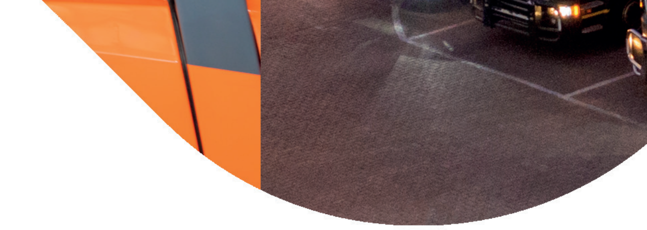
CHOPPIES

Great value for your money!



Condensed Audited Group Financial Results for the year ended **30 June 2023**

CONTENTS

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

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

For and on behalf of the Board

D. K. U. Corea
Chairman
20 September 2023

R. Ottapathu
Chief Executive Officer

Registered office
Plot 50371,
Fairgrounds Office Park,
Gaborone, Botswana

Sponsors
BSE: Stockbrokers
Botswana
JSE: PSG Capital

Company secretary
BP Consulting Services
(PTY) Ltd
Plot 28892,
Twin Towers, Fairground,
Gaborone, Botswana

Auditors
Mazars
Plot 139,
Finance Park
Gaborone, Botswana.

Salient features

Growth in Group retail sales up
6.5% to **BWP6 433 million**
(2022: BWP6 042 million)

Group profit after tax up
3.4% to **BWP150 million**
(2022: BWP145 million)

Group net cash generated from operating activities
4.5% to **BWP484 million**
(2022: BWP463 million)

Group EBITDA down
10.2% to **BWP467 million**
(2022: BWP520 million)

Botswana segment adjusted* EBITDA flat
0% to **BWP405 million**
(2022: BWP405 million)

Zambia segment adjusted* EBITDA up
27.1% to **BWP75 million**
(2022: BWP59 million)

Group operating profit (EBIT) down
1.8% to **BWP274 million**
(2022: BWP279 million)

Group earnings per share up
4.8% to **10.9 thebe**
(2022: 10.4 thebe)

Group headline earnings per share down
7.5% to **11.1 thebe**
(2022: BWP12.0 thebe)

Group adjusted* EBITDA down
3.4% to **BWP489 million**
(2022: loss of BWP506 million)

Namibia segment adjusted* EBITDA up
140% to **BWP12 million**
(2022: BWP5 million)

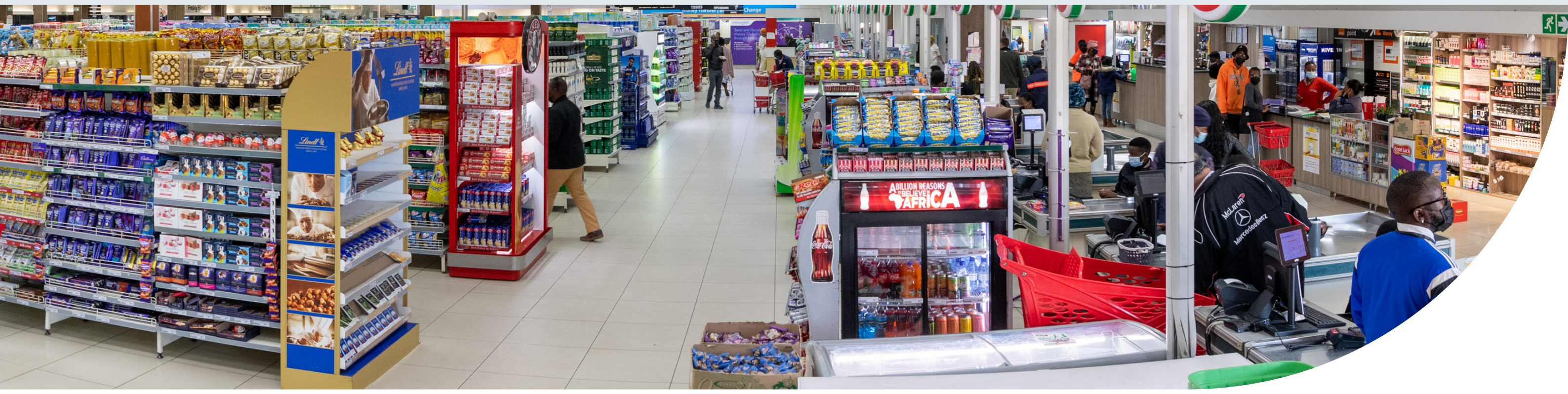
Zimbabwe segment adjusted* EBITDA down
108.1% to **BWP3 million loss**
(2022: BWP37 million profit)

