

# CHOPPIES

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## CHOPPIES ENTERPRISES LIMITED

REVIEWED INTERIM GROUP FINANCIAL RESULTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	[Reviewed] 6 Months ended 31 December, 2019 P'000	[Reviewed] 6 Months ended 31 December, 2018* P'000	[Audited] 12 Months ended 30 June, 2019* P'000
Revenue	2,968,967	3,595,991	5,358,993
Cost of sales	[ 2,288,942]	[ 2,786,235]	[ 4,142,713]
Gross profit	680,025	809,756	1,216,280
Other operating income	28,700	17,670	56,645
Operating income	708,725	827,426	1,272,925
Expenditure	[ 564,071]	[ 712,079]	[ 1,180,542]
Net impairment losses	590	[ 17,993]	[ 19,924]
Administrative expenses	[ 473,252]	[ 553,183]	[ 924,434]
Selling and distribution expenses	[ 27,298]	[ 49,438]	[ 72,430]
Net monetary loss on translating Zimbabwean entities	[ 14,017]	-	[ 354]
Other operating expenses	[ 50,094]	[ 91,465]	[ 163,400]
Operating (Loss) profit before interest	144,654	115,347	92,383
Finance costs	[ 50,473]	[ 38,037]	[ 63,059]
Finance income	48	145	257
(Loss) Profit before taxation	94,229	77,455	29,581
Taxation	[ 28,692]	[ 780]	[ 22,597]
Profit/ (loss) from continuing operations	65,537	76,675	6,984
Loss from discontinued operations	[ 204,714]	[ 136,275]	[ 435,676]
(Loss) Profit for the period	[ 139,177]	[ 59,600]	[ 428,692]
Attributable to:			
Owners of the company	[ 123,389]	[ 52,444]	[ 393,662]
From continuing operations	68,019	75,719	42,014
From discontinued operations	[ 191,408]	[ 128,163]	[ 435,676]
Non-controlling interests	[ 15,788]	[ 7,156]	[ 35,030]
From continuing operations	[ 2,482]	955	[ 5,097]
From discontinued operations	[ 13,306]	[ 8,111]	[ 29,933]
Other comprehensive (loss) income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	[ 52,975]	31,024	[ 299,111]
Exchange differences on translating foreign operations in hyperinflationary economy	[ 44,506]	-	71,392
Attributable to:			
Owners of the company	[ 98,547]	29,443	[ 229,456]
Non-controlling interests	1,066	1,581	1,737
Total comprehensive (loss) income Attributable to:			
Owners of the company	[ 236,658]	[ 28,576]	[ 656,411]
Non-controlling interest	[ 221,936]	[ 23,001]	[ 623,118]
[ 14,722]	[ 5,575]	[ 33,293]	
Basic (loss) earnings per share - Thebe	[ 9,47]	[ 4,02]	[ 30,20]
Continuing operations	5,22	5,81	3,22
Discontinuing operations	[ 14,69]	[ 9,83]	[ 33,42]
Diluted (loss) earnings per share - Thebe	[ 9,47]	[ 4,02]	[ 30,20]
Continuing operations	5,22	5,81	3,22
Discontinuing operations	[ 14,69]	[ 9,83]	[ 33,42]
Headline (loss) earnings per share - Thebe	[ 9,29]	[ 2,58]	[ 25,87]
Continuing operations	5,44	6,97	5,07
Discontinuing operations	[ 14,73]	[ 9,55]	[ 30,94]
Diluted headline (loss) earnings per share - Thebe	[ 9,29]	[ 2,58]	[ 25,87]
Continuing operations	5,44	6,97	5,07
Discontinuing operations	[ 14,73]	[ 9,55]	[ 30,94]

\*The disclosure of the Group's results is affected by the decision of the Board to discontinue / dispose of its operations in South Africa, Kenya, Tanzania, and Mozambique. Accordingly, the results of these operations are disclosed with effect from 1 July 2019 in terms of IFRS 5 "Discontinued Operations".

Income statement for June 2019 and December 2018 also regrouped to comply with the presentation requirement of IFRS 5 with regard to discontinued operations.

