CHOPPIES

Great value for your money!

Integrated Annual Report 2021

Our Shared Value Journey

Contents

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

Report overview

Choppies is committed to the principles and philosophy of integrated reporting in order to address the key stakeholders' issues and concerns so as to create lasting value for customers, the community, employees, suppliers, franchises, and shareholders.

Scope and boundary

The integrated annual report 2021 conveys an overview of our business, our growth strategy, and our potential to create sustainable value for our stakeholders in the short, medium, and long term and covers the period from 1 July 2020 to 30 June 2021. This integrated annual report focuses on the issues that the Board of directors believes are important to our stakeholders' understanding of the Company.

The disclosures encompass Choppies' retail network across all regions of continuing operations. The annual financial statements are presented in Botswana Pula ("BWP") (unless otherwise stated), which is considered the functional currency.

There was no change to any measurement techniques nor were there any restatements of previously reported information. (For more information see the annual financial statements on pages 102 to 173).

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

Reporting frameworks

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

Assurance

The Company's external auditor, Mazars, has independently audited the annual financial statements for the year ended 30 June 2021. Their audit report is set out on pages 96 to 101.

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

Forward-looking statements

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

Report overview continued

Six capitals and materiality

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

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

Our stakeholders

For further information, please see pages 46 to 49.

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

Board responsibility statement

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

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

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

U Corea

UTTUM COREA
Chairman

RAMACHANDRAN OTTAPATHU
CEO

Rajcoomar

MINNESH RAJCOOMAR
CFO

Feedback

More information is available on our website: www.choppies.co.bw. This year's integrated annual report is available on **www.choppiesgroup.com**. On request, shareholders can obtain a physical copy of the report at no cost.

For additional contact details please see page 184.

2021 salient features

Financial highlights

- Revenue down 2% to **BWP5.3 billion** (2020: BWP5.4 billion)
- EBITDA up 3% to **BWP485.2 million** (2020: BWP471.4 million)
- PAT **up 116%** to **BWP59.6 million** (2020: Loss of BWP371 million)
- HEPS up **142%** to **6.5 thebe** (2020: headline loss per share 15.3 thebe)
- Debt reduction **BWP55.4 million**

Sustainability highlights

- **20%** reduction in food waste
- CSI contributions amounted to **BWP887 344**
- **>500** local farmers supported versus target of 200
- Total training spend **BWP8.0 million**
- **84.7 million** customers served
- **9 746** full-time employees

A message from our chairman

Choppies marked a return to profitability in the first half of the year, the first time since 2016.

UTTUM COREA
Chairman

The prolonged Covid-19 pandemic has presented us with extreme challenges over the last two years. Coupled with the impact of the pandemic, we faced a number of macro-economic challenges including fluctuating commodity prices, high increases in power tariffs, petrol price increases and VAT increase in Botswana. In addition, inflation which had been contained at 2-3% increased substantially to 8.2%, cutting into disposable incomes.

Notwithstanding these challenges Choppies marked a return to profitability in the first half of the year, the first time since 2016. This successful turnaround was driven by the revised strategy put in place by the new Board last year.

The three-year turnaround strategy consisted of the following:
- Divestment from loss-making regions;
- Slow and managed expansion in profitable regions;
- Debt restructure and reduction;
- Improved corporate governance;
- Improved stakeholder relationships, and
- Developing a shared-value strategy which is the DNA of the Group.

The divestment from loss-making regions in South Africa, Mozambique, Kenya and Tanzania was substantially concluded during the past year. This made a significant difference to overall performance as the Botswana operations had maintained profitability throughout.

We remain committed to slow and managed expansion in other areas that show potential and have therefore focused on Zambia, Namibia and Zimbabwe outside our home market of Botswana. This careful and measured approach has proven successful. We opened four new stores in Zambia and one new store in Namibia as more fully described in our store footprint on page 12.

Another strategic objective has been addressing our debt challenges. We reviewed and restructured our loan facilities after lengthy communication and negotiations with the banks providing us with more flexible repayment terms.

I am particularly pleased with our advances in corporate governance. In line with our commitment to good corporate governance and getting it right, we renewed a number of policies to improve corporate governance, as set out on page 59 in our pursuit of transitioning from King III to King IV. As the Board, we thank Mr Tom Pritchard, in particular, for his contribution in this regard. See page 58 for further detail on our corporate governance.

We are also striving to improve stakeholder relationships and have been making progress in this regard. See page 46 for further detail on our stakeholder engagement.

We continue to advance our shared-value initiatives, such as the support of local farmers, during the year. Some highlights of the year were Choppies partnering with the Institute of Development Management to assist potential small businesses to attend bread-making classes, with the encouragement of the Ministry of Investment and Trade. Choppies also distributed a number of biltong making machines mostly to women who then supplied the finished product back to Choppies. We are also committed to piloting the installation of solar panels on our store and warehouse roofs, so as to reduce our reliance on fossil fuels and make our contribution towards the fight against climate change. In this coming year we will be setting specific targets for our shared-value initiatives so that we can better measure progress in this regard.

Changes to the board

I am pleased to welcome the newly appointed independent non-executive director Mr Valentine Chitalu from Zambia to the Board. Valentine is currently the chairman of Choppies' Zambia Board and brings with him considerable governance experience. Adding a Board member from one of our regional operations also supports our move towards operating as one entity instead of in country silos.

The four regions had been operating as silos and management examined operating procedures to ensure they operate as one entity, leading to synergies

Despite the numerous problems posed by the Covid-19 outbreak, Choppies continued to provide a crucial service. Our employees are on the front lines and our focus was therefore on ensuring they were safe and healthy at all times.

and efficiencies ranging from transport and distribution to providing centralised services.

Looking ahead

Just as the Spanish Flu in 1917/18 was followed by the so-called Roaring Twenties and the global financial crisis in 2008 was succeeded by stimulus and a bounce-back of the global economy, pundits are predicting a big push to stimulate the world economy. We have already seen some of this impact with recent diamond sales and copper prices and other commodities. This is of benefit to the mining sector in Botswana, Namibia, Zambia and Zimbabwe which are the countries where Choppies currently operates. What is now required is for the relevant governments to be astute and translate this to the benefit of the non-mining sector. We also need healthy populations to support a productive workforce. That will mean ensuring widespread and effective vaccination programmes as a priority. This will also greatly assist the revival of tourism which is important to all four countries.

I also note the number of macro-economic challenges referred to earlier, including steep increases in power tariffs, fuel price increases, other increases in administered prices and the increase of VAT on 1 April in Botswana. The timing of these could not have been worse as one needs to first stimulate and revive stalled economic programmes and grow the economy before seeking to tax the economy and its people.

The VAT increase in particular is regressive and fuels inflation. Inflation which was contained at 2-3% increased substantially to 8.2% by 30 June 2021, which is the first time inflation has gone above the objective range of 3%-6% since May 2013. Inflation increased to 8.9% by the end of July 2021. A researcher in the Bank of Botswana states that the Pula is overvalued and should be devalued by 4% to promote nascent export industries. This is not the time to promote previously failed policies which would only cause further inflation.

The Monetary Policy Committee of the Bank of Botswana has wisely held the bank rate steady at 3.75% so as not to further hamper the economy. The bank is hoping that inflation will adjust down in April 2022 although this is theoretical and will not help the people, as these are not normal years and employers will not be able to increase salaries and wages to compensate for inflation quite apart from those who would no longer be in employment due to failing or downsized businesses.

Imported inflation in Botswana has always been contained through the exchange rate. The downward crawl of the exchange rate should be converted to an upward crawl and the basket of currencies determining the exchange rate should be adjusted to reflect the correct trading patterns with our major trading partners.

The government may also carry out rapid evaluations of current social upliftment programmes and those that are ineffective should be consolidated into paying a basic income allowance to all those who have lost employment and those who are living below the poverty line.

The governments of Botswana and Zambia are to be applauded for completing and commissioning the iconic bridge across the Zambezi at Kazangula, replacing the inefficient ferry service, with one-stop border posts at either end. This will help promote the flow of goods from South to North and vice versa, as well as tourism, and is one of the building blocks of the African Continental Free Trade Area agreement ("AfCFTA"). It is now for the private sector to take advantage of this facilitation.

Appreciation

Despite the numerous problems posed by the Covid-19 outbreak, Choppies continued to provide a crucial service. Our employees are on the front lines and our focus was therefore on ensuring they were safe and healthy at all times.

Once again, I want to express my gratitude to our CEO, Ramachandran, and his supportive management team for their unwavering commitment to the Choppies vision, mission, and shared-value approach. I appreciate all of our employees' loyalty to the Choppies brand, as well as their hard work and support of the CEO in the business, in all of the countries where we operate despite the tough times with the pandemic. I also thank my fellow Board members for their thoughtful considerations and unwavering support throughout the year.

U Corea

UTTUM COREA
Chairman
30 September 2021

Group structure

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

CHOPPIES AT A GLANCE

Who we are

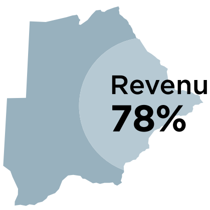
Choppies was established in the town of Lobatse in Botswana in 1986 and a massive expansion effort was begun in 2003, with new stores opening throughout the outskirts of Gaborone. The development was also extended to Botswana's densely populated districts. The Group's past is one of incredible growth, which bodes well for the future, please see our timeline on page 9.

Outside of South Africa, Choppies is the largest retailer in southern Africa with 154 stores and eight distribution centres.

Contribution per country (%)

Stores per country

Botswana	**90 stores**
Zimbabwe	**32 stores**
Zambia	**26 stores**
Namibia	**6 stores**



Key facts

Botswana

FY21 revenue **BWP4 144 million**
Number of stores **90**
New stores **0**
Number of employees **6 743**

Rest of Africa

FY21 revenue **BWP1 186 million**
Number of stores **64**
New stores **5**
Number of employees **3 003**

Customer-centric retail offering

The Group aspires to be the preferred retailer in each of the areas it serves. We are focusing on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Choppies family.

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

Choppies is dedicated to addressing the socio-economic difficulties that our communities confront by providing high-quality, affordable food to all customers while also creating major employment and economic possibilities along the value chain.

Our customers are mostly budget-conscious, lower-to-middle-income (LSM 3 – 6), cash, and small-basket shoppers. We have changed our service offering in Botswana to satisfy the needs of our growing number of higher and middle-income consumers. During the year, we implemented online ordering, allowing customers to have products delivered to their homes. This was especially useful when we were under lockdown.

OUR TIMELINE

1986
Choppies established; Wayside Supermarket opened

1993
Opening of the second store

1999
Opened first store in Gaborone – Friendly Grocer

2003
October – Choppies brand restored and all stores consolidated into single brand

2008
Choppies commenced operation in South Africa, first store opened

2012
Listing on the BSE

2013
Choppies commenced operation in Zimbabwe

2014
Opening of distribution centres in South Africa and Zimbabwe

2015
Secondary listing on the JSE

2016
Choppies commenced operation in Zambia and Kenya

2017
Opening stores in Tanzania and Mozambique

2019
September – Board removed by shareholders and new Board formed

2019/2020
Divestment from South Africa, Mozambique, Kenya and Tanzania

WHAT WE OFFER IN STORE

Fresh fruit and vegetables

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

Bakery

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

Groceries

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

Butchery

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

Takeaways

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

Value added/ financial services

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

What sets us apart

Logistics, supply chain and distribution network

Farm/factory to shelf

Our in-house logistics and distribution network is one of our key competitive advantages and drivers of best value for money to our consumers providing a wide product range and consistent supply of fresh, high-quality products. Our distribution centres are able to handle everything from dry groceries to fresh and perishable produce with the same efficiency. By controlling the logistics, supply (and maintenance) chain we are able to ensure well-stocked shelves, uninterrupted supply to stores, fresh produce and speedy turnaround on maintenance issues. We own both the distribution centres and the vehicle fleet for maximum efficiencies.

Logistics

- Custom designed
- Enterprise resource planning system across all countries
- Centralised management with collated real-time data
- Centralised pricing system helps to maintain consistency in margins
- One stop supplier contracts to cover the region.

Vehicle fleet

- Enhances brand awareness – serves as moving billboard
- Choppies total commercial trucks:
  - Botswana **410**
  - Namibia **13**
  - Zimbabwe **67**
  - Zambia **17**
  - Total **507**
- This infrastructure is key in the sector.

Distribution centres

- Eight wholly owned distribution centres (DCs)
- Two grocery DCs (Gaborone and Francistown), two fruit and vegetable DCs (Gaborone and Lobatse)
- One meat DC (Gaborone)
- Two DCs in Zimbabwe
- One DC in Zambia
- Strategically located
- Central depot for retail stores
- Supplier agreements negotiated per region
- Supported by Group services and logistics functions.

Maintenance

- Managed in-house
- Provides stores with plumbing, refrigeration, electrical, and other general repair and maintenance services
- Lead-time and maintenance costs significantly reduced
- Review and assessment of assets by experts.

Relevant consumer trends for Choppies in 2021

Our consumers are

- Increasingly polarised population with very different purchasing capacity
- Young population
- Pensioners with social security
- Increasingly urban
- Conscious about injustice
- Conscious of Covid-19.

Consumer purchasing habits

- Price conscious
- Less brand loyal
- Impulse purchases increasing
- Seeking convenience – one-stop-shop and home delivery
- Less cash transactions
- Decentralised purchasing decisions
- Decreased frequency in shopping due to Covid-19.

What our consumers want

- More healthy options
- Increasing demand for organic, fresh fruits, vegetables and seafood offerings
- Reduction in red meat purchases
- Transparency in labelling – food origin and traceability.

Our challenges

- Purchasing capacity and range of products consumers can afford
- Increasing urbanisation negates model based on a vast footprint
- Decreasing loyalty and potential price wars
- Pandemic putting pressure on frequency of visits.

How Choppies is responding

- Proactively adapting to new consumer preferences with an offering that has availability and quality supply chain (organic fruits, vegetables, and meat substitutes)
- Providing in-store, online and other transaction formats that increase convenience and experience
- Being credible and transparent in terms of value proposition and offering
- Digital shopping experience improving situation.

Other relevant trends

Technology

- Digitisation of the entire value chain
- Increasing data collection points allowing for large data analysis
- Automation resulting in higher efficiency
- New online offering.

Economic and geopolitical

- Covid-19 impact
- Continuation of import restrictions, tariffs and short-term delays in grocery availability in certain countries
- Regulation on meat farming and butcheries, finance, street vendors, etc.

Environment

- Climate change will affect production of fruits and vegetables, cattle feed, etc
- Carbon footprint reduction.

How Choppies is responding

- Exploiting technology to promote informed decisions, boost efficiency and provide a better customised response
- Developing an architecture that is scalable and can be upgraded rapidly with future needs
- Profiting from stricter regulations and being able to support suppliers and other stakeholders in this process
- Exploring and promoting productive growing and farming practices that are environmentally friendly and climate resilient
- Adopting sustainability policies and a circular economy perspective
- Partnering with organisations to promote “grow together” practices
- Supporting local capabilities and leveraging the geographical spread.

Our store footprint

The Group's increased operational flexibility, efficiency, and cost effectiveness position it for success across its regions of operation. Our expansion strategy focuses on growing the business through Africa in opening additional stores that match our customers' changing habits and needs, as well as bringing new customers and communities into the Choppies family. Smaller establishments that cater to the customer's need for convenience, as well as an expanding online platform, were part of this.