* *Adjusted measures are shown as management believes them to be relevant to the understanding of the Group's financial performance. Refer to note 2 in the commentary for definitions.*

Other highlights

- The Group is now technically **solvent** by **BWP42 million**
- Group **funding** covenants **complied** with
- Barring the hyper-inflation issues affecting the Zimbabwe segment, the **Group performed** well in **all other countries**
- Supporting **local** farmers in all **four countries**
- **Namibia** and **Zambia** segments grew **adjusted EBITDA**
- **Footfall** up by **6.1%**
- Debt reduction of **BWP270 million** plus a further **BWP64 million** subsequent to the year end

Statistics	**FY23**	FY22
Group number of stores	**177**	161
Botswana	**99**	92
Namibia	**14**	9
Zambia	**31**	28
Zimbabwe	**33**	32
Group square metres (000's)	**240**	221
Group number of employees	**9 950**	9 177



It should be noted that the opinion relates to the audited consolidated and separate financial statements and not the abridged financial statements/press release. The opinion should be read in conjunction with the audited consolidated and separate financial statements which are available for inspection at the Company's registered office.

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Email: gbe.info@mazars.co.bw
www.mazars.co.bw

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2023

TO THE SHAREHOLDERS OF CHOPPIES ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Choppies Enterprises Limited and its subsidiaries ("Choppies Group") set out on pages 12 to 73 which comprise the consolidated and separate statement of financial position as at 30 June 2023, 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 2023, 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 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 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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: • Accounting policy 1.19 – 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 1.19 of the financial statements (Rebates from suppliers).

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: • Accounting policy note 1.7 – Financial Instruments (IFRS 9) – Amounts due from related parties • Note 37 – 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 37 (Related Parties) of the financial statements.

Matter #03	IFRS 16 – Leases Accounting Standard
Description of Key Audit Matter	As of June 30, 2023, right-of-use assets in the amount of P635 million (2022: P597 million) and lease liabilities in the amount of P772 million (2022: P744 million) were recognized in Choppies Enterprises Limited's Financial Statements. Right-of-use assets accounts for 29% of total assets with an associated lease liability approximating 36% 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 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 financial statements on the following notes: • Note 16 – Right-of-use assets • Note 31 – Lease liabilities • Accounting Policy Note 1.4 – Right-Of-Use Assets • Accounting Policy Note 1.6 - Leases
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 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 Financial Statements (Note 31 Lease liabilities and Note 16 on Right-of-Use Assets).

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 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 2023", 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 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 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 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.

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 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 financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 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.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Mazars
Certified Auditors
Practicing member: Shashikumar Velambath
Membership number: CAP 022 2023

Date: 21 September 2023
Gaborone

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

Figures in Pula millions	**Audited 12 months ended 30 June 2023 BWPm**	Audited 12 months ended 30 June 2022 BWPm
Continuing operations		
Revenue	**6 486**	6 097
Retail sales	**6 433**	6 042
Cost of sales	**(5 074)**	(4 735)
Gross profit	**1 359**	1 307
Other operating income	**53**	55
Expenditure	**(1 138)**	(1 083)
Profit/(loss) on disposal of plant and equipment	**4**	(2)
Expected credit loss movement	**(6)**	(7)
Administrative expenses	**(978)**	(834)
Selling and distribution expenses	**(22)**	(35)
Foreign exchange (losses)/gains on lease liability	**(31)**	28
Contingent consideration on sale of South African operations	**0**	(20)
Foreign exchange gains on Zimbabwean legacy debt receipts	**18**	15
Commission on legacy debt receipts	**(7)**	–
Other operating expenses	**(115)**	(220)
Net monetary loss on Zimbabwe entities	**(1)**	(8)
Operating profit before interest	**274**	279
Finance costs	**(109)**	(99)
Profit before taxation	**165**	180
Taxation	**(15)**	(35)
Profit from continuing operations	**150**	145
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(96)**	(113)
Exchange differences on translating foreign operations in hyperinflationary economy	**43**	75
	(53)	(38)
Total comprehensive profit for the year	**97**	107
Profit/(loss) for the period attributable to:		
Owners of the parent	**147**	140
Non-controlling interest	**3**	5
	150	145
Total comprehensive loss attributable to:		
Owners of the parent	**94**	103
Non-controlling interest	**3**	4
	97	107
Basic & diluted earnings/(loss) per share – Thebe*	**10.9**	10.4