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Particulars	Stated Capital P'000	Retained Earnings (loss) P'000	Treasury Shares P'000	Hyper inflationary reserve P'000	Foreign Currency Translation Reserve P'000	Attributable to equity holders P'000	Non Controlling Interest P'000	Total P'000
Balance as at 1st July, 2018 [Audited]	906,196	[ 280,257]	[ 29,616]	-	5,999	602,322	[ 26,058]	567,264
Total comprehensive (loss) income for the period	-	[ 52,444]	-	-	29,443	[ 23,001]	[ 5,575]	[ 28,576]
Loss for the 6 months	-	[ 52,444]	-	-	-	[ 52,444]	[ 7,156]	[ 59,600]
Other comprehensive (loss) income	-	-	-	-	29,443	29,443	1,581	31,024
Balance as at 31 December, 2018 [Reviewed]	906,196	[ 332,701]	[ 29,616]	-	35,442	579,321	[ 31,633]	547,688
Total comprehensive (loss) income for the period	-	[ 343,478]	-	71,392	[ 330,291]	[ 602,377]	[ 25,458]	[ 627,833]
Loss for the 6 months	-	[ 341,218]	-	-	-	[ 341,218]	[ 27,874]	[ 369,090]
Other comprehensive (loss) income	-	-	-	71,392	[ 330,291]	[ 258,899]	156	[ 258,743]
Other equity adjustment	-	[ 2,260]	-	-	-	[ 2,260]	2,260	-
Total distributions to owners of company recognised directly in equity	-	-	-	-	-	-	-	-
Balance at 30 June, 2019 [Audited]	906,196	[ 676,179]	[ 29,616]	71,392	[ 294,849]	[ 23,056]	[ 57,091]	[ 80,147]
Loss for the 6 months	-	[ 123,389]	-	-	-	[ 123,389]	[ 15,788]	[ 139,177]
Other comprehensive loss	-	-	-	[ 44,506]	[ 54,040]	[ 98,546]	1,066	[ 97,480]
Total comprehensive loss for the 6 months	-	[ 123,389]	-	[ 44,506]	[ 54,040]	[ 221,935]	[ 14,722]	[ 236,657]
Balance at 31 December, 2019 [Reviewed]	906,196	[ 799,568]	[ 29,616]	26,886	[ 348,889]	[ 244,991]	[ 71,813]	[ 316,804]

### CONSOLIDATED STATEMENT OF CASH FLOWS

Particulars	[Reviewed] 6 Months ended 31 December, 2019 P'000	[Reviewed] 6 Months ended 31 December, 2018 P'000	[Audited] 12 Months ended 30 June, 2019 P'000
Net cash flows generated from operating activities of continuing region	243,739	266,267	313,099
Net cash flows generated from operating activities of discontinued region	[ 158,513]	42,490	[ 30,698]
Net cash flows used in investment activities of continuing region	[ 22,741]	[ 75,968]	[ 10,549]
Net cash flows used in investment activities of discontinued region	[ 37,524]	[ 76,555]	[ 109,990]
Net cash flows generated from financing activities of continuing region	[ 158,788]	[ 70,005]	[ 220,414]
Net cash flows generated from financing activities of discontinued region	62,598	14,642	[ 2,357]
Net movement in cash and cash equivalents	[ 71,229]	100,871	[ 60,909]
Cash and cash equivalents at beginning of the period for continuing operations	[ 66,573]	14,928	14,928
Cash and cash equivalents included in disposal groups	33,532	-	[ 25,133]
Effect of translation of foreign entities	[ 10,397]	36,560	4,541
Cash and cash equivalents at end of the period	[ 114,667]	152,359	[ 66,573]

### HEADLINE EARNINGS PER SHARE COMPUTATION

Basic Earnings	[ 123,389]
Remeasurements	810
Loss on disposal of asset	2,101
Impairment losses	[ 600]
Tax Impact	[ 121,078]
Headline Earnings	1,303,628,341
Number of shares for basic earnings	1,303,628,341
Weighted Average Number of Shares	1,303,628,341
Basic HEPS	[ 9.29]
Diluted HEPS	[ 9.29]