Number of stores and distribution centres

Choppies Group

	Stores at 30 June 2020	No of new stores	No of closed stores	**Total stores at 30 June 2021**	Distribution centres
Botswana	91	0	1	**90**	5
Zimbabwe	32	0	0	**32**	2
Zambia	22	4	0	**26**	1
Namibia	5	1	0	**6**	0
Total	150	5	1	**154**	8

Choppies Botswana

	June 2020	New	Closed	**June 2021**
Number of stores	91	0	(1)	**90**
Hyper	7	0	0	**7**
Value	15	0	(1)	**14**
Super	69	0	0	**69**

Choppies Zimbabwe

	June 2020	New	Closed	**June 2021**
Number of stores	32	0	0	**32**
Hyper	0	0	0	**0**
Value	4	0	0	**4**
Super	28	0	0	**28**

Choppies Zambia

	June 2020	New	Closed	**June 2021**
Number of stores	22	4	0	**26**
Hyper	1	0	0	**1**
Value	0	0	0	**0**
Super	21	4	0	**25**

Choppies Namibia

	June 2020	New	Closed	**June 2021**
Number of stores	5	1	0	**6**
Hyper	0	0	0	**0**
Value	0	0	0	**0**
Super	5	1	0	**6**

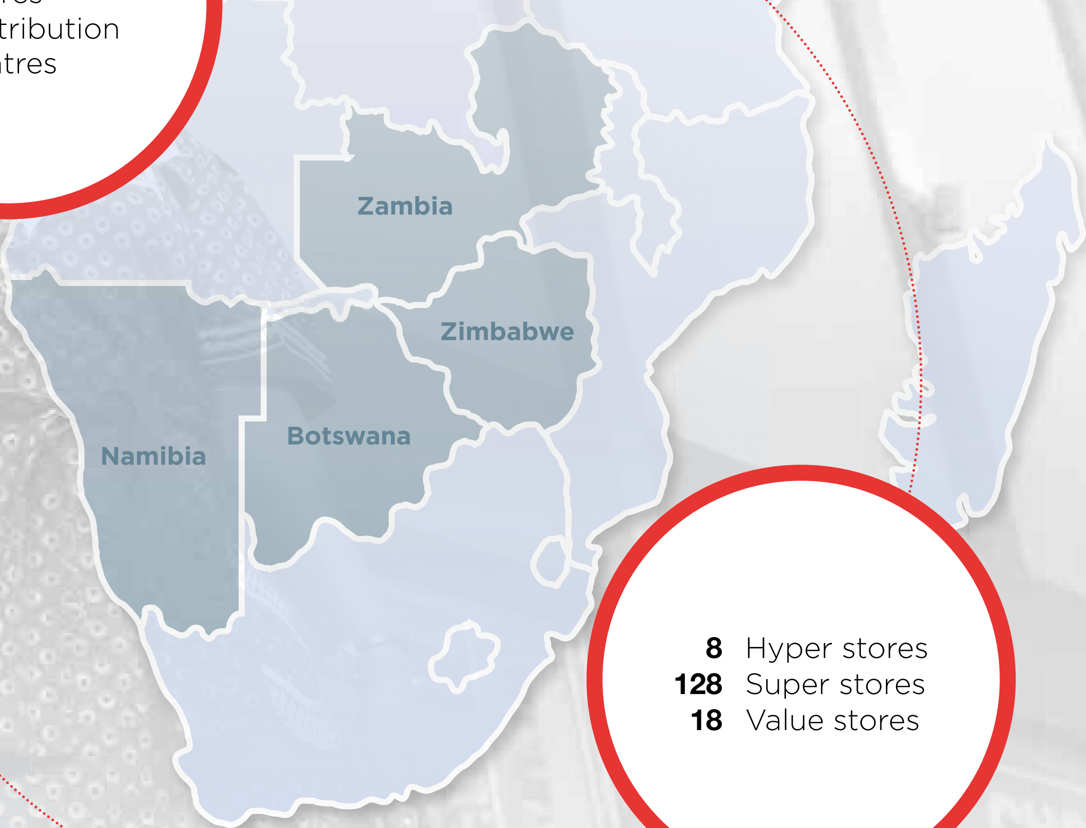
Choppies holds a significant leading position in Botswana's retail sector and is the country's largest private sector employer. One of our important competitive advantages and drivers of best value for money for our customers is our in-house logistics and distribution network, which provides a large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

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

Our store formats

Choppies caters to a diverse spectrum of customers in southern Africa, from low- and middle-income families to the wealthiest families. Our supermarkets provide a selection of groceries, as well as a focused selection of general products, and value-added services. The Group will continue to address the socio-economic difficulties facing its customers by offering high-quality, affordable food to all customers while also creating significant job and economic possibilities throughout its value chain.

4 Countries
3 Store formats
154 Stores
8 Distribution centres



8 Hyper stores
128 Super stores
18 Value stores

The pandemic itself provided opportunities, for example, expanding our online and delivery services, which will continue after the pandemic passes.

CHOPPIES Hyper

"One stop shop"

- 2 000m^2 to 4 900m^2
- 62 000 SKUs
- Spacious layout
- Urban and non-urban areas
- More affluent consumers demanding greater variety.

CHOPPIES Superstore

Broad range supermarket

- 550m^2 to 2 300m^2, average 1 350m^2
- Up to 22 000 SKUs
- Full supermarket offering (bakery, deli, fresh produce, financial services)
- LSM three to six customers.

CHOPPIES Valuestore

Convenience store for immediate needs

- Less than 500m^2, average 350m^2
- Fewer service offerings
- Based in rural areas with low levels of formal retail
- Target retail consumers in lower income brackets.

Directorate and senior executives

Directorate

Independent non-executive directors

UTTUM COREA (74)
CHAIRMAN
FCA (SL), FCA (BICA), PIAM (Harvard)
Appointed: 11 September 2019

Uttum joined Coopers & Lybrand, Botswana in 1973 and became a partner in 1982. He was later appointed as the first Senior Partner of PricewaterhouseCoopers in Botswana after concluding a successful merger between Coopers & Lybrand and PricewaterhouseCoopers. In 2008, Uttum retired from PwC and later took office as Director General of the National Strategy Office of Botswana reporting directly to the Presidency from 2010 and served until 2019. Uttum has served as President of the Botswana Institute of Chartered Accountants, a former board member of the Bank of Botswana and former board member of Botswana Insurance Holdings. He has also served as the first Chairman of the Botswana Export Development and Investment Authority and as a founding member of the University of Botswana Foundation. He was honoured by Rotary International with the Paul Harris Fellowship and a special Rotary Centennial Service Award for Professional Excellence. He received these accolades as recognition for his professional achievement, his demonstration of high ethical standards, community and vocational service and dedication to service above self.

CAROL-JEAN HARWARD (35)
BFIN, MBA, CIIA®
Appointed: 6 September 2019

Carol-Jean has over 13 years' experience working as an investment professional in financial institutions such as the World Bank, Barclays Bank (now Absa), African Alliance Asset Management and Investec Asset Management with a focus on equities, credit opportunities (structuring), and fixed income. She is the founder of Anandi Capital, a women-owned and led alternative investment firm which focuses on funding women-led businesses and projects in the region of southern Africa.

Carol-Jean is also a Chairperson of the Women First Fund an initiative with close to 100 members aimed at women empowerment. The fund is driven towards financially empowering small businesses owned by women in Botswana. She also served as the vice-Chairperson of the Botswana Bond Market Association.

TOM PRITCHARD (66)
BCom (Hons), CA(SA)
Appointed: 6 September 2019

Tom's career spans over 38 years in the FMCG (fast moving consumer goods) industry. His executive positions included financial director and CFO of JSE-listed companies ICS Holdings, the largest perishable food manufacturer and distributor in South Africa, Astral Foods and Famous Brands. Tom was also financial director of the Consumer Brands division of Tiger Brands.

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

VALENTINE CHITALU (56)
ACCA (UK), MPhil (UK), BACC (Zambia)
Appointed: 5 August 2021

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

Non-executive director

FAROUK ISMAIL (68)
DEPUTY CHAIRMAN
Appointed: 2004

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

Executive director

RAMACHANDRAN OTTAPATHU (58)
CHIEF EXECUTIVE OFFICER
BCom, CA (ICAI), FBICA
Appointed: 2004

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

Senior executives

NARAYANAN OTTAPPATH (45)
CHIEF BUYER
BCom
Appointed: 1 July 2005

Narayanan is a certified Systems professional with 20 years of retail experience. He was instrumental in structuring the buying department, implementing policies concerning supply of goods, incorporating strategies to improve supply chain efficiency and ensuring that margins from trade always remain healthy. He also oversees the Grocery distribution centres in Botswana. Narayanan has consistently built up a formidable Home brand range over the past years, by identifying gaps in customer needs, developing appropriate suppliers and auditing them to ensure consistent private label quality.

VIDYA SANOOJ (38)
CHIEF COMPLIANCE OFFICER/ INVESTOR RELATIONS
BCom, CA (ICAI), FBICA
Appointed: 11 September 2019

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

MINNESH RAJCOOMAR (56)
CHIEF FINANCIAL OFFICER
BCom (Hons), CA(SA)
Appointed: 1 May 2020

Minnesh's career spans over 33 years with experience in accounting, finance, corporate restructuring and mergers and acquisitions. He has worked for Edcon, owner of clothing retailers Edgars and has held the position of CFO at the Edgars division. He has also worked for Nampak, the largest packaging manufacturer in Africa. He is a fellow of the South African Institute of Chartered Accountants and of the Botswana Institute of Chartered Accountants.

Our strategy

Our purpose

To provide great value to customers, grow together with our communities and respectfully and sustainably contribute to their wellbeing.

Vision

To be the preferred retailer for mass grocery and financial services in the countries in which we operate.

Mission

To be the preferred one-stop-shop community hub in the countries in which we operate.

To conduct business in a socially and environmentally responsible manner and continuously seek to maximise returns to all our stakeholders through:

- Being a strong responsible provider of consumer goods and services, that empowers communities to grow together under a win-win approach.
- Bringing products and essential services to semi-urban and rural areas.
- Giving customers the best total value for their money.
- Generating sustainable economic development by supporting local businesses and farmers and core value creation in the society.
- Creating new jobs and developing employees to their highest potential.
- Instilling continuous improvement practices thereby providing superior, sustainable financial returns to our shareholders.
- Empowering our local staff through continuous training.

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

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

How we live our purpose, through three main pillars, is set out below:

Access with best service	**Cares and empowers**	**Works for and with you**
Choppies provides its communities with constant access to a wide range of goods and services, as well as employment and purchasing capacity, all while providing exceptional customer service and the best overall value.	With its responsible behaviour, a retailer that cares for and empowers its communities to better their wellbeing.	Choppies strives to improve with and for its stakeholders in order to grow together and create shared value.
• Access to large bouquet of products and services • One-stop-shop format • New opportunities for local producers to reach new markets • Vast footprint reaching rural and urban communities • Best total value – fair and transparent deals • Improves inclusion in communities • Efficient services – saving time for customers.	• Long-lasting commitment to stakeholders providing support in difficult times • Respect for local culture embedded in offering • Health and safety • Committed to reducing carbon footprint • Empowers stakeholders to grow.	• Listens to stakeholders to customise offering • Takes informed decisions • Efficient value chain • Constantly evaluating opportunities, technologies and innovations to improve progress and efficiency • Working in partnership with local communities, suppliers, entrepreneurs and employees • Leverages capabilities and experience of various territories to improve Group-wide operations.

Core values

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

We listen to our stakeholders

We are always on the lookout for opportunities, technologies and innovations

We provide great total value to our customers and communities

BOTHO

We take pride in what we do and show respect and honesty in all our dealings

We care for the wellbeing of our customers and communities

We always act in the most ethical way

We work in partnership with our communities

We empower, recognise and reward our people

Our strategy continued

Shared value

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

Our commitment	What we do
Develop local businesses	• Support farmers' growth and quality by providing platforms and knowledge, offering the necessary financial and technical expertise • Use Choppies' spare transportation capacity to help small producers reach new markets and at the same time provide the population with access to better products • Support local manufacturing and SMMEs.
Population upskilling	• Train the population throughout the country in both basic skills and crafts that can be used to accelerate the productivity of Choppies' employees • Partner with universities to provide advanced courses on critical areas for retail such as information technology and retail management.
Care for the environment	• Develop distributed energy facilities using the stores' roofs and waste that provide energy directly to Choppies and to the community as well as the grid • Collect, separate and recycle own waste generated from food, packaging, and others as well as collect from the population and farmers to transport to own or third-party recycling plants or feed local biomass plants.
Population access	• Provide points for medicine collection and basic health diagnostics and care in collaboration with private clinics in underserved areas • Further develop the financial services provided at Choppies stores, broadening its variety (insurance, personal loans) and improve convenience and introduce pension distribution in store in Botswana.

Choppies three-year strategy

Strategic objective	Progress in FY21
Divest from loss-making regions	• Successfully closed all loss-making operations with the remaining assets and liabilities transferred to continuing businesses. Most current year discontinued losses are related to impairments of plant and equipment • Transferred any remaining assets and liabilities to continuing business as at the end of the 2021 financial year • The remaining assets are BWP5.1 million which are all considered recoverable • The remaining liabilities are BWP69.0 million which will be settled by the Group in the ordinary course of business • The Group achieved a profit after the discontinued operations' losses • We do not expect any material losses from the discontinued operations going forward.
Slow and managed expansion in profitable regions	• Opened a net of four stores due to limited opportunities but also focused on underperforming stores.
Debt restructure and reduction	• Net debt position improved by BWP55.4 million, an achievement given the volatile trading conditions.
Improve corporate governance	• Significant progress made on corporate governance strategy as detailed on page 58.
Improve stakeholder relationships	• A key focus area going forward • Maintained excellent relationships with customers, local authorities, landlords, suppliers and funders • Plans to increase engagements with shareholders and analysts in the next 12 months.

OUR COLLABORATION WITH LOCAL FARMERS

A central part of our shared value strategy is our longstanding collaboration with and support of local farmers.

Testimonials from our farmers

The Farmer's Creek

Year started supplying Choppies – 2016
Number of employees – 4

"Choppies is the largest retailer in the country and as such they have the greatest impact on small scale farmers like us. Because of its footprint and its target clientele it has the greatest impact on a large proportion of the society.

We see them as having a commitment to promoting local produce. The challenges we face as local farmers include the unreliable market and low and inconsistent prices. The cost of labour, fertilisers, seeds and packaging and transport for delivery leaves us with very little profit margins plus retail shops do not collect from small farmers like ourselves.

Choppies has the greatest footprint in the retail business and as such the orders that they make from us has enabled us to continue in the farming business despite the challenges."

Jowaki Pedulu

Year started supplying Choppies: 2005
Number of employees: 6

"We supply cabbages, rape, spinach, spring onion, beetroot, okra, butternut, lettuce and maize.

Choppies supports us as local farmers by buying our produce in bulk and paying us on time. The shop pricing is very affordable and Choppies is all over the country so one cannot miss our products. Choppies has supported us to get to where we are, through its daily bulk purchase and quality produce requirement."

Greenview Farms

Year started supplying Choppies: 2012
Number of employees: 5

"Choppies has done well in setting up a robust supply chain in the SADC region. As a local farmer this provides a unified and ubiquitous market to support my business. Choppies has created immense value in the communities in which it operates by creating thousands of jobs for locals and market opportunities for small local businesses.

As a local farmer some of the challenges faced include access to friendly expansion capital to improve production facilities and finding an open market that can absorb my produce. I managed to surmount these challenges through reinvestment of revenue earned from Choppies deliveries because of their time conscious payment."