** The previous year's basic earnings and diluted earnings have been restated to account for the adjusted weighted average number of shares as a result of the rights offer completed during June 2023.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

Figures in Pula millions	**Audited 30 June 2023 BWPm**	Audited 30 June 2022 Restated* BWPm	Audited 30 June 2021 Restated* BWPm
ASSETS			
Non-current assets	**1 330**	1 195	1 160
Property, plant and equipment	**632**	538	507
Right-of-use assets	**635**	597	580
Goodwill	**17**	48	60
Intangible assets	**8**	4	5
Investments in new projects	**7**	8	8
Deferred tax	**31**	–	–
Current assets	**847**	691	544
Inventories	**441**	461	341
Amounts due from related entities	**3**	4	5
Advances and deposits	**71**	56	44
Trade and other receivables	**100**	75	65
Taxation refundable	**10**	10	10
Cash and cash equivalents	**222**	85	79
Total assets	**2 177**	1 886	1 704
EQUITY AND LIABILITIES			
Equity	**42**	(354)	(461)
Stated capital	**1 207**	906	906
Treasury shares	**(32)**	(30)	(30)
Hyperinflationary reserve	**312**	269	194
Foreign currency translation reserve	**(682)**	(586)	(474)
Retained loss	**(664)**	(811)	(951)
Non-controlling interests	**(99)**	(102)	(106)
Non-current liabilities	**899**	1 133	1 207
Long-term borrowings	**216**	530	616
Lease liabilities	**660**	587	572
Deferred taxation liabilities	**23**	16	19
Current liabilities	**1 236**	1 107	958
Trade and other payables	**785**	733	584
Amounts due to related entities	**31**	44	44
Current portion of long-term borrowings	**153**	87	86
Current portion of lease liabilities	**168**	157	150
Taxation payable	**20**	18	26
Bank overdraft	**79**	68	68
Total liabilities	**2 135**	2 240	2 165
Total equity and liabilities	**2 177**	1 886	1 704

* *Refer to note 2 in the Commentary.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

Figures in Pula millions	Stated capital P'000	Treasury shares P'000	Foreign currency translation reserve translation reserve P'000	Hyper-infla-tionary reserve P'000	Retained earnings (loss) P'000	Attri-butable to equity holders P'000	Non-controlling Interest P'000	Total P'000
Balance as at 1 July 2021 (Audited)	906	(30)	(474)	194	(938)	(342)	(106)	(448)
CEO gratuity relating to prior years*	–	–	–	–	(13)	(13)	–	(13)
Balance as at 1 July 2021 restated (Audited)	906	(30)	(474)	194	(951)	(355)	(106)	(461)
Total comprehensive (loss)/ income for the period	–	–	(112)	75	140	103	4	107
Profit for the year	–	–	–	–	140	140	5	145
Other comprehensive (loss)/ income	–	–	(112)	75	–	(37)	(1)	(38)
Balance as at 30 June 2022 (Audited)	906	(30)	(586)	269	(811)	(252)	(102)	(354)
Total comprehensive (loss)/ income for the period	–	–	(96)	43	147	94	3	97
Profit for the year	–	–	–	–	147	147	3	150
Other comprehensive (loss)/ income	–	–	(96)	43	–	(53)	–	(53)
Proceeds from issue of stated capital	307	(2)	–	–	–	305	–	305
Stated capital issue expenses	(6)	–	–	–	–	(6)	–	(6)
Balance as at 30 June 2023 (Audited)	1 207	(32)	(682)	312	(664)	141	(99)	42

