

CHOPPIES

Great value for your money!

Our Shared Value Journey

Condensed
Reviewed Interim
Group Financial
Results for the
Six Months Ended
31 December

2021



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Corporate information
Registration number: BW00001142508

The Company's primary listing is on the BSE,
and its secondary listing is on the JSE.

BSE

ISIN: BW00000001072
Share code: CHOPPIES
Bloomberg code: CHOPPIES BG EQUITY
Reuters code: CHOPP.BT
Listing date: January 2012

JSE

ISIN: BW00000001072
Share code: CHP
Listing date: May 2015
Total shares in issue: 1 303 628 341

For and on behalf of the Board



D. K. U. Corea
(Chairman)
15th February 2022



R. Ottapathu
(Chief Executive Officer)

REGISTERED OFFICE
Plot 50371,
Fairgrounds office park,
Gaborone, Botswana.

SPONSORS
BSE: Stockbrokers
Botswana
JSE: PSG Capital

COMPANY SECRETARY
DPS Consulting Services
(PTY) Ltd.
Plot 54513,
Unit 6A
Courtyard Village,
Gaborone, Botswana.

AUDITORS
Mazars
Plot 139,
Finance Park,
Gaborone, Botswana.

Financial Highlights

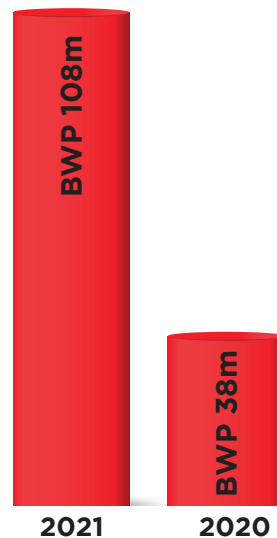
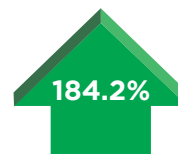
REVENUE Continuing Operations



OPERATING PROFIT Continuing Operations



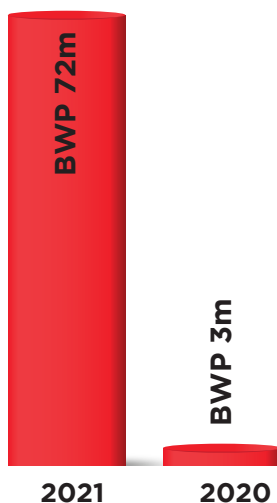
PROFIT AFTER TAX Total Operations



BASIC EPS Continuing Operations



FREE CASH FLOW Total Operations



Other Highlights

- Footfall up by 11.6%.
- Basket size up by 5.2%.
- Pula gross profit increased by 14.7%.
- Net debt reduced by BWP 83 million.
- Rest of Africa segment moved into profitability of EBIT BWP 50 million from last year's EBIT loss of BWP 7 million.
- Headline Earnings per share up 92.9%.
- Satisfactory results in a very challenging and competitive economic environment.



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Independent Auditor's Review Report on Interim Financial Statements

31 December 2021

To the Shareholders of Choppies Enterprises Limited

We have reviewed the condensed consolidated interim financial statements of Choppies Enterprises Limited, contained in the accompanying interim report, which comprises the condensed consolidated statement of financial position as at 31 December 2021 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard (IAS) 34 Interim Financial Reporting, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Procedures by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Material Uncertainty Related to Going Concern

Management prepared these condensed consolidated interim financial statements on the basis that the Choppies Group is a going concern. Management included their assessment, and the associated uncertainties they have identified, in the Commentary note 4 on Going concern. We draw attention to the fact that as at 31 December 2021, the Group had accumulated losses of BWP 833 million, and as at that date, the Choppies Group's total liabilities exceeded its total assets by BWP 334 million, and the total current liabilities exceed its total current assets by BWP 385 million. As stated above, these events or conditions, along with the continuing uncertainty in the business due to the duration and intensity of the COVID-19 pandemic and other matters as set forth in note, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Choppies Enterprises Limited for the six months period ended 31 December 2021 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard (IAS) 34 Interim Financial Reporting.

The logo for Mazars, featuring the word "Mazars" in a stylized, handwritten-style font with a horizontal line underneath.