THREE TREE'S GARDEN

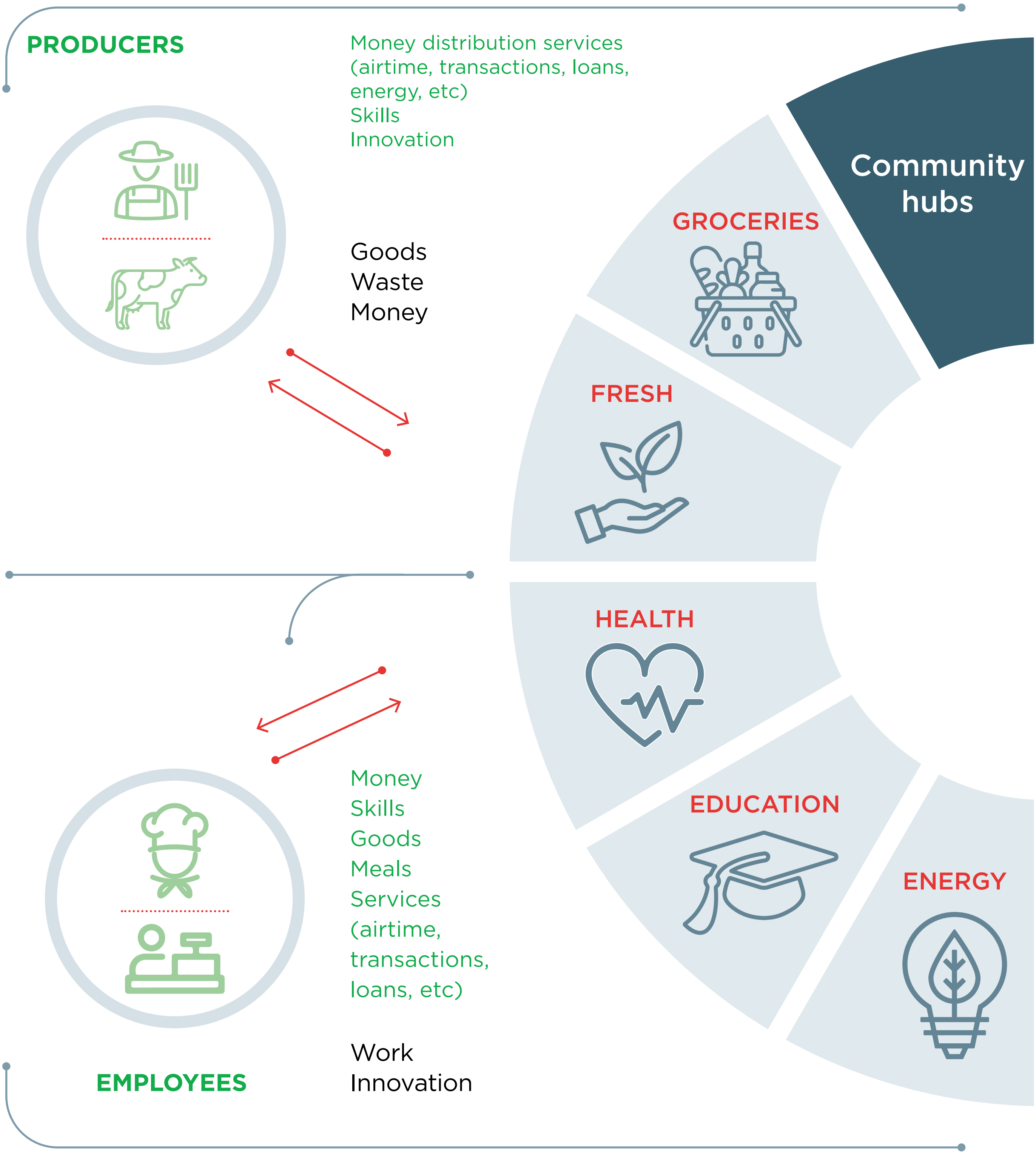
Year started supplying Choppies: 2010
Number of employees: 25

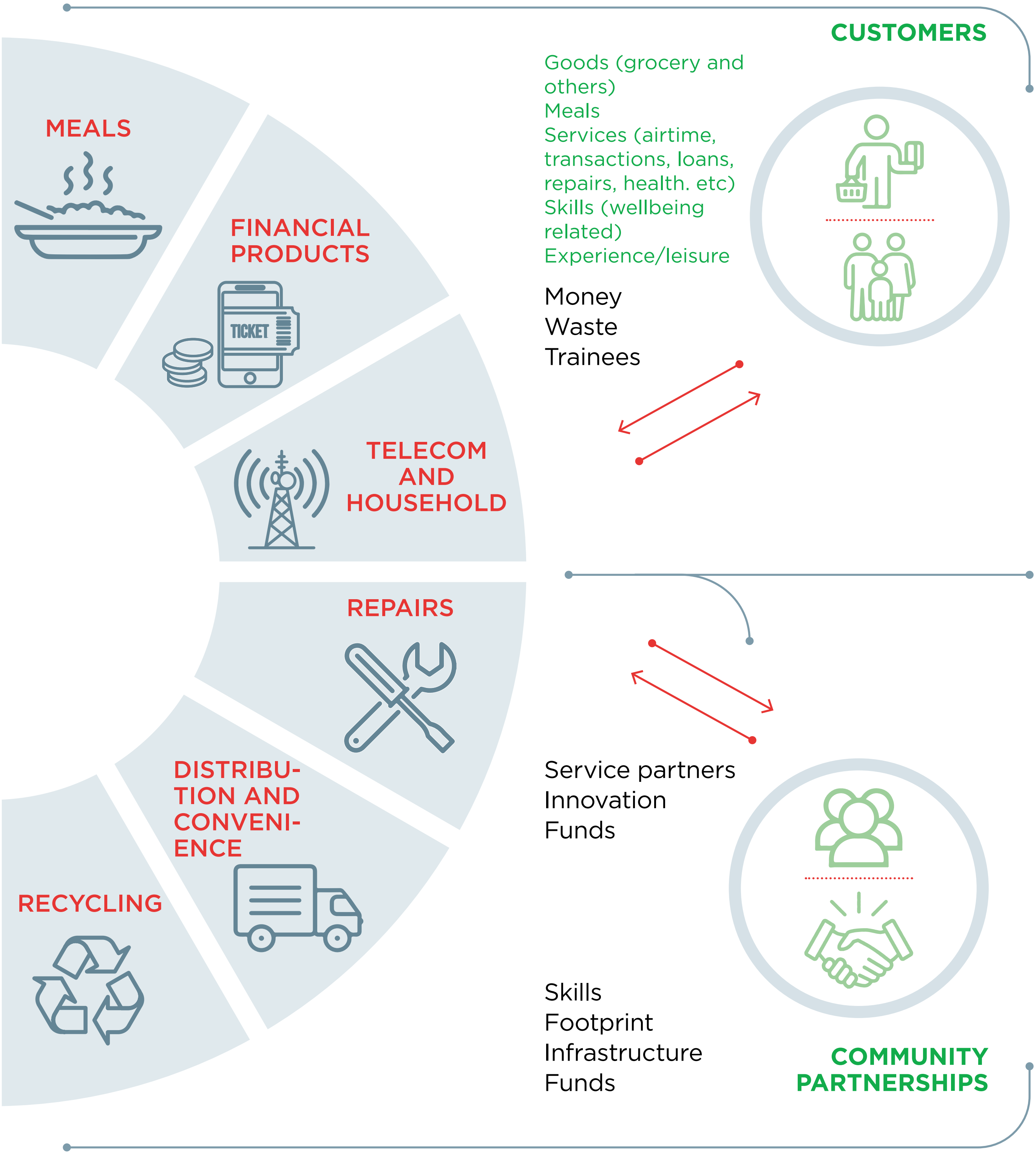
"Choppies has supported the small-scale farmers to grow as we have seen the improvement in the sector over the past years. We thank Choppies for the great support they always provide to Botswana farmers. We are looking forward to continued support in the future to especially help the local young farmers in the country."

Our strategy continued

One-stop-shop

Choppies has established a reputation as a one-stop shop in the communities where it operates. This implies it not only trades products and services with stakeholders, but also intangibles like skills and innovation, encouraging mutual prosperity. Our goal is to eventually impact the communities in which we work while also growing a prosperous Company.




MEALS
FINANCIAL PRODUCTS
TICKET
TELECOM AND HOUSEHOLD
REPAIRS
DISTRIBU-TION AND CONVENI-ENCE
RECYCLING
CUSTOMERS
Goods (grocery and others)
Meals
Services (airtime, transactions, loans, repairs, health. etc)
Skills (wellbeing related)
Experience/leisure
Money
Waste
Trainees
Service partners
Innovation
Funds
Skills
Footprint
Infrastructure
Funds
COMMUNITY PARTNERSHIPS

Our strategy continued

Translating our purpose into our six strategic pillars

Strategic pillar	Progress in FY21	Targets/objectives for FY22
Expand and improve non-traditional offering Position Choppies as a one-stop-shop by expanding fresh, healthy, and non-traditional grocery offering, broaden the range of financial services products, bundle goods and services relevant to them and enhance the value of home brands	• We acquired MonyGlob, a money transfer and foreign exchange business in October 2020 to expand our financial services range as well as the Group's presence in areas previously under-serviced by Choppies • Started operating 12 new branches of MonyGlob • Own fried chicken – CFC – now in 35 stores in Botswana, 6 stores in Namibia and 8 stores in Zambia. Plans are underway to expand its footprint in Botswana and other countries • At selected stores we are opening smoothie counters and coffee stations • We have three own private labels with Choppies being the major one • The Choppies house brand expands across most categories and in certain categories it is one of the dominant brands.	• Expand the underserved non-grocery lines (range of home appliances, personal grooming products, household equipment repair) • Boost meals business • Improve fresh and healthy offering (high protein and organic products) • Local produce • Add new bundle services • Own brand development.
Store formats that people will use Rethink the touchpoints with the consumer to improve customer experience and convenience, use online services to provide a seamless omni-channel experience, re-consider store formats to widen customer reach and focus on customer-centric design to help customers make informed choices	• We are enhancing our website • We are developing an app and website to facilitate the purchase of our financial services products. This should be available early 2022 • We plan to introduce a loyalty programme within the next 12 months • We have re-engineered store formats based on customer needs and tailored promotions to suit customer needs • We have created display formats which are conducive to shopping and increasing the shelf life of fresh produce.	• Rethink physical store formats • Seamless omni-channel experience (advance online ordering, home delivery) • Improve display of fresh produce and meat (promote consumption of healthy options) • Generate pride around local products • Human-centric design.
Become a genuine local community player Embrace shared-value strategies by genuinely caring and contributing to local communities, building partnerships with relevant stakeholders, facilitating banking inclusion of small and medium-sized suppliers and fostering sustainability practices as a norm throughout the supply chain	• We buy fruit & vegetables (F&V) and meat and chicken from local farmers • We are sourcing from local bakeries to support our communities • We have loaned equipment to a female empowered group to make traditional bread and biltong and we purchase their total production. We sell all ingredients to this group at cost • We have water filling stations at selected stores to limit the use of plastic bottles • We have implemented solar power in Namibia in a few stores with plans to roll this out to more stores over time.	• Local products • Leisure • Local sustainability: energy and recycling • Health support • Banking inclusions • Loyalty programme to encourage healthy consumption habits • Highlight local producers (farmers' markets) • Partnerships with social enterprises.

Strategic pillar	Progress in FY21	Targets/objectives for FY22
Efficient and sustainable value chain Develop a modular platform mentality supporting different divisions including grocery, fresh produce, and services, allowing for easy scalability. Use data analytics and automation to drive store efficiency, integrate own and third-party services to give a complete solution and embrace innovation as a core function	• We reorganised the departmental structures within stores to enhance the productivity and look and feel of the store to meet customer expectations • We have engaged a service provider to help enhance our data analytics.	• Enhance fresh distribution • Improve store productivity • Improve distribution and packaging – specialised distribution centres and better cold chain logistics • Data analytics • Circular economy • Recycling stations • Warehouse management systems • Electronic data interchange • Improved data gathering • Modular platform backbone.
Improve and develop stronger local supply chains Reduce dependence on external suppliers by supporting local entrepreneurs with local knowledge, helping them to build capacity, adopt backward integration in key sectors, support innovative practices of suppliers and aid quality enhancement and sustainability practices of all supply chain participants	• We provide easy access to local farmers – commercial and subsistence – to list their products at our stores.	• Foster local support • Technical and financial support to farmers • Quality and sustainability • Support local entrepreneurs • Innovative partnerships (improve private label offering) • Leverage on local knowledge.
Instil continuous improvement Company-wide Involve the entire Company in the lookout for opportunities and make continuous improvement a routine function of all employees by providing capabilities, establishing structures, simplifying processes to make them lean and agile and explicitly giving autonomy to implement ideas, instil purpose, sense of ownership and pride of being a part of a leading retailer who is also a key community player	• We are implementing an enhanced time and attendance system and HR resource efficiency measurement system to enable us to better manage our workforce to meet customer demands • We are increasing expertise in-house rather than relying on external resources.	• Continuous improvement of systems (use data collection and analysis) • Improve quality and lower costs • Improve efficiency of supply chain • Adopt more resilient and sustainable farming systems • Circular economy approach • Employee pride and empowerment • Seamless training on objectives • Lookout for opportunities • Partnerships with academia • Lean/agile systems approach.

Investment case

Why invest

Market-leading and strong brand

Largest private employer in Botswana

Significant market share in regions in which we operate

Strong private label brand range

Economic value creation

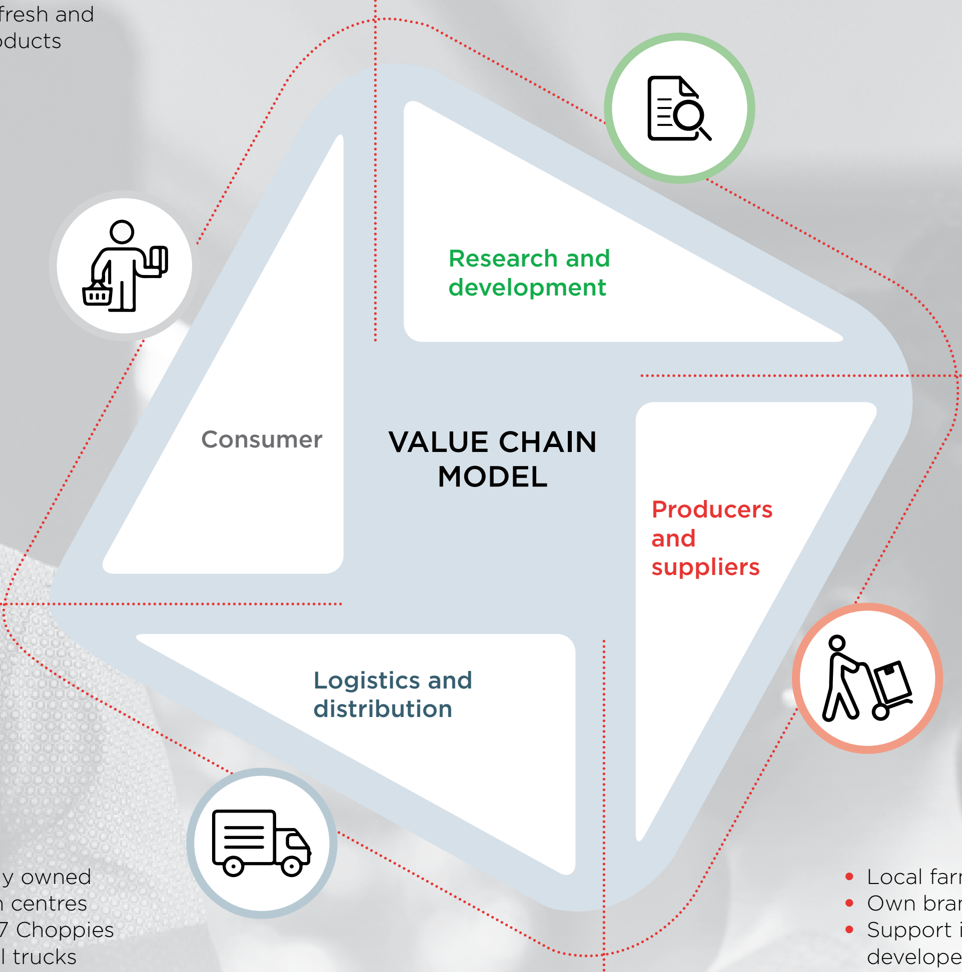
Customer and shared-value approach

Political and economic stability in largest market

Our value chain

- Seamless omni-channel experience (advance online ordering, home delivery)
- Providing locally produced, fresh and healthy products

- Listening to stakeholders to customise products and offerings
- Help in giving timely feedback for design changes and further development



- Eight wholly owned distribution centres
- Total of 507 Choppies commercial trucks

- Local farmers' markets
- Own brand development
- Support in newly developed farming products or farmers

FARM/FACTORY TO SHELF

Creating value through our business model

Our business model describes how we create long-term sustainable value for our stakeholders – through the effective and balanced use of our capitals as defined in the International Integrated Reporting Council's International Framework – while keeping the customer at the centre of everything we do. Our business model is underpinned by strong corporate and social governance, with our unique values at its core.

Inputs into our business model	Capital inputs
Financial Funding received from providers of capital and the financial resources available to the Group	• BWP696 million of borrowings • BWP642 million of unsecured, interest-free current liabilities.
Human Employee skills, capabilities, development and experience	• 9 746 full-time employees • Management expertise and skills • Well-trained employees.
Intellectual Skills and knowledge within the organisation and the enabling systems and processes	• Strong brand equity • Growing own brand offer and product development: private label items are available in just about every food and non-food category, fresh, frozen, canned, dry foods, snacks, ethnic specialities, health and beauty care, household as well as laundry products • Sophisticated IT systems.
Manufactured We use physical infrastructure within our operations that includes our store estate, distribution capacity, and information technology platforms	• 154 stores • Four support offices • Eight distribution centres • A strong and well spread out transport infrastructure in all countries in which we operate • In-house supply chain with regionalised distribution centres • Valued partnerships with transport logistics providers and own transport fleet.
Natural Environmental resources used in our direct operations and in our supply chain which impact on our prosperity and sustainability	• Restrained, appropriate carbon footprint • Prudent consumption of resources: water, electricity • Eco-friendly refrigeration • Conscious focus on use of recyclable material • Minimising food wastage.
Social and relationship employees The relationships we have with our stakeholders, including our customers, suppliers, business partners representation, communities, and other stakeholders	• Customer-led long-term strategy with market research • Meaningful corporate social investment programme • Strong platforms for stakeholder engagement • Strong relationships with customers, suppliers, funders, communities and government • Majority local suppliers and service providers, from whom we procure goods and services • Support for farmers and local SMMEs.

Advancing our business model during the year:

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

Business activities

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

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

Value added

- Group EBITDA increased by BWP14 million
- Borrowings reduced by BWP55 million
- Interest paid at BWP110 million (on leases: BWP56 million and on borrowings: BW54 million)
- Market capitalisation at BWP782 million.