* *Refer to note 2 in the Commentary.*

HEADLINE EARNINGS PER SHARE COMPUTATION

Figures in Pula millions	**Audited 12 months ended 30 June 2023 BWPm**	Audited 12 months ended 30 June 2022 BWPm
Basic earnings	**147**	140
Loss on disposal of asset	**(4)**	2
Impairment losses/(reversal) on non-current assets	**6**	–
Contingent consideration on sale of South African operations	**–**	20
Tax impact	**(1)**	–
Headline earnings	**148**	162
Number of shares for basic earnings – 000's	**1 344 959**	1 342 319
Weighted average number of shares – 000's	**1 344 959**	1 342 319
Diluted weighted average number of shares – 000's	**1 344 959**	1 342 319
Basic and diluted HEPS – thebe*	**11.1**	12.0

* *The previous year's headline earnings and diluted headline earnings have been restated to account for the adjusted weighted average number of shares as a result of the rights offer completed during June 2023.*

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2023

Figures in Pula millions	**Audited 12 months ended 30 June 2023 BWP'000**	Audited 12 months ended 30 June 2022 BWP'000
Cash flows from operating activities		
Profit/(loss) before taxation	**165**	180
Adjustments for	**329**	319
Depreciation, write-off and amortisation	**193**	241
(Losses)/profit on disposals of plant and equipment	**(4)**	2
Finance income	**-**	-
Finance costs	**109**	99
Foreign exchange losses/(gains) on lease liability	**31**	(28)
Restricted cash movements	**-**	5
Changes in working capital	**23**	8
Movement in inventories	**20**	(120)
Movement in trade and other receivables	**(24)**	(10)
Movement in advances and deposits	**(15)**	(12)
Movement in amount due from related entities	**1**	1
Movement in trade and other payables	**70**	149
Movement in amount due to related entities	**(13)**	-
CEO gratuity relating to prior years – refer to note 2	**(16)**	-
Cash generated from operations	**517**	507
Taxation paid	**(33)**	(44)
Net cash generated from operating activities	**484**	463
Cash flows from investing activities		
Net cash (used in)/generated from investing activities	**(172)**	(115)
Purchase of property, plant and equipment	**(181)**	(120)
Proceeds on disposal of property, plant and equipment	**13**	7
Purchase of intangible assets	**(4)**	(2)
Cash flows from financing activities		
Net cash used in financing activities	**(180)**	(324)
Proceeds from issue of share capital	**301**	-
Financing obtained from third parties	**50**	36
Capital payments of long-term liabilities	**(132)**	(96)
Lease payments	**(177)**	(170)
Repayment of shareholders loans	**(113)**	-
Interest paid on borrowings	**(109)**	(94)
Net movement in cash and cash equivalents	**132**	24
Cash and cash equivalents at beginning of the year	**17**	6
Effect of foreign currency translation on foreign currency balances	**(6)**	(13)
Cash and cash equivalents at end of the year	**143**	17

OPERATING SEGMENTAL INFORMATION

Figures in Pula millions	**Botswana**	**Rest of Africa**	**Namibia**	**Zambia**	**Zimbabwe**	**Total for continuing operations**
JUNE 2023 (Audited)						
Statement of profit or loss and other comprehensive income						
Revenue	**4 499**	**1 987**	**443**	**1 141**	**403**	**6 486**
Retail sales	**4 459**	**1 974**	**440**	**1 133**	**401**	**6 433**
Adjusted EBITDA	**405**	**84**	**12**	**75**	**(3)**	**489**
Loss on disposal of plant and equipment	**4**	**–**	**–**	**–**	**–**	**4**
Movement in credit loss allowance	**(6)**	**–**	**–**	**–**	**–**	**(6)**
Foreign exchange gains/(losses) on lease liability	**–**	**(31)**	**–**	**(11)**	**(20)**	**(31)**
Foreign exchange gains on Zimbabwean legacy debt receipts net of commission	**–**	**11**	**–**	**–**	**11**	**11**
EBITDA	**403**	**64**	**12**	**64**	**(12)**	**467**
Depreciation and amortisation	**(145)**	**(48)**	**(14)**	**(30)**	**(4)**	**(193)**
Operating profit/(loss) (EBIT)	**258**	**16**	**(2)**	**34**	**(16)**	**274**
Depreciation reassessment (refer to note 2)	**(39)**	**(12)**	**(4)**	**(8)**	**–**	**(51)**
Adjustments as above*	**2**	**20**	**–**	**11**	**9**	**22**
Adjusted EBIT	**221**	**24**	**(6)**	**37**	**(7)**	**245**
Statement of financial position						
Assets	**1 510**	**659**	**201**	**344**	**122**	**2 177**
Liabilities	**1 655**	**479**	**133**	**270**	**76**	**2 135**

