

CHOPPIES

Great value for your money!

CHOPPIES RETURNS TO PROFITABILITY



Continuing
EBIT up
8.7%



Continuing
EBITDA up
2.9%

Total (Loss) / Profit BWP Millions

(371) **60**
FY 20 FY 21



Total net
DEBT down
BWP55.4m

Choppies Enterprises Limited

Abridged Audited Group Financial Results For The Year Ended 30 June 2021

Consolidated Statement of Profit or Loss and other Comprehensive Income

Continuing Operations

	(Audited) 12 Months ended 30 June, 2021 BWP'000	(Audited) 12 Months ended 30 June, 2020 BWP'000
Revenue	5,330,761	5,420,596
Cost of sales	(4,141,605)	(4,167,850)
Gross profit	1,189,156	1,252,746
Other operating income	45,191	52,617
Loss on disposal of plant & equipment	(201)	(656)
Net Impairment (losses)/reversals	-	9868
Movement in credit loss allowances	16,954	(1412)
Administrative expenses	(855,718)	(901,870)
Selling and distribution expenses	(35,119)	(63,200)
Other operating expenses	(134,689)	(140,741)
Net Monetary gain on Zimbabwe Entities	589	20,366
Operating profit before interest	226,163	207,982
Finance income	103	110
Finance costs	(110,036)	(103,087)
Profit before taxation	116,230	105,005
Taxation	(34,336)	(6,076)
Profit from continuing operations	81,894	98,929
Loss from discontinued operations	(22,267)	(469,563)
Total profit/(Loss) for the period	59,627	(370,634)
Other comprehensive (loss) income	(41,002)	(16,273)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(75,012)	(103,801)
Exchange differences on translating foreign operations in hyperinflationary economy	34,010	87,528
Total comprehensive profit (loss) for the year	18,625	(386,907)
Profit/(Loss) for the period attributable to:	59,627	(370,634)
Owners of the parent	68,332	(330,359)
Non-controlling interest	(8,705)	(40,275)
Total comprehensive (loss) for the year attributable to Owners of the company	68,332	(330,359)
From continuing operations	84,824	105,052
From discontinued operations	(16,492)	(435,411)
Non-controlling interests	(8,705)	(40,275)
From continuing operations	(2,930)	(6,123)
From discontinued operations	(5,775)	(34,152)
Total comprehensive profit/loss attributable to:	18,625	(386,907)
Owners of the parent	24,790	(344,394)
Non-controlling interest	(6,165)	(42,513)
Basic earnings (loss) per share - Thebe	5.2	(25.3)
Continuing operations	6.5	8.1
Discontinuing operations	(1.3)	(33.4)
Diluted earnings (loss) per share - Thebe	5.2	(25.3)
Continuing operations	6.5	8.1
Discontinuing operations	(1.3)	(33.4)
Notes to the statement of profit or loss and other comprehensive income		
Headline earnings (loss) per share - Thebe	6.5	(15.3)
Continuing operations	6.5	9.1
Discontinuing operations	(0.0)	(24.3)
Diluted headline earnings (loss) per share - Thebe	6.5	(15.3)
Continuing operations	6.5	9.1
Discontinuing operations	(0.0)	(24.3)

Consolidated Statement of Financial Position

	(Audited) 30 June, 2021 BWP'000	(Audited) 30 June, 2020 BWP'000
Assets		
Non-current assets	1,160,189	1,294,631
Property plant and equipment	1,087,576	1,218,626
Goodwill and intangible asset	64,477	65,735
Investments in new projects	8,136	10,270
Current assets	543,267	497,089
Inventories	340,692	305,476
Amounts due from related entities	5,310	5,414
Other financial assets	3	3
Advances and deposits	44,295	39,092
Trade and other receivables	63,810	63,645
Taxation refundable	10,094	9,887
Restricted cash	5,143	12,845
Cash and cash equivalents	73,920	60,727
Assets of disposal groups held for sale	-	49,081
Total assets	1,703,456	1,840,801
Equity and Liabilities		
Equity	(448,429)	(467,054)
Stated capital	906,196	906,196
Treasury shares	(29,616)	(29,616)
Hyper inflationary reserve	192,930	158,920
Foreign currency translation reserve	(473,964)	(396,412)
Retained loss	(938,206)	(1,006,538)
Non-controlling interests	(105,769)	(99,604)
Non - current liabilities	1,207,108	984,596
Long term borrowings	616,362	355,665
Lease liabilities	572,201	599,869
Deferred taxation liabilities	18,545	29,062
Current liabilities	944,777	1,155,460
Trade and other payables	568,461	571,225
Amounts due to related entities	43,734	82,794
Current portion of long term borrowings	86,129	192,289
Current portion of lease liabilities	149,445	153,116
Taxation Payable	29,483	7,248
Bank overdraft	67,525	148,788
Liabilities of disposal group classified as held for sale	-	167,799
Total liabilities	2,151,885	2,307,855
Total equity and liabilities	1,703,456	1,840,801