- Job creation across southern Africa
- Salaries BWP362 million
- Economic upliftment
- Socio-economic development.

- Affordable groceries in underserviced urban, semi-urban and rural areas
- Great value for money for consumers.

- Inhouse maintenance services
- Master database management and contracts with technology services providing for systems support
- Long-term alternate solar energy planning
- Waste management
- Recycling

- Business support for local suppliers and landlords – 75% of fresh produce in Botswana is distributed through Choppies
- Choppies supports small-scale local manufacturers
- Contracted farming fund advances
- Food security for the nation.

Our markets in context

Botswana is one of Africa's most stable democracies, and has enjoyed strong and steady growth since gaining independence.

A strong respect for political institutions, sizable fiscal buffers and prudent policies have shielded the mainly diamond-led economy. Growth for the 2021 fiscal year is expected to be stable at 3.5%, taking into account a slightly weakened global demand for diamonds and economic disruptions due to a resurgence in Covid-19 infections. The growth will be viewed as an improvement from the negative 8.5% economic contraction seen in 2020.

The Kazungula bridge, which is a new bridge connecting Botswana and Zambia, will provide a massive boost to the Botswana economy through regional trade and access to new markets. Policy makers will also be implementing an economic recovery and transformation plan aimed at resuscitating the economy. All these measures will play a crucial role in Botswana's economic performance.

Considerations

- Choppies maintains its strong leadership position in the retail sector in Botswana and continues to be an active participant in the economy as the largest private sector employer
- The saturated market has led to more competition, which has presented Choppies with an opportunity to embrace and explore innovative technological solutions aimed at attracting customers with high purchasing power
- The recently completed Kazungula bridge will allow Choppies to explore alternative routes for importing an assortment of goods
- Choppies is well-positioned to introduce new and profitable services that cater for specific needs in communities through its wide network of stores in the country. This initiative will allow for a shared-value creation with the usage of social technologies. The targeted communities will have access to clean water, operational sanitary services and production of energy from biomass or sunlight.

Challenges/responses

- Botswana contributes 78% of the Group's revenue. This presents a challenge in decentralising certain activities and investments from the central office in Gaborone along with improvements that can be achieved by leveraging on other countries' competitive advantages such as production of assorted goods with higher quality at a much lower cost
- A reduction in the dependency of South Africa as a key supplier as recent restrictions caused by the pandemic and domestic unrest in South Africa proved how badly that vulnerability can affect the Group's operations.
- Setting a new target beyond being the largest private employer in the country, to developing interventions aimed at creating shared value in different areas of operation. The vast network and reach Choppies has will be used as leverage to achieve this target
- Exploring the innovation capabilities of the Choppies team, by cultivating an environment that embraces and welcomes new ideas in order to promote pride amongst the workforce and foster change that will improve the Company's performance
- Need to add more outlets in the towns where we have no representation.

With peaceful elections behind them, the Zambian economy will strengthen and this will allow Choppies to capitalise on its strong brand image and competitive advantages to gain market share.

Zambia enters a new phase in its democracy as it embraces a newly elected President. The new dawn will usher in a renewed sense of hope and offer the new ruling party an opportunity to rebuild and restructure the economy, especially for the high number of unemployed youth.

This follows economic progress that had stalled in recent years, after 15 years of progressive socio-economic growth and achieving middle-income status in 2011. Falling copper prices and an undervalued agricultural sector have negatively influenced economic growth. The country has since looked into venturing into alternative mineral commodities such as emerald and gold. The services sector has shown signs of continued growth especially the retail and wholesale industries.

Annual inflation is expected to rise from 15.7% in 2020 to 19.8% in 2021, this is largely attributed to the continued depreciation of the Kwacha against the US Dollar. In 2020, the real GDP growth contracted by -3% but is forecast to expand by 1% in 2021. The increase is attributable to the rise in copper prices, which is Zambia's main export.

The country's default on its Eurobond debt further exacerbated its pre-existing economic challenges. The default saw the country enter a period of rapid policy change with the long-term effect being a loss of access to international credit from Chinese bilateral and commercial sources.

The incoming administration will be expected to announce a restructuring programme aimed at addressing the immediate challenges facing the economy.

Copper prices hit a record high in May and have since seen a decrease in price. We might see a continuation of the price surge, which will mean growth in the mining sector for Zambia. The knock-on effect will also be growth in the construction sector. Sufficient economic growth will see Zambia emerge from the recession experienced in the previous year.

The Kazungula bridge will provide an important trade connectivity route and the regional economy will receive a much-needed boost in local economic activity in the region.

Considerations

- Expensive imports need to be paid for in foreign currencies while currency volatility and depreciation affects the margin negatively due to increasing rentals, which need to be negotiated in US Dollars
- Customers constantly seek low prices instead of a variety in goods and have proven to be very proud of their local brands
- Telecom and money transfer services are already well established in informal kiosks and shopping malls
- Relatively easy to find skilled employees
- Deficient electricity services.

Challenges/responses

- Look to increase revenue and footfall
- Enticing the low to middle income population, who prefer to buy from informal traders
- There are some good experiences with differentiated products
- Creating strong bonds and networks with local producers and manufacturers by sourcing and offering local products
- Reducing real estate costs
- Achieving higher in-store productivity and improved inventory control
- Being able to offer home delivery with poor infrastructure (considering improvements to 5 to 6 stores in the country)
- Developing alternative power sources
- A planned expansion will improve the overall performance.

Our markets in context continued

Zimbabwe has an economy largely driven by mineral exports.

The Covid-19 pandemic has severely affected an already ailing economy suffering from high inflation rates. Inflation is expected to average 132% in 2021, which was revised down from 162% owing to moderation in inflation over the year to May, driven by high-interest rates, tighter control of the monetary base and stabilisation of the exchange rate.

Real GDP growth is forecast to reach 5.5% owing to an increase in agricultural output due to a season of favourable rainfall and stable power supply which boosted manufacturing output.

The economic fall-out in the country has been worrying when compared to other countries in the region, more people have been reported to be living under extreme poverty conditions. Real income has plummeted owing to high inflation rates and poor working conditions.

Government revenue is expected to pick up for the current year as an increase in exports leads to a gradual recovery in the economy. The government has also claimed that it seeks to re-establish relations with the international community in order to further entice foreign countries to invest in the region. Resumed communication will also help with much needed food and healthcare aid from the international community.

The vaccine rollout has been sluggish owing to the government's determination to prove that it is able to source vaccines independently and has chosen not to access vaccines through the World Health Organisation. The country has been heavily reliant on China for procuring coronavirus vaccines.

Zimbabwe will also attempt to further deepen relations with China to boost loan and investment inflows and strengthen trade ties with South Africa and Mozambique to secure power imports. The latter will also help the country maintain access to strategically placed ports for exports.

Considerations

- High levels of instability within the political and economic sectors which have resulted in a shortage in foreign exchange for the payment of goods and a reduction in buying power for local workers
- Situation is expected to improve in the future and the economy will very likely boom as the country has plenty of natural resources (especially minerals such as gold and platinum) around which the economy could be reactivated
- Even though most of the population has lost its buying power very drastically, there are still groups of consumers who receive salaries in USD and are interested in goods and produce of better quality and higher price
- Over the years, operations in the country required Choppies to source goods that were supplied locally due to an exit in foreign suppliers. The experience has presented many valuable lessons and an opportunity to transform local suppliers The result would be a win-win for both Choppies and the suppliers.

Challenges/responses

- Remain profitable in a market that has not shown any sign of recovery yet
- Adapt to changing conditions (e.g. new auction system for FOREX) and be capable of responding with limited access to resources
- Explore partnership opportunities with local suppliers that could be a source of good quality and low price products and can benefit from Choppies' network to have access to raw material and to a greater market in southern Africa
- Refit stores and finding strategic locations that provide easier access to customers with higher purchasing powers
- Developing new additional money transfer systems for remittances to local customers that have relatives working abroad.

Namibia's economy largely depends on commodity exports, particularly hard exports, such as uranium and diamonds.

The growth of the economy was heavily impacted by the rapid spread of Covid-19 and trade restrictions implemented which saw the economy further contract by negative 8%.

Growth is expected to be driven by the mining sector due to a gradual increase in the demand for diamonds and uranium. The government will also be looking to add a layer of local manufacturing aimed at further boosting economic output. Aims to privatise state assets and develop Namibia as a logistics centre will continue, though at a low pace. All these factors should provide the economy with an estimated 1.3% expansion.

The pandemic has worsened the country's already high unemployment rate and poverty levels. If not properly addressed these issues could lead to social unrest.

Relations with regional and western nations such as China and India have remained strong. This will enable the country to access funding for developmental programmes in historically disadvantaged communities. Both nations have expressed an interest in the country's uranium resources and have provided food aid, investment and loans in the past.

Policies will also be directed at containing the spread of the coronavirus and mitigating any further economic impact. An effective vaccine rollout programme will also enable the tourism sector to have a positive bounce back.

The Namibian Dollar will remain pegged at parity to the South African Rand. Inflation averaged 2.2% in 2020 and the Rand depreciated against most currencies. Authorities see the peg as vital and it is expected to be maintained as a policy priority.

Considerations

- People are relocating from rural to urban areas with a concentration on the centre and coastal areas (Windhoek and Walvis Bay) and the north by the border of Angola
- Though customers appreciate local brands, they are highly influenced by consumption trends in South Africa
- Import restrictions, mainly in products related to livestock such as dairy and meat
- Many competitors are making bold moves towards online trade, as the penetration of internet (both fixed and mobile connections) is the highest out of the four countries
- Choppies is a member of Team Namibia, a non-profit organisation that advocates for the promotion of quality production of local products and services and encourages consumers to buy local
- Namibia is the only country in the Group with access to the sea. The increase of Walvis Bay's port capacity could potentially result in a logistic hub that will be viewed as an advantage for Choppies.

Challenges/responses

- Strategically position Choppies to cater for a broader range of consumers with mini market formats, which are cost-efficient for the store and offer an opportunity to increase its geographical presence
- The development of a logistical system, which will sufficiently cater for the country's needs
- The development of online trade platforms, as the country has a high number of internet users
- As plans to transform Walvis Bay port's capacity are ongoing, Choppies will be looking to take advantage in order to decrease dependency on South Africa as the main source for imports
- With the highest share of electricity in stores' expenses (around 6%, compared to 3% to 4% in other countries) and plenty of sunlight throughout the year, this is a market where a solar energy system pilot could achieve an attractive ROI more easily than in other countries
- Plans to increase the stores to reach critical mass.

Our response to Covid-19

The Covid-19 pandemic has had an extraordinary impact on all the countries in which Choppies operates with government measures such as travel bans and lockdowns imposed to curb constantly rising infections. Not only did the pandemic adversely impact all four countries, namely Botswana, Namibia, Zambia and Zimbabwe, but also the neighbouring countries which are integral to the Group's operations such as South Africa which is key for our supply chain.

We acknowledge that Covid-19 will be present well into the near future and this requires the Company to continually review efforts aimed at keeping our stakeholders safe, in-line with government regulations.

The Group's focus was on keeping all stakeholders healthy and safe.

How Choppies responded

We immediately introduced a Covid-19 policy aimed at addressing how employees, customers and other stakeholders in our business conduct themselves in order to fight the spread of the virus.

Personal protective equipment ("PPE")

Choppies purchased and supplied all its employees with cloth masks and prioritised face shields for all cashiers. Subsequently, our cleaning staff have also been supplied with adequate PPEs such as face masks, plastic aprons, heavy duty gloves, face shields and disposable gloves. Workstations and offices at all our branches are continually supplied with, and sanitised, to ensure that regular cleaning is not hindered in any way.

The Group places greater emphasis on consistently sanitising frequently touched surfaces such as desks, till spaces, keyboards, telephones, swiping machines, restrooms and constantly used stationery.

Procedures

Screening facilities have been implemented at all Choppies facilities in order to check the temperatures of employees, customers and all other stakeholders. Thermometers are present at all screening stations. Branch managers and departmental heads have been tasked with ensuring that employees' temperatures are recorded correctly on a daily basis. Temporary holding rooms have been identified in order to isolate employees and customers that present flu-like symptoms and high feverish temperatures.

Customers and employees are required to maintain a 1 to 2 metre social distance. This also applies to those sharing an office. Screen barriers are also used to separate and create spaces between persons.

In the event of a confirmed case, the Group has implemented the following procedures to be undertaken:

- The workplace will be closed for business
- Doors and windows are to be opened to increase air circulation in the area
- Sanitation is to commence under the supervision of the environmental health practitioner, infection prevention or control officer
- Cleaning is to be targeted towards all specified areas the infected person was active in such as offices, bathrooms and common areas and equipment such as tablets, touch screens, keyboards and ATM machines
- Workers presumed to be in close contact with the infected party are to be isolated and can only resume work after testing negative for Covid-19
- Once business operations resume, the cleaning staff continue with normal cleaning routines.

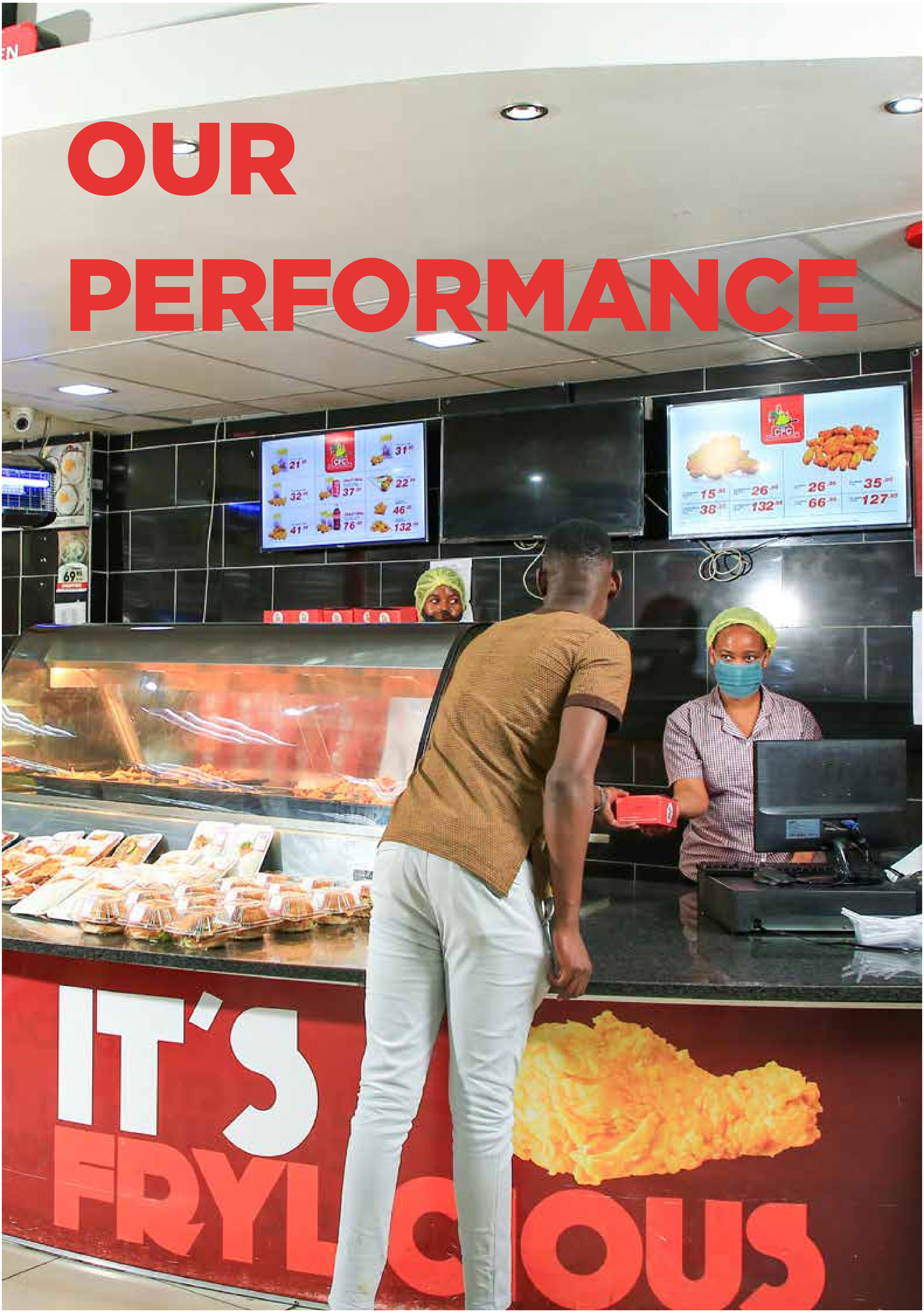
Employees

During the hard lockdown period in Botswana, Choppies assisted employees by providing transport to and from home and work.