* *Adjusted EBITDA and adjusted EBIT in the operating segmental information is EBITDA and EBIT excluding foreign exchange rate differences on IFRS 16 Lease liabilities, profit or loss on sale of assets, reassessment adjustment for depreciation, Zimbabwean legacy debt receipt as well as income or expenditure of a capital nature.*

Figures in Pula millions	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	Total for continuing operations
JUNE 2022 (Audited)						
Statement of profit or loss and other comprehensive Income						
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
Contingent consideration on sale of South African operations	(20)	–	–	–	–	(20)
Foreign exchange gains on Zimbabwean legacy debt receipts net of commission	–	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**
Adjusted EBIT	**215**	**50**	**(9)**	**38**	**21**	**265**
Statement of financial position						
Assets	1 223	663	141	260	262	1 886
Liabilities	1 134	1 106	200	394	512	2 240

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 2.0 million customers visit 177 stores under five formats in four countries. With annual revenue of more than BWP6 billion, Choppies employs 10 000 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 Group are extracted from the audited Group annual financial statements prepared in accordance with the requirements of the BSE Listings Requirements and the JSE Listing Requirements, as well as the requirements of the Botswana Companies Act, as amended.

The reports have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS").

The accounting policies used in the preparation of the condensed consolidated 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, except as described below.

Any investment or similar decisions by stakeholders should be based on the consideration of the complete Group annual financial statements, which are available for inspection at the Company's registered office.

Prior period error

The Group has restated certain figures in the comparative financial statements for the year ended 30 June 2022, due to an error identified after the issuance of the prior year's financial statements. The error relates to gratuity, which according to the Botswana Employment Act, was payable to the Chief Executive Officer (CEO) but was not accrued or paid up to 1 July 2018. The gratuity is a statutory requirement applicable to all employees who are not a member of a pension fund, and this was duly accrued and paid to all other eligible employees, but had been omitted in the case of the CEO. The gratuity was accrued after 1 July 2018 to 30 June 2023.

This gratuity liability was calculated to be BWP16 million as at 1 July 2018. The error has been corrected retrospectively as the amount related to compensation of key management and was therefore considered to be qualitatively material.

Reassessment of useful lives of property, plant and equipment

During the financial year the Group reassessed useful lives by reference to actual usage and relative to our maintenance plans which help extend useful lives. As a low-cost retailer, we sweat our assets but perform regular maintenance to maintain high standards of customer service.

The impact on the current year depreciation is as follows:

Depreciation expense at last year's rate	**BWP91 million**
Reassessment	**(BWP51 million)**
Depreciation expense for current year	**BWP40 million**

The Group's depreciation will be impacted in future periods by similar amounts.

Use of adjusted measures

Adjusted EBITDA and adjusted EBIT in the operating segmental information is EBITDA or EBIT excluding foreign exchange rate differences on IFRS 16 lease liabilities, profit or loss on sale of assets, Zimbabwean legacy debt receipts, reassessment of depreciation, as well as income or expenditure of a capital nature. We also disclose adjusted profit after tax in the commentary.

The adjusted measures are 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. 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.

3. DIRECTORS' 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 Company in accordance with BSE and JSE Listings Requirements and the Companies Act of Botswana.

4. GOING CONCERN

The Board evaluated the going concern assumption up to the date of signing of the Group annual financial statements, considering the current financial position and their best estimate of the cash flow forecasts and considered it to be appropriate in the presentation of the consolidated annual financial statements.

The Board has reviewed the cash flow forecast for the next 12 months, as prepared by management and is of the opinion that the Group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied with the Group's ability to continue as a going concern for the foreseeable future. Furthermore, it is expected that the Russia-Ukraine war will have less of an impact on the Group during the next financial year.

The Board, relying on management's assessment is satisfied that the Group is a going concern and therefore continues to apply the going concern assumption in the preparation of the financial statements.

5. GROUP RESULTS

Statement of profit/loss and segmental report

The Group's retail sales increased by 6.5% to BWP6 433 million (2022: BWP6 042 million), driven by sixteen new stores coupled with price growth of 6.8%. Sales volumes increased by 1.6% and excluding the new stores declined by 4.6% on a comparable basis.