Mazars

Certified Auditors

Practicing member: Shashikumar Velambath

Membership number: 19980076

Date: 15 February 2022

Consolidated Statements of profit or loss and other comprehensive income

for the six months ended 31 December 2021

	(Reviewed) 6 Months ended 31-Dec-21 BWPm	(Reviewed) 6 Months ended 31-Dec-20 BWPm	(Audited) 12 Months ended 30-Jun-21 BWPm
<i>Figures in Pula millions</i>			
Continuing operations			
Revenue	3 223	2 711	5 331
Cost of sales	(2 537)	(2 113)	(4 142)
Gross profit	686	598	1 189
Other operating income	25	23	45
Operating Income	711	621	1 234
Expenditure	(530)	(483)	(1 008)
Loss on disposal of plant and equipment	(2)	-	-
Movement in credit loss allowances	-	16	17
Administrative expenses	(476)	(414)	(856)
Selling and distribution expenses	(13)	(8)	(16)
Other operating expenses	(68)	(63)	(135)
Foreign exchange gains/(losses) on lease liability	29	(16)	(19)
Net monetary gain on translating Zimbabwean entities	-	2	1
Operating profit	181	138	226
Finance costs	(51)	(49)	(110)
Profit before taxation	130	89	116
Taxation	(22)	(25)	(34)
Profit from continuing operations	108	64	82
Discontinued operations			
Loss from discontinued operations	-	(26)	(22)
Profit for the period	108	38	60
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations in Hyperinflationary economies	27	(27)	34
Exchange differences on translating foreign operations	(21)	(16)	(75)
Other comprehensive profit/(loss) for the period	6	(43)	(41)
Total comprehensive profit/(loss) for the period	114	(5)	19
Profit/(loss) attributable to:			
Owners of the parent	105	44	68
Non-controlling interest	3	(6)	(8)
	108	38	60
Profit/(loss) attributable to:			
Owners of the parent:			
From continuing operations	105	65	85
From discontinued operations	-	(21)	(17)
	105	44	68
Non-controlling interest:			
From continuing operations	3	(2)	(3)
From discontinued operations	-	(4)	(5)
	3	(6)	(8)
Total comprehensive profit/(loss) attributable to:			
Owners of the parent	112	(3)	25
Non-controlling interest	2	(2)	(6)
	114	(5)	19
Earnings per share			
Basic & Diluted earnings/(loss) per share			
Basic earnings per share (thebe) – continuing operations	8.0	5.0	6.5
Basic loss per share (thebe) – discontinued operations	-	(1.7)	(1.3)
	8.0	3.3	5.2

Consolidated Statements of financial position

as at 31 December 2021

	(Reviewed) 31-Dec-21 BWPm	(Reviewed) 31-Dec-20 BWPm	(Audited) 30-Jun-21 BWPm
<i>Figures in Pula millions</i>			
Non-current assets	1 227	1 207	1 160
Property, plant and equipment	1 137	1 133	1 088
Goodwill and intangible asset	85	69	64
Investments in new projects	5	5	8
Current assets	733	608	543
Inventories	482	390	341
Amounts due from related entities	6	5	5
Advances and deposits	36	29	44
Trade and other receivables	103	95	64
Current tax receivable	10	-	10
Restricted cash	-	9	5
Cash and cash equivalents	96	80	74
Assets of disposal groups	-	20	-
Total assets	1 960	1 835	1 703
Equity and liabilities			
Equity	(334)	(472)	(448)
Stated capital	906	906	906
Treasury shares	(29)	(29)	(29)
Foreign currency translation reserve	(494)	(417)	(474)
Hyper inflationary reserve	220	132	193
Retained loss	(833)	(963)	(938)
Non-controlling interest	(104)	(101)	(106)
Non-current liabilities	1 176	959	1 207
Long-term borrowings	583	335	616
Lease liabilities	578	601	572
Deferred taxation liabilities	15	23	19
Current liabilities	1 118	1 213	944
Trade and other payables	741	621	568
Amounts due to related entities	49	63	44
Current portion of long-term borrowings	81	218	86
Current portion of lease liabilities	182	151	149
Current tax payable	20	10	29
Bank overdraft	45	150	68
Liabilities of disposal groups	-	135	-
Total liabilities	2 294	2 307	2 151
Total equity and liabilities	1 960	1 835	1 703

Consolidated Statements of changes in equity

for the six months ended 31 December 2021

<i>Figures in Pula millions</i>	Stated capital & treasury shares	Foreign currency translation reserve	Hyper inflationary translation reserve	Retained loss	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance at 1 July 2020	877	(396)	159	(1 007)	(367)	(100)	(467)
Total comprehensive loss for the period	-	(21)	(27)	44	(4)	(1)	(5)
Profit/(loss) for the period	-	-	-	44	44	(6)	38
Other comprehensive (loss)/income	-	(21)	(27)	-	(48)	5	(43)
Balance at 31 December 2020 (Reviewed)	877	(417)	132	(963)	(371)	(101)	(472)
Total comprehensive (loss)/ income for the period	-	(57)	61	25	29	(5)	24
Profit/(loss) for the period	-	-	-	25	25	(3)	22
Other comprehensive (loss)/income	-	(57)	61	-	4	(2)	2
Balance at 30 June 2021 (Audited)	877	(474)	193	(938)	(342)	(106)	(448)
Total comprehensive (loss)/income for the period	-	(20)	27	105	112	2	114
Profit for the period	-	-	-	105	105	3	108
Other comprehensive (loss)/income	-	(20)	27	-	7	(1)	6
Dividends	-	-	-	-	-	-	-
Balance at 31 December 2021 (Reviewed)	877	(494)	220	(833)	(230)	(104)	(334)