Towards the end of 2020, the Company assisted its employees with BWP200 vouchers for each month bringing the total contributions to BWP3 000 000 as a way to recognise their efforts, diligent service and commitment during the Covid-19 hardships.

A decision has also been reached to introduce a BWP150 monthly cashier and service departments' allowance to improve customer service amidst the Covid-19 pandemic.

OUR PERFORMANCE



Chief executive officer's report

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

Ramachandran Ottapathu
CEO

We have been faced with another year with the Covid-19 pandemic which was never anticipated. We had hoped for a normal year from September/October 2020, however the impact of the pandemic worsened and continued throughout the year.

Considering the pandemic and challenges in the regions in which we operate, we performed relatively well.

During the year we added five stores to our footprint which is indicative of a very conservative and well-balanced expansion strategy.

Strategy

Overall we progressed our Group strategy and vision with some fruitful results in terms of our objectives, notwithstanding a few challenges due to the impact of Covid-19.

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

We continued our shared-value strategy with contributions to projects such as IDM, Itsose Mosadi and the farming projects. We signed a memorandum of understanding with IDM to provide training for local bakers, a first of its kind in Botswana. The Itsose Mosadi project supports women entrepreneurs in Botswana who produce and supply various products (see page 55 for further detail).

These shared-value initiatives are based in Botswana and the other regions in which we operate.

We are particularly focused on assisting farming communities and local manufactures as well as communities at large. See page 20 for further detail on our support of local farmers.

During the year we acquired MonyGlob, a money transfer and foreign exchange business to expand our financial services range as well as the Group's presence in areas previously underserviced by Choppies. MonyGlob facilitates the seamless movement of money across geographies, currencies and channels via multiple customer touch points including retail stores, online and mobile solutions and self-service kiosks.

Governance

We have progressed well in finalising all policies regarding corporate governance, remuneration and social and ethics. Responsible officers are now able to confidently report on these matters. Mr Pritchard deserves a very special appreciation for guiding us in this regard.

Our countries of operation

Botswana

Covid-19 impacted operations in Botswana particularly in the service department. Towards the end of the financial year inflation also started to rise. Until then the weaker Rand had helped to reduce inflation.

We did not add any new stores in the financial year as the progress we are making in our measured approach is expected to convert into an expanded footprint in the coming years.

We made progress in significantly controlling overheads.

New structures were introduced at junior level and a new time and attendance system was implemented. MoneyGlob opened a number of branches and is breaking even. Our online offering got off to a strong start, particularly during lockdown. We intend pushing this forward in future.

Zambia

We added four new stores and the footprint is growing well with profitability improving significantly. The brand has good acceptance and overall performance continues to be strong. We anticipate further growth in the market in the coming year with the new changes we see in the economy, following the successful elections and handover of power.

We continue our retail journey in the most sustainable and balanced way. We are planning to add stores in a measured manner and will continue our efforts of being a good responsible social player supporting our stakeholders and the communities in which we operate.

Namibia

We added one store to the footprint and performance remained steady in spite of the pandemic. A few more stores are in the pipeline, which will be completed in the coming year.

Zimbabwe

Hyperinflation started to stabilise and we continued to consolidate our position in Zimbabwe.

The continued shortage of Forex is a stumbling block. Even though the Reserve Bank promised the release of blocked funds this did not transpire and we are still awaiting this.

Sustainability

The continued effort to replace the disposable bag with reusable eco-friendly bags is progressing well. This initiative will reduce plastic waste in the long term. In Namibia we are looking at imminently implementing a solar power project while Botswana is still in the preliminary stages. We continue to aggressively manage food waste reduction in all the regions. A solid financial foundation remains key to our long-term sustainability and we are committed to ensuring we build on this on our journey.

Board changes

I am pleased to welcome Mr Valentine Chitalu to our Board. As a seasoned business professional he will contribute the required balance and professional expertise on our Board.

People

Our biggest capital is our Human Resources. We appointed a number of specialist heads during the year. Our commitment to skills development was evidenced in training completed for 3 008 employees.

We attended to over 96 employees' complaints with all being resolved satisfactorily. We strive to upskill our employees at all levels and are strongly committed to localising the management in all regions in which we operate.

Choppies is one of the few companies that has achieved its localisation target in Botswana and we are continuing the same efforts in all the regions in which we operate.

Covid-19

Compliance costs associated with the pandemic had a significant impact on the operations of the Company. However, we continue our efforts of providing maximum protection for our customers and staff during the pandemic. Our compliance efforts were successful with minimal disruption to the business.

Let me take this opportunity to express my gratitude to all who cooperated during this time of crisis to keep us safe.

Journey ahead

We continue our retail journey in the most sustainable and balanced way. We are planning to add stores in a measured manner and will continue our efforts of being a good responsible social player supporting our stakeholders and the communities in which we operate.

Appreciation

I'd like to take this opportunity to pay tribute to our fellow colleagues that we lost this year due to Covid-19 and pray for their departed souls.

I would like to express my gratitude to our Chairman for his valuable guidance, to our Board members, especially Mr T Pritchard and Ms CJ Harward for their relentless efforts in guiding the Company through these challenging times.

To conclude I would like to thank all my fellow colleagues in the Company at all levels for their dedicated time and commitment and wish them well going forward in this exciting journey.

RAMACHANDRAN OTTAPATHU
CEO
30 September 2021

Chief financial officer's report

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

Minnesh Rajcoomar
CFO

Introduction

The current financial year was about stabilising the Group despite the volatility caused by Covid-19 and currency depreciation. We maintained efficient operations as well as market size and position in very difficult times. We feel we are towards the end of our turnaround phase having divested from loss-making regions, having a cohesive Board and management team in place and with relatively stronger cash flows. We relied heavily on our three-year strategy to maintain focus.

Group performance – statement of profit or loss

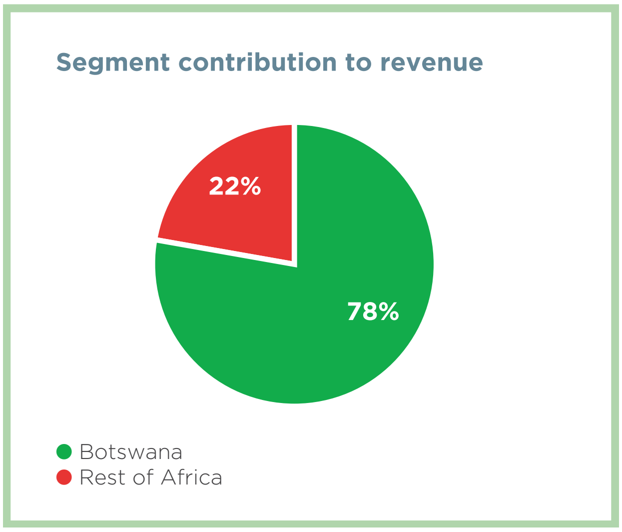
We are proud to report that the Group achieved its first profit since 2016 as the benefits from restructuring the business, following the exit from underperforming investments, continue to be realised.

Group revenue decreased by 1.7% to BWP5 331 million (2020: BWP5 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 BWP1 186 million (2020: BWP1 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 5.6% resulting in an 8.7% increase in EBIT from BWP208,0 million to BWP226,2 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.

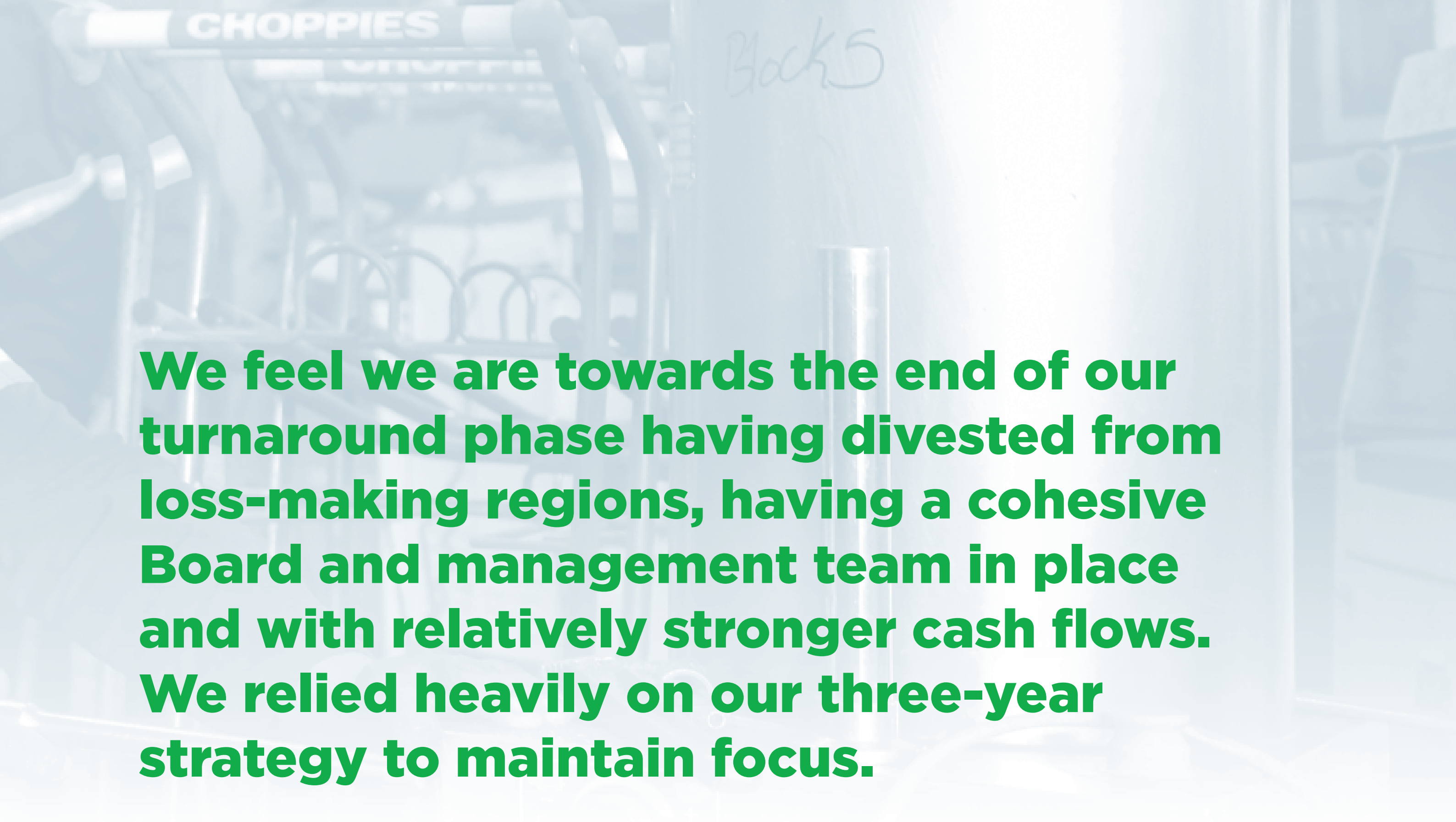
Segment revenue analysis



With effect from this financial year we have reduced our segments from four to two being Botswana and the Rest of Africa.

Botswana is by far the major segment of the Group, making up 78% of total revenue. On a comparable basis, five-years' ago Botswana made up 71% of the Group. The decline in the Rest of Africa is due to currency depreciation.

We have recognised the need to reduce our dependence on Botswana as a key generator of sales, profits and cash and one of the many tactical initiatives is to double the Rest of Africa segment share of the Group within the medium to long term.



We feel we are towards the end of our turnaround phase having divested from loss-making regions, having a cohesive Board and management team in place and with relatively stronger cash flows. We relied heavily on our three-year strategy to maintain focus.

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 BWP259.5 million to BWP246.1 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 six stores in Namibia (2020: five 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 BWP19.9 million (2020: BWP51.5 million loss) owing to improved gross profit margin and a reduction in costs.

Group performance – operating costs analysis

We managed our expenses exceptionally well in the face of muted growth and difficult circumstances. Total expenses reduced by 5.6%, driven largely by reductions in employee costs and lower levels of foreign exchange losses. The table below details our analysis of operating expenses.

				% to sales	
BWP000	**2021**	2020	% growth	**2021**	2020
Sales	**5 330.8**	5 420.6	(1.7%)		
Total expenses as per the statement of profit or loss	**1 024.9**	1 085.4	(5.6%)	**19.2%**	20.0%
Administrative expenses	**855.7**	901.9	(5.1%)	**16.1%**	16.6%
Selling and distribution expenses	**35.1**	63.2	(44.5%)	**0.7%**	1.2%
Other operating expenses	**134.7**	140.7	(4.3%)	**2.5%**	2.6%
Net monetary loss on Zimbabwe entities	**(0.6)**	(20.4)	(97.1%)	**(0.0%)**	(0.4%)
Summary of total expenses by key item	**1 024.9**	1 085.4	(5.6%)	**19.2%**	20.0%
Depreciation	**259.0**	253.6	2.1%	**4.9%**	4.7%
Employee costs	**362.4**	385.0	(5.9%)	**6.8%**	7.1%
Electricity charges	**97.6**	88.5	10.3%	**1.8%**	1.6%
Repairs and maintenance	**43.1**	41.5	3.9%	**0.8%**	0.8%
Foreign exchange differences	**18.7**	45.8	(59.2%)	**0.4%**	0.8%
Bank charges	**50.0**	42.9	16.6%	**0.9%**	0.8%
Rent	**(3.5)**	8.0	(143.8%)	**(0.1%)**	0.1%
Effect of hyperinflation accounting on expenses	**15.6**	27.6	(43.5%)	**0.3%**	0.5%
Other expenses	**182.0**	192.5	(5.5%)	**3.4%**	3.6%
Cash costs (total costs excluding depreciation)	**765.9**	831.8	(7.9%)	**14.4%**	15.3%
Less foreign exchange differences	**(18.7)**	(45.8)			
Less rent as reported	**3.5**	(8.0)			
Add rent paid before IFRS 16 adjustments	**197.2**	193.4	2.0%	**3.7%**	3.6%
Cash costs adjusted for IFRS 16 adjustments	**947.9**	971.4	(2.4%)	**17.8%**	17.9%

- Employee costs – we managed to reduce employee costs due to lower levels of overtime, casuals and incentives. The negative growth in volumes and restricted trading hours allowed us to reduce overtime and casuals
- Electricity costs increased by 10.3% mainly due to tariff increases in Botswana and Zimbabwe. We are actively pursuing solar power in all countries with two stores on solar already
- Foreign exchange differences relate mainly to the revaluation of IFRS 16 – Leases which are US Dollar based
- Bank charges are driven mainly by hyperinflation in Zimbabwe
- Other expenses reduced by 5.5%, driven by variable costs subject to lower volumes and curtailed spend on donations
- Cash costs reduced by 7.9%, but when adjusted for the IFRS 16 adjustments reduced by 2.4%. Our rent paid before IFRS 16 adjustments increased by 2.0%, a commendable achievement despite adding four new stores.

Group performance – statement of financial position and cash flows

The Group's negative equity reduced from BWP467.1 million at June 2020 to BWP448.4 million as at June 2021, mainly due to trading profits in Botswana and hyperinflationary translation reserves exceeding currency translation reserves.

We are confident that we will remain a going concern over the foreseeable future and note 41 to the annual financial statements details the full assessment made by management.

Note 29 to the financial statements details our various sources of funding, payment terms, interest rates and covenants. The Group has managed its cash resources and liquidity prudently over the course of the Covid-19 crisis with a reduction of BWP55.4 million in net debt including debt disclosed in 2020 under discontinued operations.

Net working capital

Our net working capital remains negative reducing our reliance on external or shareholding funding and giving us sufficient flexibility to manage our short-term cash flows. However, in the current year we consumed BWP69.6 million in working capital. The table below analyses our working capital cash flows.

BWP000	**2021**	2020	Movement	Adjustment for discontinued operations and interest accrued	**Per statement of cash flow – 2021**	Per statement of cash flow – 2020
Working capital						
Inventories	**340.7**	305.5	(35.2)	0.0	**(35.2)**	55.9
Receivables	**113.4**	108.2	(5.3)	(10.1)	**(15.3)**	43.9
Payables	**(612.2)**	(654.0)	(41.8)	22.8	**(19.1)**	30.7
Net working capital	**(158.1)**	(240.4)	(82.3)	12.7	**(69.6)**	130.5
Inventory by segment	**340.7**	305.5	(35.2)			
Botswana	**229.4**	233.6	4.2	Inventories increased mainly because of hyperinflation in Zimbabwe.		
Rest of Africa	**111.3**	71.9	(39.4)			

Payables are much lower than last year because of lower purchases and last year balances were much higher due to strategic delays in payments as we were navigating our way through the start of the pandemic.