Consolidated Statement of Changes in Equity

Particulars	Stated Capital BWP'000	Foreign Currency translation reserve BWP'000	Hyper Inflationary reserve BWP'000	Treasury Shares BWP'000	Retained Earnings (loss) BWP'000	Attributable to equity holders BWP'000	Non Controlling Interest BWP'000	Total BWP'000
Balance as at 1 July, 2019 (Audited)	906,196	(294,849)	71,392	(29,616)	(676,179)	(23,056)	(57,091)	(80,147)
Total comprehensive (loss) income for the period	-	(101,563)	87,528	-	(330,359)	(344,394)	(42,513)	(386,907)
Loss for the year	-	-	-	-	(330,359)	(330,359)	(40,275)	(370,634)
Other comprehensive (loss) income	-	(101,563)	87,528	-	-	(14,035)	(2,238)	(16,273)
Balance as at 30 Jun, 2020 (Audited)	906,196	(396,412)	158,920	(29,616)	(1,006,538)	(367,450)	(99,604)	(467,054)
Total comprehensive (loss) income for the period	-	(77,552)	34,010	-	68,332	24,790	(6,165)	18,625
Loss for the year	-	-	-	-	68,332	68,332	(8,705)	59,627
Other comprehensive (loss) income	-	(77,552)	34,010	-	-	(43,542)	2,540	(41,002)
Balance as at 30 Jun, 2021 (Audited)	906,196	(473,964)	192,930	(29,616)	(938,206)	(342,660)	(105,769)	(448,429)

Consolidated Statement of Cash Flows

Particulars	(Audited) Year ended 30 June, 2021 BWP'000	(Audited) Year ended 30 June, 2020 BWP'000
Profit before taxation	116,230	105,005
Non-cash & other adjustments	376,873	382,262
Changes in working capital	(69,602)	130,508
Interest received	103	110
Taxation paid/(reclaimed)	(22,167)	1,263
Cash flows of discontinued operations	(42,718)	(457,255)
Net cash generated from operating activities	358,719	161,893
Net cash flows used in investing activities	(60,196)	22,468
Net cash flows generated from financing activities	(224,854)	(251,066)
Net movement in cash and cash equivalents	73,669	(66,705)
Cash and cash equivalents at beginning of the period	(88,061)	(41,440)
Cash balances from discontinued operations	2,376	6,102
Effect of translation of foreign entities	18,411	13,982
Cash and cash equivalents at end of the period	6,395	(88,061)

Headline Earnings Per Share Computation

Particulars	(Audited) Year ended 30 June, 2021 BWP'000	(Audited) Year ended 30 June, 2020 BWP'000
Basic Earnings	68,332	(330,359)
Remeasurements	-	-
Loss on disposal of asset	1,876	50,994
Impairment losses on non-current assets	14,258	101,935
Tax Impact	(44)	(21,615)
Headline Earnings	84,422	(199,045)
Number of shares for basic earnings	1,303,628,341	1,303,628,341
Weighted Average Number of Shares	1,303,628,341	1,303,628,341
Basic HEPS	6.48	(15.27)
Diluted HEPS	6.48	(15.27)

Segmental Results

	Botswana BWP'000	Rest of Africa BWP'000	Total for Continued operations
JUNE 2021			
Statement of profit or loss and other comprehensive Income			
Revenue	4,144,361	1,186,400	5,330,761
Gross profit	950,885	238,271	1,189,156
Other operating income	42,495	2,696	45,191
EBITDA	446,876	38,300	485,176
Impairments reversal/(loss)	-	-	-
Depreciation & Amortisation	(200,826)	(58,187)	(259,013)
Operating Profit/(Loss) (EBIT)	246,050	(19,887)	226,163
Profit/(loss) after taxation	119,648	(37,754)	81,894
Statement of financial position			
Assets	1,223,975	479,481	1,703,456
Liabilities	1,198,147	953,738	2,151,885

Segmental Results

	Botswana BWP'000	Rest of Africa BWP'000	Total for Continued operations BWP'000	Total for Operations discontinued BWP'000	Total Group BWP'000
JUNE 2020					
Statement of profit or loss and other comprehensive Income					
Revenue	4,260,178	1,160,418	5,420,596	2,396,644	7,817,240
Gross profit	1,041,266	211,480	1,252,746	429,410	1,682,156
Other income	47,010	4,951	51,961	(46,134)	5,827
EBITDA	466,668	4,774	471,442	(296,937)	174,505
Impairments reversal/(loss)	(9,552)	(316)	(9,868)	(88,859)	(98,727)
Depreciation & Amortisation	(197,666)	(55,926)	(253,592)	(73,985)	(327,577)
Operating Profit/(Loss) (EBIT)	259,450	(51,468)	207,982	(459,781)	(251,799)
Profit/(loss) after taxation	172,301	(73,372)	98,929	(469,563)	(370,634)
Statement of financial position					
Assets	1,281,997	509,723	1,791,720	49,081	1,840,801
Liabilities	1,847,703	292,353	2,140,056	167,799	2,307,855

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 JSE Limited (“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 1.6 million customers visit 154 stores under four formats in four countries. With FY2021 revenue of BWP5.3 billion, Choppies employs over 9 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

2. Basis of preparation and accounting policies

The abridged consolidated financial results and financial position of the Company are extracted from the Group annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

Any investment or similar decisions by stakeholders should be based on the consideration of the complete Group annual financial statements, which is available for inspection at the Company’s registered office and on the Group’s website: <https://choppiesgroup.com/investor-relations/>.