In Pula terms, gross profit grew by 4.0% to BWP1 359 million (2022: BWP1 307 million) despite the challenging economic environment. Botswana and Namibia marginally grew gross profit rates while rates in Zambia and Zimbabwe declined.

The Group faced a demanding economic environment characterised by stubbornly high inflation, higher interest rates and unemployment, all of which continue to constrain consumer spending and the consumer's ability to digest higher prices. Sales volumes were lower in many categories, exacerbated by competitor discounting, with cost pressures only partly recovered through price increases.

The gross profit margin was accordingly reduced to 21.1% from last year's 21.6% due to higher supply chain costs, including fuel and managing prices in response to higher cost inflation and competitor discounting.

While expenses increased 5.1%, excluding the depreciation restatement, expenses grew 9.8%, partly due to new stores and inflation. Foreign exchange losses on lease liabilities of BWP31 million (against a gain of BWP28 million last year) were partly offset by foreign exchange gains on Zimbabwean legacy debt receipts of BWP18 million (2022: BWP15 million).

Operating profit (EBIT) reduced by 1.8% from BWP279 million to BWP274 million while adjusted EBIT, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances, Zimbabwean legacy debt receipts and the reassessment of depreciation, reduced by 7.5% as costs grew faster than gross profit.

Net finance costs were higher than last year due to higher interest rates and interest on new stores lease liabilities.

The effective tax rate is lower than the standard rate mainly due to the legacy debt receipts from Zimbabwe that are exempt from income tax and the raising of deferred tax on carried forward tax losses. We raised a deferred tax asset of BWP23 million for Zambia as we are now confident that this country will generate taxable profits in the foreseeable future.

In the interest of transparency, we detail the reconciliation between profit after tax as reported and adjusted profit after tax.

Reconciliation of profit after tax as reported to adjusted profit after tax	**30 June 2023 BWPm**	30 June 2022 BWPm	% Growth
Profit after tax	**150**	145	3.4%
Foreign exchange on lease liability	**31**	(28)	
Choppies SA costs	**-**	20	
Impairments and sale of assets	**2**	9	
Depreciation reassessment	**(51)**	-	
Zimbabwean legacy debt receipts net of commission	**(11)**	(15)	
Deferred tax on assessed losses	**(15)**	-	
Adjusted profit after tax	**106**	131	(19.1%)

The segment report reconciles EBITDA and EBIT to adjusted EBITDA and adjusted EBIT.

Statements of financial position and cash flows

The rights offer was successfully finalised by year-end with a portion of the proceeds paid toward debt during and after the year-end.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP132 million in debt with BWP87 million paid out of internally generated funds and the balance of BWP45 million paid out of the proceeds of the rights issue. Capital expenditure increased to BWP185 million (2022: BWP122 million) as the Group invested in new stores and maintained the distribution fleet. We raised BWP50 million from leases to fund the fleet (2022: BWP36 million).

Despite the growth in sales, inflation and new stores, our inventory reduced by BWP20 million helped by more stable global supply and the benefits of implementing our inventory optimisation system.

As the economies in which the Group operates recover and the new stores reach full potential, an improvement in margins is expected. With a value proposition that resonates with customers and with the cost of everyday items still stubbornly high in too many categories, more customers are choosing Choppies for the value and assortment we are known for. While we have strong and resilient brands, affordability is a growing constraint for consumers, limiting their ability to digest higher prices.

We are being thoughtful and balanced about inventory levels by category and expenditure as we work and position ourselves for next year.

Group funding covenants were complied with, and the Group has sufficient headroom in the covenants to cushion any shocks.

6. OPERATIONAL OVERVIEW

Botswana

Botswana experienced sales growth to BWP4 459 million (2022: BWP4 209 million) supported by volume growth from new stores and double-digit price inflation. Sales from Botswana increased by 5.9% and like-for-like sales growth was 2.2%, as the business continued to show strong resilience in an increasingly challenging economic environment. The Botswana economy continues to experience elevated inflation, high unemployment, and low economic growth.

EBITDA grew 5.8% and adjusted EBITDA was flat on last year.