Shareholder returns

Our return on net assets ("RONA") at 22.0%, as detailed on page 42, while reducing slightly from last year's 22.9%, remains well above our pre-tax weighted average cost of capital ("WACC") of 15%.

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

The year ahead

Other than the items disclosed under note 42, we do not expect any material events after the reporting period.

Management will focus on the following over the next 12 months:

- Executing our strategy through the tactical initiatives we have embedded throughout the organisation
- Finance will play a major role in integrating our systems across all countries
- Increasing profit margins in all key categories
- Cash flow management and debt reduction.

My personal focus as CFO will be empowering the Choppies finance teams as a competitive advantage. It is imperative that the finance team shift to a more stakeholder-centric mindset. We want the senior finance team members to be "changemakers" in their businesses – individuals who succeed in balancing the ownership and taking the lead of their business and taking a more entrepreneurial stance within the business.

Long-term sustainable value creation – a company's ability to create, deliver and sustain positive outcomes for investors, of course, but equally for employees, customers, communities, and more – has been a top priority for Choppies for several years now. **We will not let up on this vision.**

Appreciation

I thank my team for their incredible achievements this year, and for their continued hard work and dedication, even during the most difficult of times. I extend my thanks to our in-country teams, specifically those on the front line, who have worked with urgency and determination to put rigorous health and hygiene measures in place to protect staff and customers, and to keep our shelves stocked at a time when our customers need us the most.

MINNESH RAJCOOMAR
CFO
30 September 2021

Financial ratios and statistics

		2021	2020	2019	2018	2017	2016	2015	2014	2013
Profit information										
Revenue	BWP million	**5 331**	5 421	5 359	6 292	8 709	7 369	5 945	5 012	4 029
Gross profit	BWP million	**1 189**	1 253	1 216	1 278	1 844	1 427	1 291	1 079	822
Gross profit margin	%	**22.3**	23.1	22.7	20.3	21.2	19.4	21.7	21.5	20.4
Operating profit	BWP million	**226**	208	92	5	(36)	(126)	268	241	200
Operating profit margin	%	**4.2**	3.8	1.7	0.1	Neg	Neg	4.5	4.8	4.9
Profit/(loss) for year	BWP million	**60**	(371)	(428)	(445)	(170)	(170)	197	177	153
Headline earnings/(loss) for year	BWP million	**84**	(199)	(337)	(89)	10	(182)	201	163	NA
Financial position information										
Total assets	BWP million	**1 703**	1 841	2 187	3 013	3 041	2 614	2 419	1 749	1 307
Total equity	BWP million	**(448)**	(467)	(80)	576	1 034	1 228	1 452	869	739
Total liabilities	BWP million	**2 152**	2 308	2 267	2 436	2 006	1 385	967	880	568
Net assets	BWP million	**1 002**	1 054	764	1 472	1 677	1 729	1 564	1 125	638
Profitability and asset management										
Return on total assets	%	**12.8**	10.3	3.5	0.2	Neg	Neg	12.9	15.8	16.7
Return on equity	%	**Neg**	Neg	Neg	Neg	Neg	Neg	13.5	20.4	20.7
Return on net assets ("RONA")	%	**22.0**	22.9	8.2	0.3	Neg	Neg	19.9	27.3	32.8
Net asset turn	times	**5.2**	6.0	4.8	4.0	5.1	4.5	4.4	5.7	6.6
Shareholders' ratios										
Earnings per share	thebe	**5.2**	(25.3)	(30.2)	(32.1)	(12.4)	(13.0)	15.7	14.3	13.1
Headline earnings per share	thebe	**6.5**	(15.3)	(25.9)	(6.9)	0.8	(14.1)	16.9	13.9	NA
Dividend per share	thebe	**–**	–	–	–	2.8	4.9	4.5	4.3	3.7
Stock exchange statistics										
Market value per share (BSE)										
• At year-end	thebe	**60**	60	60	250	256	400	481	420	300
• Highest	thebe	**61**	69	69	250	260	440	550	430	336
• Lowest	thebe	**60**	60	60	40	235	220	385	338	205
Number of shares issued	million	**1 304**	1 304	1 304	1 304	1 304	1 292	1 292	1 174	1 174
Number of transactions		**3 426**	Sus	8 281	6 026	10 408	18 939	7 341	4 304	3 990
Number of shares traded	'000	**169 443**	Sus	235 459	196 799	296 936	422 272	186 732	248 251	163 734
Value of shares traded	BWP million	**103**	Sus	152	468	846	1879	781	843	416
Closing market capitalisation based issued shares	BWP million	**782**	782	782	3 259	3 337	5 167	6 213	4 932	3 523

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

Definitions

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

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

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

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

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

Net asset turn
Revenue divided by average net assets.

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

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

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

OUR IMPACT

Our impact

Sustainable practices form an essential part of the strategic objectives developed by Choppies. The strategy focuses on a circular economy concept in all matters related to sustainability.

The Board has reviewed and approved these objectives, which have been structured to address sustainability in one form or another.

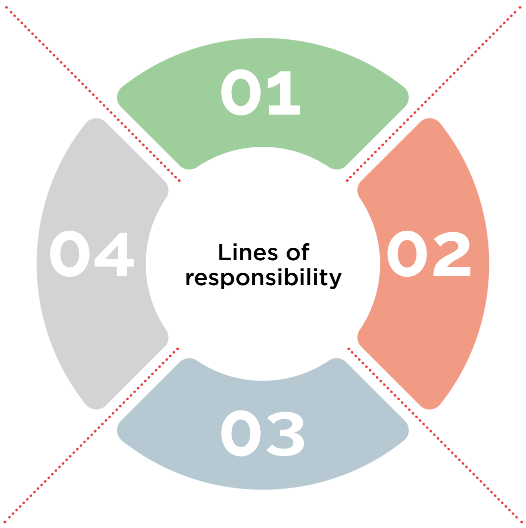
Our objectives currently include serving the underserved, promoting healthy living, ensuring local economic growth, re-engineering supply chains, ensuring that stakeholders follow sustainable practices, focusing on resource efficiency and reducing waste on a sustainable basis.

Our circular economic outlook encompasses renewable energy sources, plastic reduction, setting up recycling stations and resource minimisation. Our commitment to sustainability would also minimise the impact our supply chain has on people and the environment. We expect to have a positive influence right from the manufacturer through to environmentally friendly disposals by our customers. The buying department must ensure the long-term shared value strategy initiatives are providing a fruitful outcome for our communities.

The **CEO** is responsible for sustainability at Group level

The **executive** of process cluster is responsible for various projects under shared-value initiatives and innovation alongside human resources and operations

The **marketing and public relations department** is responsible for carrying through sustainability objectives to the community



The **buying department** ensures that agreements and audits are in place, ensuring supplier compliance to sustainable practices

Stakeholder engagement

We are committed to communicating with all of our stakeholders freely, transparently, and on time.

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

We engage with our stakeholders through a variety of channels, including our website, bi-annual results releases, the integrated annual report, regulatory pronouncements from the BSE and JSE, one-on-one meetings, customer surveys, and continuous informal talks.

We will keep working to improve our engagement techniques, and we see communication and relationship management with our stakeholders as essential to our long-term viability and a key component of our business strategy.

Engagement enables us to:

- Improve our awareness of stakeholders' expectations, aspirations, and interests
- Strengthen the transparency and accountability through which we have built valuable relationships
- Consider stakeholders' concerns and interests when establishing our material issues and strategic response

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

Financiers

Key interests	• Effective debt reduction and management • Regular discussions with funders • Compliance with various loan covenants and undertakings • Liquidity management for solvency • Sustainable growth.
Main issues in FY21	• Timely reporting and covenant compliance
Engagement	• Regular meetings • Concluded a new debt restructuring plan (see note 29 of the annual financial statements) • Regular tracking of finance covenants • Repayment of loans in terms of agreed timelines.

Suppliers

Key interests	• Building relationships to ensure business continuity • Honouring agreed terms of payment • Honouring agreed terms of service • Clear communication of expectations.
Main issues in FY21	• Our suppliers seek sustainable relationships and efficient, effective access to our markets through our supply chain. They want to expand their businesses with our support.
Engagement	• Regular contact with suppliers • Maintaining close relationships with suppliers • Implementing enterprise and supplier development initiatives • Implementation and monitoring of service level agreements • Sound commercial contracts • Participate in new product testing and marketing • Product support for healthy living.

Customers

Key interests	• High product quality as great value for money • Convenience of location of stores and trading hours • Competitive pricing structures • High service levels • Availability and variety of products • Extensive relationship building.
Main issues in FY21	• Our customers want value for their money and we strive to provide this • Clean hygiene and environmentally friendly products and other customer concerns.
Engagement	• Customer-centric business model • Feedback from customers informs enhancement of products • Conscious effort to meet expectations where applicable • Continual product and service quality monitoring • Facilitation of promotions • Online delivery • Strive to determine what customer wants.

Stakeholder engagement continued

Shareholders

Key interests	• Board and management stability • Earnings and sustainable growth • Share price performance • Risk and mitigation strategies • Payment of dividends • Diversified footprint and segments • Strong management team • Restructuring or selling failing businesses • Sound governance.
Main issues in FY21	• Restoration of breakdown in corporate governance • Succession plan for CEO.
Engagement	• Results releases • Roadshows • Annual General Meeting • Regularly updated through XNews/SENS • Integrated Annual Report • Trading updates • Website updates.

Employees

Key interests	• Job security and fair treatment • Learning and development • Safe workplace • Competitive remuneration • Recognition of performance • Transparent and regular communication.
Main issues in FY21	• Protection measures against Covid-19 • Our employees want to develop their skills and careers in a safe and healthy working environment with opportunities for growth and empowerment.
Engagement	• Regular staff engagement and communication, both at Group and segmental levels • Training facilitated, based on individual goals and Company-specific requirements • Staff development initiatives • Annual appraisals • Code of ethics • Covid-19 protection and training • Whistle-blowing function and improved governance policies • Training to support skills development initiatives.

Regulators and government

Key interests	• Compliance with all relevant laws and regulations • Transparent reporting.
Main issues in FY21	• Regulators want to ensure that we comply with regulations and that we are creating jobs and economic opportunities in the countries where we operate.
Engagement	• Regular contact with regulator, registrar, BSE and JSE.

Communities

Key interests	• Social licence to operate • Employment opportunities • Environmental sustainability • Donating to local upliftment projects • Shared-value initiatives.
Main issues in FY21	• Many of the communities where we operate are characterised by high unemployment and relatively low income levels. In general, communities want upliftment through access to jobs and the formal economy. They seek opportunities for better lives through companies like ours. In addition, communities want assurance that we will not exploit them • Implementation of the shared value concept as a key strategic objective.
Engagement	• Regular review and assessment of CSI projects • Monitoring of the implementation of the Group's CSI strategy and projects • Corporate social responsibility initiatives.

Media

Key interests	• Understanding the Choppies business • Integrity of reporting.
Main issues in FY21	• Transparency regarding governance.
Engagement	• Circulation of press releases • Media alerts through SENS/X-News announcements • Specific direct engagements.

Employee representation

Key interests	• Advancing matters of mutual interest • Change management programmes • Partnering to effect workplace transformation.
Main issues in FY21	• Unions are concerned about wages, work scheduling practices for full-time and part-time employees, transportation, and late trading hours. These are common features of the retail industry • Address the issues through the consultation process.
Engagement	• Regular consultation on reward and employment conditions • Consultation on transformation • Local economic development and corporate social investment • Skills development • Covid-19 safety protocols.

We will keep working to improve our engagement techniques, and we see communication and relationship management with our stakeholders as essential to our long-term viability and a key component of our business strategy.

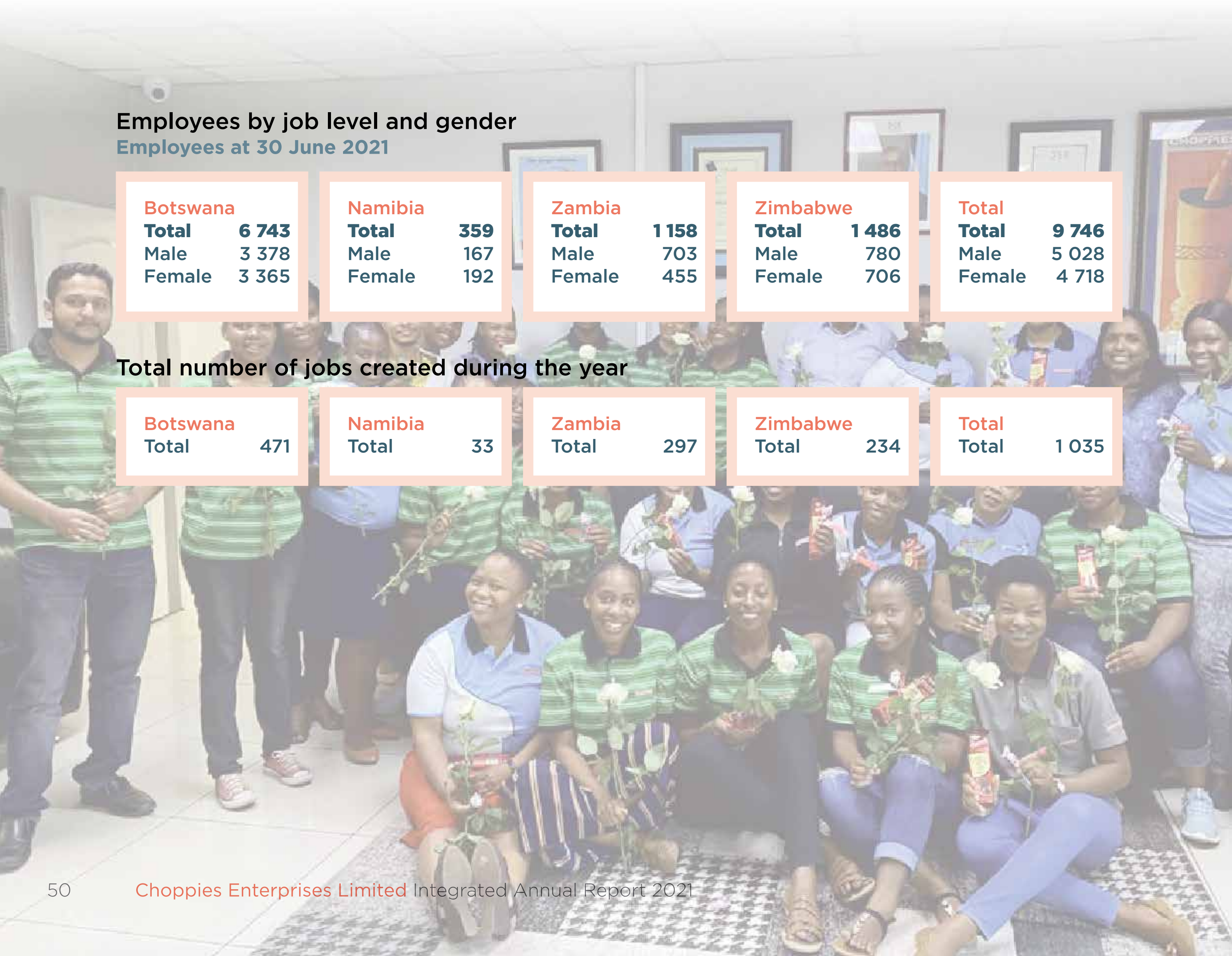
Our people

Choppies' people-focused approach attempts to build an employee value proposition that will empower, recognise and reward the talent needed to achieve our objectives. Across all operations and business segments, employees are treated equally and given similar opportunities. We collaborate with our communities and are constantly on the lookout for new opportunities, technology, and ideas. Our workforce currently stands at 9 746 people across four countries.

As our frontline brand ambassadors, we seek to attract and retain high-calibre personnel who are critical to our success and long-term viability. The Company continues to place a premium on providing excellent working conditions as well as ample possibilities for advancement and development.

Choppies is an equal-opportunity employer that does not accept discrimination at any level. We employ the largest contingent of people with disabilities in the private sector in Botswana and encourage this in our other countries of operation. No incidences of discrimination and labour unrest were reported during the year.

A whistleblowing system is in place and all complaints received during the year were addressed.



Employees by job level and gender

Employees at 30 June 2021

	Botswana	Namibia	Zambia	Zimbabwe	Total
Total	**6 743**	**359**	**1 158**	**1 486**	**9 746**
Male	3 378	167	703	780	5 028
Female	3 365	192	455	706	4 718

Total number of jobs created during the year

	Botswana	Namibia	Zambia	Zimbabwe	Total
Total	471	33	297	234	1 035

We spent BWP8 million on training and upskilled 3 008 employees, thereby improving their quality of life.