Headline earnings per share computation

<i>Figures in Pula millions</i>	(Reviewed) 6 Months ended 31-Dec-21 BWPm	(Reviewed) 6 Months ended 31-Dec-20 BWPm	(Audited) 12 Months ended 30-Jun-21 BWPm
Basic Earnings	105	44	68
Loss on disposal of assets	2	(3)	2
Impairment losses	-	13	14
Tax impact	(1)	1	-
Headline earnings	106	55	84
Number of shares for basic earnings	1 303 628 000	1 303 628 000	1 303 628 000
Weighted average Number of Shares	1 303 628 000	1 303 628 000	1 303 628 000
Basic Headline Earnings per share	8.1	4.2	6.5
Diluted Headline Earnings per share	8.1	4.2	6.5

Consolidated Statements of cash flows

for the six months ended 31 December 2021

	(Reviewed) 6 Months ended 31-Dec-21 BWPm	(Reviewed) 6 Months ended 31-Dec-20 BWPm	(Audited) 12 Months ended 30-Jun-21 BWPm
<i>Figures in Pula millions</i>			
Cash flows from operating activities			
Profit before taxation	130	89	116
Adjustments for:	188	180	377
Depreciation, write-off and amortisation	130	130	259
Losses on disposals of plant and equipment	2	(3)	-
Finance costs	51	49	110
Restricted cash movements	5	4	8
Changes in working capital:	6	(76)	(69)
Movement in inventories	(141)	(84)	(35)
Movement in trade and other receivables	(39)	(31)	(9)
Movement in advances and deposits	8	10	(6)
Movement in trade and other payables	173	49	20
Movement in amount due to related entities	5	(20)	(39)
Cash generated from operations	324	193	424
Taxation paid	(34)	(17)	(22)
Cash flows of discontinued operations	-	(8)	(43)
Net cash generated from operating activities	290	168	359
Cash flows from investing activities			
Net cash used in investing activities	(77)	(31)	(61)
Purchase of property, plant and equipment	(79)	(36)	(47)
Proceeds on disposal of property, plant and equipment	6	6	5
Purchase of intangible assets	(1)	(2)	(3)
Purchase of business	-	(3)	(6)
Movement in new projects	(3)	4	(10)
Cash flows from financing activities			
Net cash used in financing activities	(141)	(134)	(224)
Financing obtained from third parties	35	1	556
Capital payments of long-term liabilities	(44)	-	(482)
Lease payments	(84)	(80)	(162)
Discontinued operations	-	(10)	(38)
Interest paid	(48)	(45)	(98)
Net movement in cash and cash equivalents	72	3	74
Cash and cash equivalents at beginning of the year	6	(88)	(88)
Cash balances from discontinued operations	-	1	2
Effect of translation of foreign entities	(27)	14	18
Cash and cash equivalents at end of the period	51	(70)	6

Operating segmental information

for the six months ended 31 December 2021

Rest of Africa Includes Namibia, Zambia & Zimbabwe						BWPm Total for Continuing operations
<i>Figures in Pula millions</i>						
DECEMBER 2021 (Reviewed)	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	
Statement of profit or loss						
Revenue	2 231	992	119	404	469	3 223
EBITDA	228	53	1	38	14	281
Movement in credit loss allowance	-	-	-	-	-	-
Foreign exchange gains on lease liability	-	29	-	29	-	29
Depreciation & Amortisation	(97)	(32)	(6)	(20)	(6)	(129)
Operating Profit/(Loss) (EBIT)	131	50	(5)	47	8	181
Statement of financial position						
Assets	1 310	650	113	237	300	1 960
Liabilities	1 879	415	63	216	136	2 294
DECEMBER 2020 (Reviewed)	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	Total for Continuing operations
Statement of profit or loss						
Revenue	2 186	525	71	243	211	2 711
EBITDA	228	39	3	23	13	267
Movement in credit loss allowance	16	-	-	-	-	16
Foreign exchange losses on lease liability	-	(16)	-	(16)	-	(16)
Depreciation & Amortisation	(99)	(30)	(5)	(20)	(5)	(129)
Operating Profit/(Loss) (EBIT)	145	(7)	(2)	(13)	8	138
Statement of financial position						
Assets	1 332	483	96	180	207	1 815
Liabilities	1 849	323	60	186	77	2 172
JUNE 2021 (Audited)	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	Total for Continuing operations
Statement of profit or loss						
Revenue	4 145	1 186	154	495	537	5 331
EBITDA	430	57	4	40	13	487
Movement in credit loss allowance	17	-	-	-	-	17
Foreign exchange losses on lease liability	-	(19)	-	(19)	-	(19)
Depreciation & Amortisation	(201)	(58)	(10)	(38)	(10)	(259)
Operating Profit/(Loss) (EBIT)	246	(20)	(6)	(17)	3	226
Statement of financial position						
Assets	1 224	479	100	151	228	1 703
Liabilities	1 197	954	144	336	474	2 151