# SEGMENTAL RESULTS

Particulars	Botswana P'000	Zambia P'000	Zimbabwe P'000	Namibia P'000	Total for Continued operations	South Africa P'000	Kenya P'000	Tanzania P'000	Mozambique P'000	Total for Operations discontinued after 30 June 2019	Total Group
<b>Six months ended 31st December 2019 [Reviewed]</b>											
<b>Statement of profit or loss and other comprehensive Income</b>											
Revenue :											
Trading income	2,291,144	340,019	268,593	69,211	2,968,967	1,516,277	35,645	1,350	4,928	1,558,199	4,527,167
Other income	25,072	3,071	453	105	28,700	6,466	[467]	[1,873]	487	4,614	33,314
Total segmental revenue	2,316,217	343,090	269,046	69,316	2,997,667	1,522,743	35,178	[523]	5,415	1,562,813	4,560,481
Segment gross profit	562,345	56,137	49,171	12,373	680,025	275,722	2,813	169	[244]	278,460	958,485
Segment Impairments Loss	[604]	14	-	-	[590]	-	-	-	148	148	[442]
Segment EBITDA	182,030	[18,269]	12,446	[4,736]	171,471	[105,614]	[32,534]	[6,496]	[4,632]	[149,275]	22,195
Segment Depreciation/Amortisation	43,065	6,534	2,229	2,220	54,048	40,196	7,134	862	946	49,139	103,187
Segment Finance Income	47	-	1	-	48	556	-	-	-	556	604
Segment Finance Expense	41,695	6,855	434	1,489	50,473	1,989	3,368	-	1,351	6,708	57,181
Segment profit/[loss] Before taxation	116,282	[24,817]	9,783	[7,018]	94,229	[147,243]	[43,036]	[7,358]	[7,077]	[204,714]	[110,484]
Segment Taxation	[26,108]	-	[2,584]	-	[28,692]	-	-	-	-	-	[28,692]
Segment profit/[loss] after taxation	90,174	[24,817]	7,199	[7,018]	65,537	[147,243]	[43,036]	[7,358]	[7,077]	[204,714]	[139,177]
Statement of financial position											
Segment assets	1,280,703	258,614	109,720	105,573	1,754,610	650,457	94,743	14,549	18,870	778,619	2,533,229
Segment liabilities	1,747,239	195,894	51,073	67,465	2,061,671	605,790	151,438	14,034	17,099	788,361	2,850,033
<b>Six months ended 31st December 2018 [Reviewed]</b>											
<b>Statement of profit or loss and other comprehensive Income</b>											
Revenue :											
Trading income	2,149,433	353,641	1,032,482	60,436	3,595,991	2,036,782	241,525	32,378	14,141	2,324,826	5,920,818
Other income	16,790	394	437	48	17,670	14,620	559	211	457	15,846	33,516
Total segmental revenue	2,166,223	354,035	1,032,919	60,484	3,613,661	2,051,402	242,083	32,589	14,598	2,340,673	5,954,334
Segment gross profit	507,074	66,056	227,148	9,478	809,756	354,488	40,277	4,977	2,549	402,291	1,212,048
Segment Impairments Loss	17,888	38	66	-	17,993	4,733	37	-	14	4,784	22,776
Segment EBITDA	144,964	[20,668]	77,858	[3,490]	198,664	[52,538]	[16,488]	[3,526]	[1,291]	[73,844]	124,820
Segment Depreciation/Amortisation	42,039	7,426	14,269	1,589	65,324	40,913	6,342	706	1,411	49,373	114,697
Segment Finance Income	137	-	7	-	145	504	-	-	-	504	648
Segment Finance Expense	34,460	-	3,481	96	38,037	3,214	3,264	-	2,177	8,656	46,693
Segment profit/[loss] Before taxation	50,713	[28,132]	60,049	[5,175]	77,455	[100,894]	[26,132]	[4,233]	[4,894]	[136,153]	[58,696]
Segment Taxation	5,424	-	[6,205]	-	[780]	-	-	-	[98]	[124]	[904]
Segment profit/[loss] after taxation	56,137	[28,132]	53,844	[5,175]	76,675	[100,894]	[26,158]	[4,330]	[4,894]	[136,275]	[59,600]
Statement of financial position											
Segment assets	1,146,968	214,206	678,488	56,040	2,095,702	945,863	235,438	25,783	38,229	1,245,312	3,341,013
Segment liabilities	1,443,251	114,005	280,596	18,798	1,856,650	697,762	199,777	11,634	27,505	936,678	2,793,325
<b>Year ended 30th June 2019 [Audited]</b>											
<b>Statement of profit or loss and other comprehensive Income</b>											
Revenue :											
Trading income	4,147,283	583,516	508,493	119,701	5,358,993	3,740,550	440,437	55,374	24,831	4,261,193	9,620,187
Other income	55,006	807	713	118	56,645	20,117	3,186	386	927	24,616	81,262
Total segmental revenue	4,202,289	584,324	509,206	119,819	5,415,638	3,760,668	443,623	55,760	25,758	4,285,809	9,701,447
Segment gross profit	1,000,542	100,083	95,843	19,813	1,216,280	602,066	65,957	7,213	4,296	679,532	1,895,813
Segment Impairments Loss	16,017	3	3,904	-	19,924	9,965	17,567	-	5,543	33,074	52,999
Segment EBITDA	258,343	[38,031]	15,149	[9,232]	226,227	[196,610]	[58,219]	[12,536]	[1,436]	[265,930]	[39,702]
Segment Depreciation/Amortisation	90,884	12,939	6,288	3,454	113,565	94,673	13,686	1,512	2,760	112,633	226,199
Segment Finance Income	254	-	3	-	257	930	-	-	-	930	1,187
Segment Finance Expense	61,030	-	1,852	176	63,059	6,259	6,830	-	3,961	17,051	80,110
Segment profit/[loss] Before taxation	90,666	[50,974]	2,753	[12,863]	29,581	[306,577]	[95,269]	[14,049]	[15,539]	[431,434]	[401,852]
Segment Taxation	[21,886]	-	[712]	-	[22,597]	[44]	[26]	[4,170]	[18,219]	[4,241]	[26,840]
Segment profit/[loss] after taxation	68,780	[50,974]	2,041	[12,863]	6,984	[306,622]	[95,295]	[10,360]	[15,539]	[435,676]	[428,692]
Statement of financial position											
Segment assets	906,982	167,469	173,599	55,755	1,303,806	693,427	152,812	13,380	23,694	883,315	2,187,121
Segment liabilities	1,327,897	87,166	49,016	16,072	1,480,151	581,619	170,704	10,360	24,432	787,118	2,267,269