Skills development and training

Employees are the most essential stakeholders in the shared-value project, thus skills training is a critical component of the plan. Choppies also guarantees that employees receive on-the-job training on the code of conduct. The main feature of the training programme should be:

- Relevant to Choppies
- Measurable outcomes
- Ability to demonstrate the training learnings at the work place.

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

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

Due to restrictions on gatherings as a result of Covid-19 training was disrupted. However, within these restrictions we resumed last year's training programmes to address the group of employees who had not been trained the previous year. The majority of the training took place in the last three quarters of the year. The Human Resource Development Council has accredited all of the courses that are offered and the companies providing the training are all accredited.

During the year, the following training programmes took place:

- Customer service training **1 653 attendees**
- Forklift training **286 attendees**
- Basic First Aid **81 attendees**
- Disciplinary hearing training **49 attendees**
- Merchandising skills **26 attendees**
- Managing people **537 attendees**
- Supervisory skills **46 attendees**
- Occupational health and safety **330 attendees**.

The total amount spent on training was BWP8.0 million. The aim was to use the entire allocated training expense of BWP11 million, however due to Covid-19 limits, we were only able to use 73% of the budget.

The Choppies Graduate Trainee Programme exposes graduates to opportunities in the retail industry, providing formal training in all areas of the fast moving consumer goods market. During the year, 20 Batswana graduates benefited from the programme and 16 candidates completed their training and have since been employed at Choppies and promoted to assistant manager.

Health and safety

The safety of our employees is a top priority and Choppies subscribes to a zero-harm policy and we are committed to preventing accidents that may affect our employees, equipment, facilities or customers.

Following a review of our external audits conducted by Encyclo Investment (Pty) Ltd, it was determined that on a cost-benefit basis it would be more beneficial to conduct internal hygiene audits. Therefore, internal hygiene audit methods were implemented and have proven to be more effective as these are conducted more frequently and by auditors more familiar with our operations.

In order to maintain the subjective review in audits, external audits were conducted during the year.

In order to address the time lag between the actual audit and the actions to address issues raised in the audit, we use technology to ensure speedy address of any issues. Audits are done on an electronic platform which facilitates timely communication to the right department. A team of 20 personnel continually monitor operations and sanitary standards through video surveillance.

During the year we had 39 work-place accidents with the majority taking place in the butchery department as a result of bypassing safety instructions. There were also a few forklift accidents. The Group does not measure the lost-time injury frequency rate as we have determined that the value, even if tracked, would be insignificant. The number of workplace accidents provides a better indication of how well the organisation handles safety issues.

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

Our communities

Choppies has an effective corporate social investment ("CSI") policy in line with the Company's commitment to the upliftment of communities in which we operate. As at 30 June 2021 the total CSI contributions amounted to BWP887 344 (2020: BWP6.2 million). The prior year included once-off contributions to the Covid-19 Presidential Relief Fund of BWP3.4 million. The Group's CSI policies aim to ensure that we properly maintain our social licence to operate by considering human rights as well as the social, economic and environmental impacts of what we do as a business. Choppies is committed to ensuring that any business undertakings are conducted as ethically as possible.

Donations for the period 2020 to 2021

Beneficiary	**BWP**
Houses for the destitute	**424 800**
Sports promotion donations and sponsorship	**225 331**
Baboloki Thebe Sports personnel sponsorship	**53 500**
Grocery and other donations to various unprivileged groups and community activities	**183 714**
Total	**887 344**

Beneficiaries during the year included the following:

National Athlete Baboloki Thebe during a training session

Choppies Distribution Centre (Pty) Ltd has entered into a sponsorship agreement with Motswana athlete Baboloki Thebe as part of his participation in various elite competitions.

Date: July 2020 to date

Value: BWP53 499

Seneo Perry of restoring the world giving a lecture during the Okavango Delta Documentary viewing at SOS Tlokweng

Seneo Perry, environmentalist and Botswana tourism ambassador was sponsored by Choppies for a film documentary viewing at the Tlokweng SOS children's home. The documentary was shot at the Okavango Delta and it was based on preserving the last remaining wetland in Africa.

Event: Documentary viewing
Date: September 2020

Zambian National team during their match with Zebras (Botswana National Football team)

Choppies sponsored the Botswana Football Association from June to November 2020. This was a conclusion of a three-year sponsorship agreement between the two parties that commenced in 2018.

Event: BFA Sponsorship
Date: June 2020 – November 2020
Value: BWP225 330

IDM Students during a training session at Choppies Northgate

Choppies Botswana signed a memorandum of understanding with the Institute of Developmental Management (IDM). This facilitated the conceptualisation of relevant training solutions to benefit IDM students. This opportunity provides training, mentorship, the acquisition and practical skills to actively participate in the economy.

Event: Choppies signs MOU with IDM
Date: October 2020

Our communities continued

His Honour the Vice President Slumber Tsogwane with Ms Ashley Thaba along with delegates at the gender-based violence campaign event.

Choppies sponsored a campaign in Rakops in the Boteti area to fight gender-based violence. BWP300 Choppies' gift vouchers were distributed amongst 12 wards in Rakops.

Event: Gender-Based Violence Campaign
Date: November 2020
Value: BWP3 600 Choppies' gift vouchers

My African Dream music competition contestants during a boot camp

Choppies' through Footprints Advertising, sponsored the 2021 My African Dream music competition with BWP50 000.

Event: My African Dream
Date: March 2021
Value: BWP50 000

From left to right Chef Thuto (IDM Culinary School) Choppies CEO Ram Ottapathu, IDM Country Director and IDM Regional Director

One of the ladies groups during a phaphatha tasting session in Mogoditshane

Choppies Botswana entered into a partnership with Itsose Mosadi, an initiative aimed at supporting the endeavours of women in small medium and micro enterprises. The initiative is a partnership with various women's societies to ensure the buying of supplies at discounted rates and the supply of baked goods for sale and providing a market for the sale of their goods.

Event: Itsose Mosadi Partnership
Date: April 2021

His Honour the Vice President Slumber Tsogwane with beneficiary Ms Sentsho Gorewang and sister at the Serowe house hand over

House donated by Choppies in Serowe

Choppies donated a house in Serowe under the National Housing Appeal. His Honour the Vice President Slumber Tsogwane officially handed the house keys to the beneficiary.

Event: National Housing Appeal
Date: May 2021
Value: BWP110 000

Itsose Mosadi representatives with various ladies in Mochudi during a phapahatha tasting session

Our environment

Choppies operates in four different countries and is committed to ensuring a minimal impact on the environment in all regions of operations. The Group has made significant progress in determining and enhancing the organisation's environmental performance.

An environmental policy was drafted and approved by the Board during the year. The Group made pleasing progress towards meeting its environmental goals. The Group placed greater emphasis on waste management during the financial year, whereas in previous years the focus was on safe garbage disposal, to ensure that minimal waste was generated.

Due to the impact of Covid-19, there has been a drop in activity in the production department, which has eased the implementation of many of the waste management efforts. Reports were changed to incorporate demand forecasting into production predictions, the number of SKUs was reduced, and production planning skills were taught, resulting in a reduction in food waste. Based on a random survey, the net result of these activities was a 30% reduction in food waste.

Despite Covid-19 having a significant impact on the sorting and recycling of plastic and paper waste, the Group continued to seek waste disposal alternatives. During the lockdown, demand for recyclable paper and plastic garbage was nearly non-existent due to a downturn in the recycling business and a dramatic drop in demand. Although Choppies worked with suppliers to minimise the impact, the amount of waste transported to landfills increased.

Choppies continues to use environmentally friendly refrigerants for replacement capex, which is typically used to upgrade low-efficiency open freezers to more elegant-looking high-efficiency display freezers. A new transportation software is now being developed, which should help us reduce our carbon footprint significantly.

We introduced a number of measures to conserve resources such as energy and water including:

- Progress was made in converting the electrical energy source from the current source of thermal to solar – one store in Namibia was converted to a solar powered one
- All the remaining stores in the country will also be converted during the current financial year
- Commenced discussions in the other countries.

The rapid rise in the cost of water has hastened the development of schemes to recycle water from filters and sewers. During the current year, 20 stores are projected to be brought under the new water management system. Water use was unchanged from the previous year.

Electricity and water consumption is tracked on a month-by-month basis.

A major change has been a move from open skips to underground ones in a few stores. This was done to reduce fly infestations, spill overs and misuse of waste disposal facilities by outsiders.

Working with suppliers to eliminate 100 tonnes of plastic per year and reducing food waste (wet waste) by 20% through improved planning are explicit targets outlined.

We have not calculated our carbon footprint, but switching to low-energy equipment, using environmentally friendly refrigerants, and improving fleet efficiency has significantly decreased our carbon footprint. In three years, our target is to convert at least 30% of stores in each region to alternate energy. All stores in Namibia will be converted to run on solar electricity.

Whenever products can be recycled or reused every effort is made in supporting or achieving this.

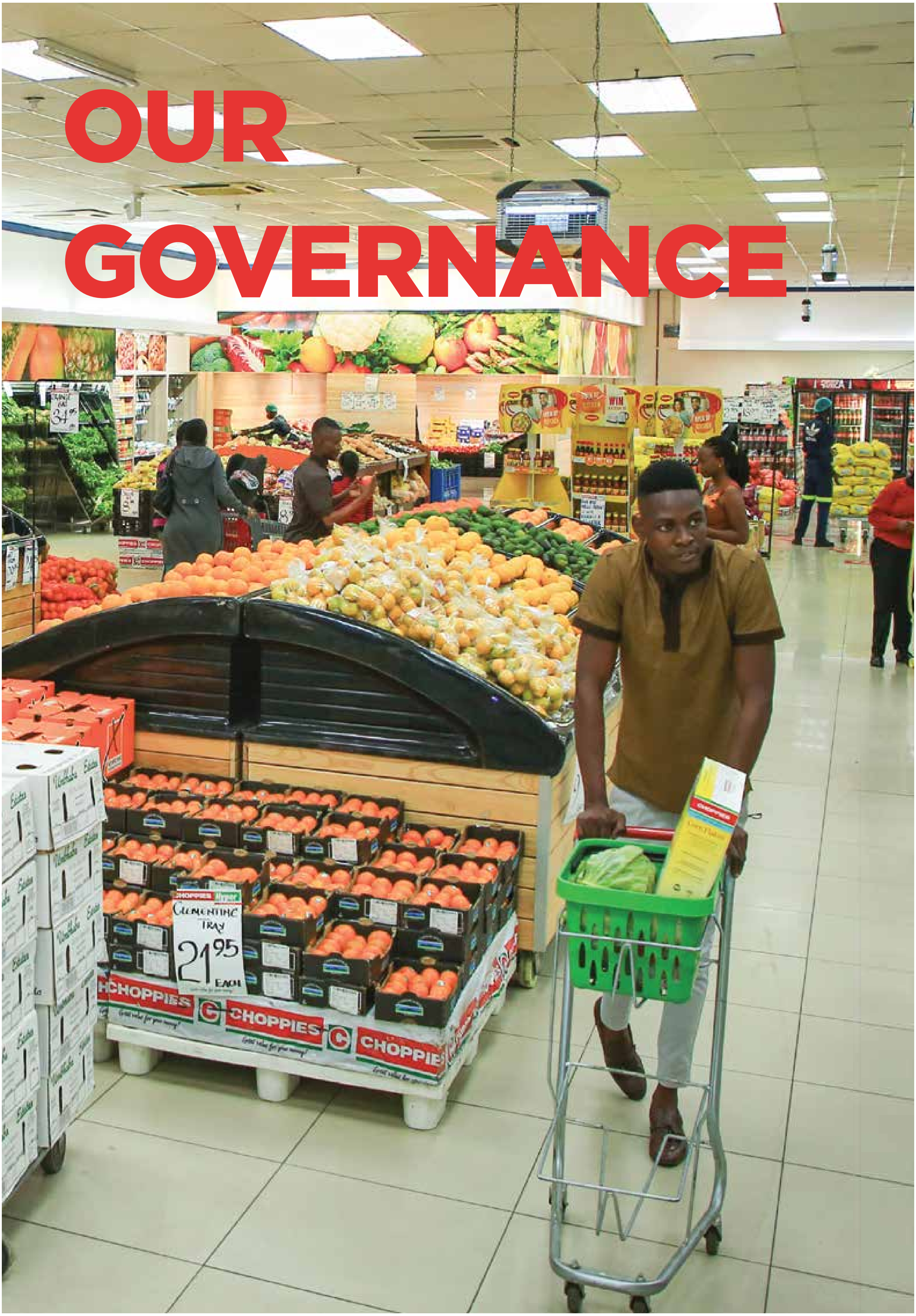
During the year we did not receive any significant fines for non-compliance with environmental laws.

New partnership and food-waste policy

When a new supplier is brought on board, the Company requires a self-declaration of ethical sourcing. Food made in-house follows a production schedule, ensuring little waste in accordance with the food-waste policy. The availability of various methods for utilising raw resources also ensures that food waste is kept to a minimum.

We have arrangements in place with suppliers to handle expired food goods, which are disposed of in accordance with the law, either by us or by our suppliers. Several actions are taken in collaboration with suppliers to reduce waste. These included reducing the plastic content in packaging for bakery products, moving away from plastic content for homebrand water bottles and switching from using plastic to greaseproof paper in some takeaway products.

OUR GOVERNANCE



Corporate governance report

Introduction

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

Choppies is a BSE and JSE-listed entity committed to implementing and maintaining sound corporate governance practices, as set out in the Botswana Companies Act, BSE Listings Requirements (primary listing), JSE Listings Requirements (secondary listing), and the King IV Report on Corporate Governance for South Africa, 2016™* on corporate governance. The Board of directors recognises that corporate governance practices must be appropriate and relevant to the size, nature and complexity of its operations, while promoting robust practices within the context of economic performance. Choppies is committed to maintaining the highest standards of governance and adopts stringent compliance practices.

In last year's Integrated Annual Report, it was stated that the Company was working towards adopting King IV with work still required on areas such as remuneration of executives and pre-approval of director emoluments as well as the principle on risk management. The Company was therefore in a "transition" phase in applying all the principles of King IV and therefore published a King III compliance checklist.

During the past year, the outstanding work to enable the Company to report on the King IV principles was completed and Choppies has adopted King IV as the primary guide on which its corporate governance principles are built.

The Company believes that its governance practices are sound and, in all material respects, conform to the principles embodied within the King IV Report. A compliance checklist based on the King IV principles is set out on pages 79 to 85.

Governance structure

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

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

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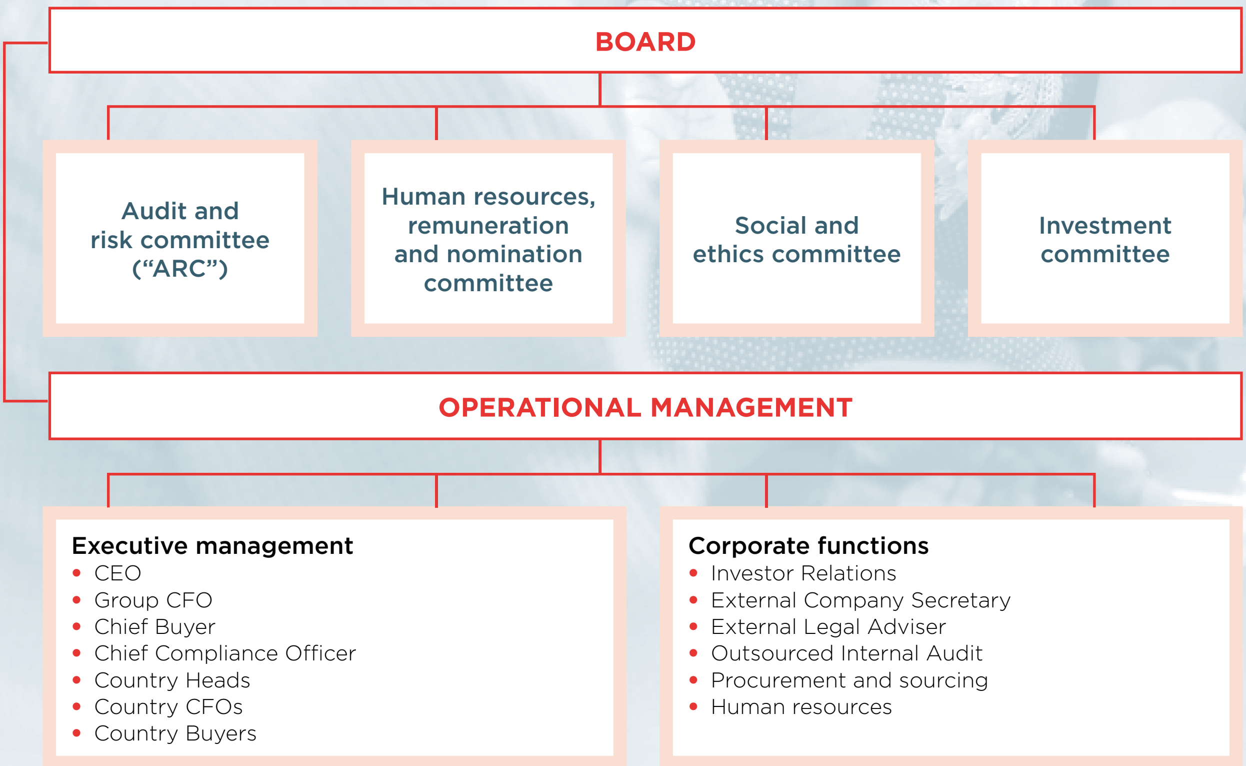


Previous break-down in governance structures

The break-down in good corporate governance in Choppies during 2018/2019 has been widely reported on and reached a pinnacle during September 2019 when the then independent non-executive directors were replaced by new members at an extraordinary general meeting ("EGM") of shareholders. A new independent chairman was appointed in the same month by the newly constituted Board.