The accounting policies applied during the period are consistent with those applied in the previous year and the methods of computation are consistent with those of the previous annual financial statements.

During FY2020, the Board decided to discontinue or dispose of its operations in South Africa, Kenya, Tanzania and Mozambique. Accordingly, the results of these operations were disclosed with effect from 1 July 2019 in terms of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Any remaining assets and liabilities were transferred to continuing business as at the end of the 2021 financial year. The remaining assets relating to the disposal group are BWP 5.1 million which are all considered recoverable. The remaining liabilities relating to the disposal group are BWP 69.0 million which will be settled by the Group in the ordinary course of business.

3. Director’s responsibility for the condensed financial statements

The directors are responsible for the preparation of the abridged audited group financial results and financial position of the group 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 467.1 million as at June 2020 to BWP 448.4 million as at June 2021 mainly due to trading profits in Botswana and hyperinflationary translation reserves exceeding currency translation reserves in Zimbabwe.

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, stress checked, as prepared by management against the recently restructured debt facilities with a consortium of banks, undertakings of financial support by the founding shareholders, the economic outlook of the countries in which it operates as well as the possible future impact of the COVID-19 pandemic.

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

5. Group results

We are proud to report that the Group achieved its first profit since 2016 as the benefits from restructuring the business, following the exit from underperforming investments, continue to be realised.

Group revenue decreased by 1.7% to BWP 5 331 million (2020: BWP 5 421 million) mainly as a result of negative volume growth in Botswana due to the impact of the COVID-19 pandemic on the economy and consumer spend. The Rest of Africa revenue increased by 2.2% to BWP 1 186 million (2020: BWP 1 160 million) driven by inflationary increases in Zimbabwe and Zambia which were further offset by negative fluctuations in currency exchange rates.

Total operating costs were reduced by 7.2% resulting in an 8.7% increase in EBIT from BWP 208,0 million to BWP 226,2 million. EBIT margins improved from 3,8% to 4,2%.

The increase in the effective tax rate is primarily due to last year’s losses related to the divestiture of the South African operations sold in 2020.

The Group has managed its cash resources and liquidity prudently over the course of the COVID-19 crisis with a reduction of BWP 55.4 million in net debt including debt disclosed in 2020 under discontinued operations.

6. Operational overview

Botswana

Despite volumes reducing by 5.8%, revenue from Botswana declined by 2.7% as the business continued to show strong resilience in an increasingly competitive operating environment and poor trading conditions.

Operating limitations due to government regulations and precautionary measures taken because of the COVID-19 pandemic, resulted in a lower gross profit margin of 22.9% compared to last year’s 24.4%. The gross profit margin remains relatively healthy despite the extremely challenging trading conditions.

Operating expenditure was well controlled, reducing by 8.8%, which helped negate some of the declines in EBIT from BWP 259.5 million to BWP 246.1 million. One store was closed during the year bringing the total number of stores in Botswana to 90 stores (2020: 91 stores).

Rest of Africa

This segment consists of 6 stores in Namibia (2020: 5 stores), 26 in Zambia (2020: 22 stores) and 32 in Zimbabwe (2020: 32 stores).

Revenue increased by 77.0% in constant currency and 2.2% in BWP terms because of negative fluctuations in currency exchange rates. The Rest of Africa constant currency growth was driven by hyperinflation in Zimbabwe and double-digit inflation in Zambia.

The gross profit margin at 20.1% (2020:18.2%) improved due to inflationary increases in pricing in Zambia and Zimbabwe.

Total costs were well-managed reducing by 2.5%. The segment has shown a significant decline in EBIT losses to BWP 19.9 million (2020: BWP 51.5 million loss) owing to improved gross profit margin and a reduction in costs.

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.

We, however, do not expect any effects on our logistics networks or expect any supply chain disruptions due to the recent civil unrest in South Africa.

8. Audit opinion

The Group’s annual financial statements have been audited by Mazars who issued a qualified opinion where the current period’s financial statements is modified only for the possible lack of comparability of the results of operations of the comparative year with the current year. This was due to Mazars being appointed auditors after the FY2019 financial year and they were unable to observe the counting of physical inventories at June 2019. As a result of this matter, Mazars was unable to determine whether any adjustments might have been necessary in respect of the cost of goods sold for FY2020. Mazars’ audit report is published on X-News & SENS simultaneously with this abridged release of results. This abridged financial information, has not been reviewed by the Group’s external auditor, and has been extracted from the audited annual financial statements.

9. Changes in board members

The Company has 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.

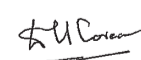
10. Dividend

The Board has considered it prudent not to declare a dividend for the period under review (2020 : Nil).

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

22 September 2021

For and on behalf of the Board



D. K. U. Corea
(Chairman)



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
(Appointed 17 February 2020)
Mazars
Plot 139,
Finance Park,
Gaborone, Botswana.