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 per cent. The prior-period segment data presented for comparative purposes have been restated to reflect the newly reportable segments. By default, the Namibian operating segment is disclosed despite its contribution to revenue not exceeding the quantitative threshold of ten per cent.

Commentary

1. Nature of business

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

Each week, approximately 1.8 million customers visit 159 stores under four formats in four countries. With annual revenue of BWP 5.8 billion, Choppies employs over 9 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

2. Basis of preparation and accounting policies

The reviewed condensed consolidated interim financial statements for the six months ended 31 December 2021 have been prepared and presented in accordance with the requirements of the BSE Limited (“BSE Listings Requirements”) and JSE Limited (JSE Listing Requirements), as well as the requirements of the Botswana Companies Act, as amended.

The interim reports have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”) and also contain the information required by IAS 34 Interim Financial Reporting.

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

3. Director’s responsibility for the condensed financial statements

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

4. Going concern

The Group’s negative equity reduced from BWP 448 million as at June 2021 to BWP 334 million as at December 2021, due to trading profits.

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 probable future impact of the COVID-19 pandemic.

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

5. Group results

The Group’s revenue increased by 18.9% to BWP 3 223 million (2020: BWP 2 711 million), driven by seven new stores coupled with strong volume and price growth in the Rest of Africa. The Group’s like for like sales growth was 13.9%.

Botswana experienced modest revenue growth to BWP 2 231 million (2020: BWP 2 186 million) mainly as a result of negative volume growth due to the impact of the COVID-19 pandemic on the economy and consumer spending. The Rest of Africa revenue increased by 89.0% to BWP 992 million (2020: BWP 525 million) driven by the addition of five new stores, inflationary increases in Zimbabwe and Zambia and volume growth in all countries.

In Pula terms, gross profit grew by 14.7% to BWP 686 million (2020: BWP 598 million) despite the challenging economic environment.

Total operating costs increased by 9.7%, mainly driven by a 15.0% increase in administrative expenses which was offset a BWP 29 million foreign exchange gain on lease liabilities from the Zambian operation following the strengthening of the Kwacha. As a result, operating profit (EBIT) increased by 31.2% from BWP 138 million to BWP 181 million. EBIT margins improved from 5.1% to 5.6%.

The effective tax rate reduced from 28.1% to 16.9% due to unrecognised tax losses in Zambia.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP 83 million in net debt over the past six months. Free cash flow of BWP 72 million (2020: BWP 3 million) was generated during the past six months compared to BWP 74 million for the 12 months to June 2021.

6. Operational overview

Botswana

Revenue from Botswana increased by 2.1% as the business continued to show strong resilience in an increasingly challenging economic environment. The Botswana economy experiences a confluence of elevated inflation, high unemployment, and lower economic growth.

Operating expenditure was managed well, increasing by 6.5% despite two new stores and increasing by 1.8% after excluding once-off bad debt recoveries from last year's costs.

Due to extremely challenging trading conditions, operating profit (EBIT) reduced by 9.7% but the EBIT margin remains healthy at 5.9%.

Rest of Africa consisting of Namibia, Zambia and Zimbabwe.

The segment has shown a significant improvement in EBIT with the segment moving into profitability of BWP 50 million from last year's EBIT loss of BWP 7 million.

Revenue increased by 89.0%, driven by five new stores, inflation, and volume growth.

Operating expenditure grew 20.4%, driven by inflation in Zambia and Zimbabwe and five new stores.

EBIT margin is a healthy 5.0% versus the negative 1.3% for the prior period.

7. Events after reporting date

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

8. Review Opinion

Mazars, the Group's independent auditor, has reviewed the condensed consolidated interim financial statements for the six month period ended 31 December 2021 and has expressed an unmodified review conclusion thereon.

A copy of the auditor's review report is included on pages 3 and 4 and is available for inspection at the Company's registered office together with the financial information identified in the auditor's report.

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

Mazars' review report is published on XNews and SENS simultaneously with this condensed release of results and is also available on the Group's website:

<https://choppiesgroup.com/investor-relations/>.

9. Changes in board members

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

10. Dividend

The Board has resolved not to declare an interim dividend given the prolonged impact of the Covid-19 pandemic, the continuing uncertain economic environment as well as the rebuilding phase of the Group's capital structure (2020: Nil).