The performance for the second half was much stronger than in the first half as our strategies, leadership and inventory optimisation system have started to come to fruition.

Rest of Africa consists of Namibia, Zambia and Zimbabwe

The Rest of Africa sales increased by 7.7% to BWP 1 974 million (2022: BWP1 833 million) driven by the addition of nine new stores, inflationary increases in Zimbabwe and Zambia and volume growth in Namibia and Zambia. However, this was offset by a very weak Zimbabwean Dollar resulting in Zimbabwe's Pula sales declining by 48.3%.

Namibia

Namibia has successfully turned around with sales growth of 60.0% and like-for-like sales growth of 14.4%. Five new stores were opened during the year.

EBITDA grew 140% with EBIT loss reducing from BWP9 million to BWP2 million. Adjusted EBIT, excluding the depreciation reassessment, reduced from BWP9 million to BWP6 million.

Zambia

Zambia continues to grow with sales up 44.7% and like-for-like sales growth of 33.3%. Three new stores were opened during the year.

While EBITDA declined by 26.4% due to the foreign exchange loss on the lease liability, adjusted EBITDA grew 27.1%. Adjusted EBIT declined marginally at 2.6%. We are confident that this country will generate taxable profits in the foreseeable future.

Zimbabwe

As reported in the first half, the Zimbabwean Dollar (ZWL) has significantly weakened especially in the last two months of the financial year.

The table below details the rate over the last 12 months.

	July 2022	December 2022	**April 2023**	**May 2023**	**June 2023**	**August 2023**
ZWL:US$	495	655	**1 047**	**2 577**	**5 740**	**4 608**
ZWL:Pula	40	51	**79**	**187**	**425**	**343**

There are several factors causing the challenges of currency volatility:

- Weak consumer confidence
- Appetite for United States Dollars for safety of value
- Speculative behaviours and general market indiscipline
- As the economy is now largely dollarised this leads to high demand for the United States Dollar as most people are paid in Zimbabwean Dollars. This continues to de-value the local currency.

The country has been struggling with economic challenges for many years, including high inflation, high unemployment levels and a shortage of foreign currency.

Zimbabwean consumers are increasingly looking for more affordable and convenient shopping options.

Consumers have significantly shifted to shopping at smaller stores and from formal retailers because smaller outlets are able to operate with lower overhead costs, which allows them to offer lower prices to consumers and better exchange rates not necessarily compliant with exchange laws.

This is important for consumers who are struggling to make ends meet in a difficult economic environment where salaries have been decimated by high levels of inflation and currency depreciation.

We are closely monitoring the exchange rate as it will impact both Zimbabwe's and the Group's profitability and net asset value.

As a result of the above mentioned factors, Pula sales declined by 48.3%. EBIT and EBITDA declined by 151.6% and 125.5% respectively as cost inflation reduced margins. Adjusted EBIT and adjusted EBITDA declined 133.3% and 108.1% respectively.

7. EVENTS AFTER REPORTING DATE

On 19 July 2023, Choppies acquired 76% (seventy-six percent) of the Kamoso Group for BWP2.00 (two Pula) and took cession of shareholders' loans to the value of BWP22 million. The Botswana Development Corporation (BDC) will retain its 24% stake.

8. AUDIT OPINION

The Group's annual financial statements have been audited by Mazars who issued an unqualified opinion.

A copy of the auditor's report is included on pages 3 to 9 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 report does not necessarily report on all the information in these condensed financial statements. Shareholders are therefore advised that to obtain a complete understanding of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office and on the Company website.

Mazars' 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/**.

This condensed financial information has not been reviewed by the Group's external auditor and has been extracted from the audited annual financial statements.

9. CHANGES TO BOARD MEMBERS

The Company appointed a new independent non-executive director, Mr Priyalal De Silva, as recommended by the Nominations Committee and approved by the Board with effect from 15 May 2023. Mr RP De Silva has also been appointed as chairman of the Audit and Risk Committee.

The Company appointed a new non-executive director, Mr Dondo Mogajane, as recommended by the Nominations Committee and approved by the Board with effect from 30 August 2023.

Mr Tom Pritchard resigned effective 1 May 2023.

10. DIVIDEND

The Board has resolved not to declare a dividend given the uncertain economic environment as well as the rebuilding phase of the Group's capital structure (2022: Nil).

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