## COMMENTARY

### 1. Nature of business

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

### 2. Basis of preparation and accounting policies

The Interim Financial Statements are for the six months ended 31 December 2019 and are presented in Botswana Pula, which is the functional currency of the parent company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2019. The accounting policies applied during the period are consistent with those applied in the previous year except for the introduction of IFRS 16 (Leases) and that the methods of computation are consistent with those of the previous annual financial statements.

On initial application of IFRS 16, for all leases (except as noted below), the Group:

- Recognised right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognised depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss and other comprehensive income;
- Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirements to recognise a provision for onerous lease contract.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture) under P 50 000, the Company opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

### 3. Director's Responsibility for the Abridged Financial Statements

The directors are responsible for the preparation of the abridged consolidated financial results and financial position of the Company in accordance with the BSE and JSE listings requirements and of the Companies Act of Botswana

### 4. Reason for delay in publication of results

Upon the appointment of PricewaterhouseCoopers ("PwC") as external auditors for the 2018 financial year, the Board and the new auditors initiated an exercise to re-assess several past accounting practices and policies which took more time than expected and had a material impact on the 2018 and prior period financial statements.

Furthermore, the Board initiated a legal and a forensic investigation on some of the matters raised by the auditors which reports were only concluded and released during September 2019.

The above actions resulted in the 2018 Audited Annual Financial Statements only being released during December 2019.

During September 2019, PwC resigned as auditors of the Company/Group for the 2019 financial year. Following a protracted process to replace PwC as auditors, Mazars eventually agreed to be appointed external auditors for the Company/Group on