econet.co.zw

Metropolitan Bank (Metbank)
4 East End Building,
Corner Robert Mugabe Avenue
and 9th Avenue, Bulawayo
Tel: 263 242 703514
Econet Toll Free Number: 08080251
TelOne Toll Free Number: 08004166
Email: info@metbank.co.zw

Bank of Windheok
PO Box 15, Windhoek, Namibia
Tel: +261 61 299 1494
Email: HillL@bankwindhoek.com.na
Website: www.bankwindhoek.com.na

First Capital Bank Zambia Ltd
Kwacha Pension House, Tito Road with Church
Road, Lusaka, Plot No 4604, Lusaka 32678
Tel: 0211 368 75
Website: www.firstcapitalbank.co.zm

ABSA Bank Zambia
Stand numbers 4643 and 4644 Elunda Office Park,
Addis Ababa Round About, Lusaka
Website: www.absa.co.zm
Tel: +260 (211) 366100
Tel: +260 (211) 366225

First National Bank
Thabo Mbeki Road, Lusaka
Tel: 0211 366800
Website: www.fnbzambia.co.zm

Zambia National Commercial Bank Plc
Head Office
P.O. Box 33611, Cairo Road
Lusaka, Zambia
Tel: 0211 228 979
Website: www.Zanaco.co.zm

Atlas Mara Bank
Atlas Mara House
Ground Floor, Plot 746B, Corner Church
Road and Nasser Road, Lusaka
Tel: 0211 257 970
Website: https://atlasmarazambia.com

ABBREVIATIONS AND DEFINITIONS

AGM	Annual general meeting
Annual report	Annual report as envisaged in section 215 of the Companies Act
ARC	Audit and risk committee
Basic earnings per share ("EPS") (thebe)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares calculated in thebe
BSE	Botswana Stock Exchange Limited
BWP	Botswana Pula, the functional currency of Botswana
CAPEX	Capital expenditure
CEO	Chief executive officer of Choppies Enterprises Limited
CFO	Chief financial officer of Choppies Enterprises Limited
CIO	Chief information officer
"Choppies" or "the Company"	Choppies Enterprises Limited, listed on the BSE and JSE
CPI (%)	An index of prices used to measure the change in the cost of basic goods and services
Covid-19, the pandemic	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CSI	Corporate social investment
CSR	Corporate social responsibility
Diluted basic earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in thebe
DC	Distribution centre
Diluted headline earnings per share	Headline earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in thebe
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESG	Environmental, social and governance
FMCG	Fast moving consumer goods
FOREX	Foreign exchange
FY2021	Financial year ended 30 June 2021
FY2022	Financial year ended 30 June 2022
GDP	Gross domestic product
Group	Choppies Enterprise Limited and its subsidiaries

Headline earnings	Determined in terms of the circular issued by the South African Institute of Chartered Accountants by excluding from reported earnings specific separately identifiable re-measurements net of related tax and non-controlling interests
Headline earnings per share (“HEPS”)	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment and investments
HR	Human resources
IAS	International Auditing Standards
Integrated Annual Report	A report as required by King IV, the BSE and JSE Listings Requirements and in terms of the International Integrated Reporting Framework guidelines
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board
IT	Information technology
JSE	JSE Limited/Johannesburg Stock Exchange
King III	King III Report on Corporate Governance for South Africa, 2009
King IV or King IV Report	King IV Report on Corporate Governance for South Africa, 2016
KPI	Key performance indicator
LSM	Living standards measure
MBA	Master of Business Administration
SA Companies Act	The South African Companies Act, 2008 (Act 71 of 2008)
SENS	Stock Exchange News Service of the JSE
SKUs	Stock keeping units
Shares in issue (number)	The number of ordinary shares in issue as listed by the BSE and JSE
The Board	The Board of Directors of Choppies Enterprises Limited
The year	The year ended 30 June 2022
Weighted average number of shares (number)	The number of shares in issue at the beginning of a period, adjusted for shares cancelled, bought back, or issued during the period, multiplied by a time-weighting factor

www.choppiesgroup.com

Physical and postal address:
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Plot 169, Gaborone International
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Registered office:
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