One of the first tasks of the newly constituted Board was to address the breakdowns in the corporate governance structures. This task was completed during the past year with amongst other, the introduction of a policy manual comprising various individual governance policies on specific matters relevant to the operations of Choppies, which were designed to provide management with guidance on relevant governance matters. Adherence to these policies is part of the responsibilities of executive management.

Another important governance matter introduced during the past year was a structured risk management framework and policy, details of which are set out on page 65.

The board

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

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

The Board presently comprises six directors, including four independent non-executive directors, one non-executive director ("NED") and the Chief Executive Officer ("CEO"). The roles of chairman and CEO are separate and distinct. The composition of the Board ensures a balance of power and authority and negates individual dominance in decision-making processes.

The Board composition was strengthened by the appointment of Mr Valentine Chitalu as an additional independent non-executive director on 5 August 2021.

Further appointments of individuals that can add value and create the appropriate mix of knowledge, skills, experience, diversity and independence to the Board, is under review.

An independent non-executive chairman leads the Board. No director is disqualified in terms of the criteria for independence as laid down by the BSE and JSE Listings Requirements or by King IV. The chairman presides over meetings of the Board, guiding the integrity and effectiveness of the Board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decisions.

The Company actively solicits on an ongoing basis from its directors details regarding their external shareholdings and directorships which potentially could create conflicts of interest while they serve as directors on the Board. The declarations received are closely scrutinised and are tabled at the beginning of each Board meeting. When applicable, directors are requested to table their interests in material contracts and, if necessary, are requested to recuse themselves from discussions in meetings. No interests in material contracts were reported in FY2021. Special focus during the past year was given on related party transactions as elaborated on in the audit and risk committee's report on page 92.

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

A complete list of Board members and their CVs is disclosed in this Integrated Annual Report on page 14. In terms of the Company's constitution all new NEDs appointed during the year, as well as one-third of the existing NEDs, must retire on a rotational basis each year but may offer themselves for re-election.

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

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

Corporate governance report continued

acquisitions, disposals, shareholder communications and other material aspects pertaining to the achievement of the Group's objectives.

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

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

Attendance at Board meetings was as follows:

Name of director	24 July 2020	20 August 2020	23 September 2020	21 October 2020	**04 February 2021**	**16 March 2021**	**26 May 2021**	**16 June 2021**
DKU Corea	√	√	√	√	√	√	√	√
CJ Harward	√	√	√	√	√	√	√	√
T Pritchard	√	√	√	√	√	√	√	√
F Ismail	√	√	√	√	√	√	√	√
R Ottapathu	√	√	√	√	√	√	√	√

The number of Board meetings reduced significantly from 19 meetings held in 2020 to only eight meetings held in 2021) as a result of the "catch-up" of arrear annual financial statements, the finalisation of the sale of the South African business and successful conclusion of negotiations with lenders on a new funding structure.

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

The board committees

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

The following Board committees have been established:

Audit and risk committee ("ARC")

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

The ARC has an independent role with accountability to both the Board and the shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

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

- Recommend the appointment of the external auditor and overseeing the external audit process
- Determine the fees to be paid to the auditor and the auditor's terms of engagement
- Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company.
- Oversee integrated reporting
- Review the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- Review the expertise, resources and experience of the Company's finance function
- Consider and satisfy itself annually of the appropriateness of the expertise and experience of the Company's CFO
- Oversee the internal audit function, including the approval of the internal audit plan
- Oversee the risk management function and review the risk areas of the Company's operations
- Review the technology governance and ensure that prudent steps are taken to ensure the integrity of the Company's information and information technology systems.

- Prepare a report, to be included in the Annual Financial Statements for the financial year: (i) describing how the audit and risk committee carried out its functions, (ii) stating whether the audit and risk committee is satisfied that the auditor was independent of the Company, and (iii) commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial controls of the Company
- Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to: (i) the accounting practices and internal audit of the Company, (ii) the content or auditing of the Company's financial statements, (iii) the internal financial controls of the Company, or (iv) any related matter
- Make submissions to the Board on any matters concerning the accounting policies, financial controls, accounting records and reporting
- Perform any other oversight functions required by the Board.

The ARC charter makes provision for at least three independent NEDs as members. During 2021 the ARC consisted of two members only with a third member appointed on 5 August 2021. The Chairman of the Board and other directors attend the meetings by invitation but do not have voting rights. Furthermore, the CEO, CFO, internal and external auditors attend meetings of the ARC by invitation. Other executives may be requested to attend some sections of meetings as required.

Attendance by members at meetings during the 2021 financial year were as follows:

Independent NED	23 July 2020	22 Sep 2020	**3 Feb 2021**	**16 March 2021**
T Pritchard	√	√	√	√
CJ Harward	√	√	√	√

√ *Present*

The report of the ARC on the 2021 financial results is disclosed on pages 92 to 95.

Human resources/remuneration and nominations committee

As mentioned in the previous year's Integrated Annual Report, the mandate of this committee was under review and the Company was in the process of identifying a suitable independent NED to oversee this important function.

During the 2020 financial year the Board approved the charter of this committee. Three sub-committees were formed as set out below:

- The human resource sub-committee
- The remuneration sub-committee
- The nominations sub-committee.

The committee has an independent role, operating as an overseer and making recommendations to the Board for its consideration and final approval.

The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers, and other members of senior management.

Three independent NEDs were appointed members of the committee with Mr Corea chairing the nominations committee and Mr Pritchard and Ms Harward co-chairpersons of the human resource and remuneration committees. Mr Corea, however, resigned as a member of the human resource and remuneration sub-committees on 18 September 2021. The appointment of an independent NED with the appropriate HR and remuneration knowledge to chair these two sub-committees, continues.

The inaugural meeting of the committee was held on 4 February 2021 with a follow-up meeting on 23 July 2021. All members were present at these meetings as well as the CEO in an *ex officio* capacity as a non-member.

The report of the committee is set out on pages 70 to 76.

Social and ethics committee

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

Three independent NEDs were appointed members of the committee during the past year namely Ms Harward and Messrs Pritchard and Corea with the latter appointed as the chair of this committee. Mr Corea, however, resigned as a member of the committee on 18 September 2021 and the search for a replacement for this vacancy is currently underway.

One meeting was held during the year on 3 February 2021 with all members in attendance as well as the CEO in an *ex officio* capacity.

The report of the committee is set out on page 77.

Investment committee

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

The committee comprises two independent NEDs, Mr Pritchard and the chairperson Ms Harward.

Attendance by members at meetings during the 2021 financial year were as follows.

	19 November 2020	**26 January 2021**
CJ Harward	√	√
T Pritchard	√	√

√ *Present*

The report of the committee is set out on page 78.

Ethics

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

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

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

The company secretary

The Company has appointed DPS Consulting Services (Pty) Ltd as its company secretaries. Their main duties are to take minutes at Board meetings and to attend to administrative matters. The Board considered the competencies, experience and qualification of the company secretary and found them suitable.

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

Restriction on share dealings

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

Compliance

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

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

Combined assurance

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

Details on the combined assurance model and risk management are outlined in the ARC report as well as the risk report.

Investor relations

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

The Company identifies key stakeholders with legitimate interests and expectations relevant to the Company's strategic objectives and long-term sustainability, and strives to have transparent, open and clear communications with them. Reports, announcements and meetings with investment analysts and journalists, as well as the Company's website, are useful conduits for information. Further detail of these key stakeholders and the Company's engagements with them is set out on page 46.

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

IT (information technology) governance

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

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

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

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

The audit and risk committee evaluates the effectiveness of the IT structure of the Group, including network security and threats related to cybercrime. The ARC report is set out on pages 92 to 95.

Whistleblowing measures

Choppies has implemented a whistleblowing process to enable employees and third parties to report any perceived or alleged irregular or unethical behaviour in a confidential and controlled environment. Reports are monitored and managed with feedback to the audit and risk committee.

Refer to the ARC report on page 93 for a summary of matters reported and action taken where necessary.

A 24-hour anonymous ethics hotline is managed by an independent external service provider and can be accessed telephonically or via email.

Risk management report

Introduction

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

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

Roles and responsibilities

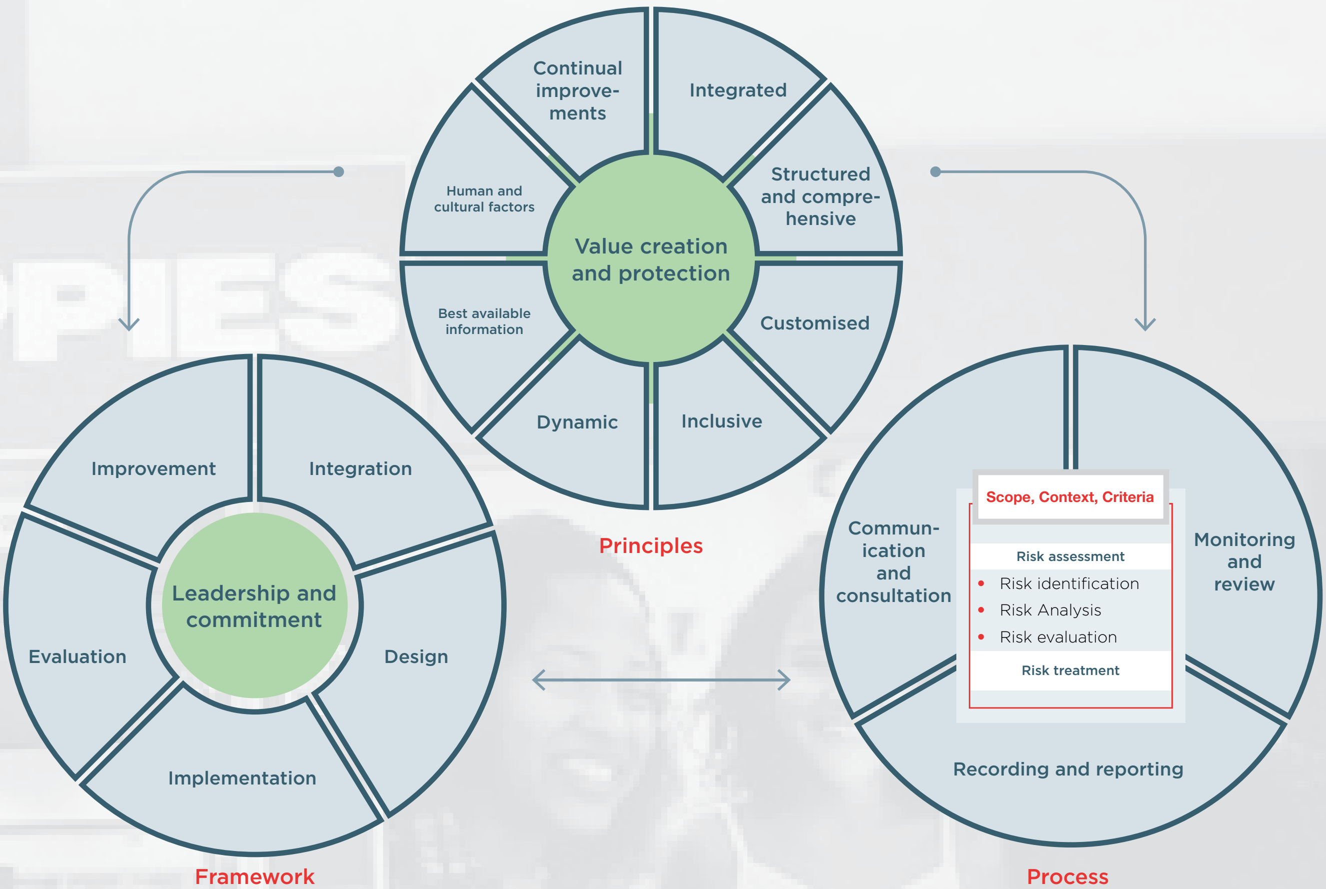
The Board has overall responsibility for the governance of risk within the Group. The audit and risk committee assists the Board by monitoring the effectiveness of the control and risk management implemented by management. The CEO drives the culture of risk management within the Group.

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

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

Risk management framework

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



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

Risk management process

Communication and consultation

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

Risk assessment

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

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

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

Risk management report continued

Risk response/risk treatment

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

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

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

Monitoring and review

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

Monitoring, review and update of the framework

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

Scope and implementation

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

In order to assure the continuing focus on risk management the review and update of the risk register will form part of the agenda of executive management meetings from time to time but at least twice a year. Risk is not only viewed from a negative perspective. The assessment process also identifies areas of opportunity, for example where effective risk management can be turned into a competitive advantage, or where taking certain risks could result in reward for the Group. Any risk taken is considered within the Group's risk appetite and tolerance which are reviewed and updated annually.

Risk appetite

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

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

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

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

Key business risks

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

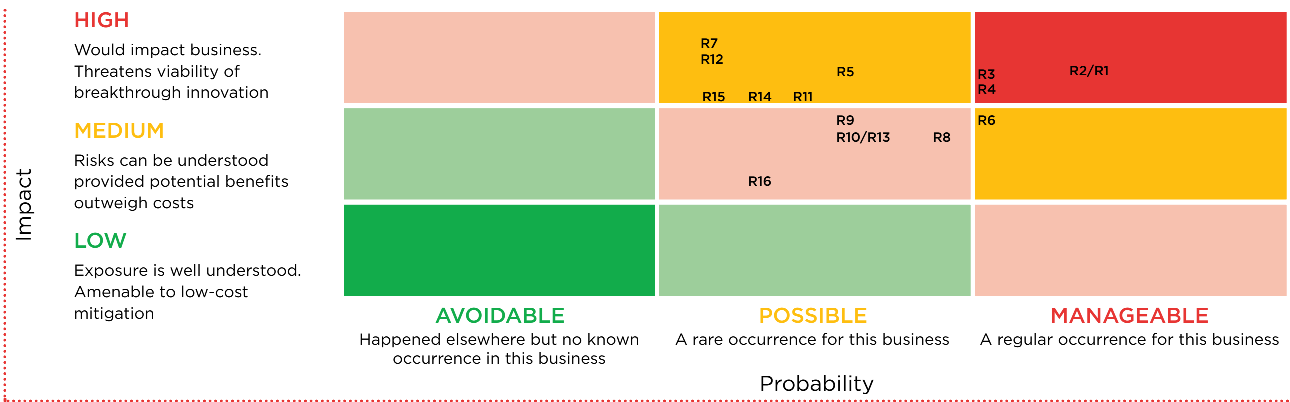
Risk	Description	Mitigation
1. Impact of global pandemic: Covid-19	Health and safety of employees and customers due to global pandemic. Disruptions in the supply chain and shortages of key products.	• Personal protective equipment and sanitisers in conjunction with current hygiene programme • Monitoring and health care programme • Compliance with regulations • Information and training • Increased key value (stock) items • Own fleet of trucks and centralised distribution centres.
2. Foreign exchange, interest rates and commodity prices	Most markets where Choppies operates remain highly exposed to fluctuations in foreign exchange rates, interest rates and commodity prices.	• Centralised buying and pricing to ensure competitive prices for fast-moving essential lines • Forward buying contract to hedge risk of fluctuation.
3. Dependence on key executives and skilled employees	Continuity of key executive and skilled employees is critical in geographies with low availability of skilled resources.	• Succession planning for all key positions • Competitive/attractive remuneration and incentives • Entrenching a culture of rewards and recognition • Investment in skills through internal and external training and workshops • Sponsoring studies for selected resources.
4. Cash flow and liquidity risks	Lack of required funding for business growth.	• Generation of profits/cash for further investment • Raising funding through appropriate institutions • Equity finance.
5. Information technology ("IT") risks	IT system is key to ensuring availability of accurate, reliable and timely information for informed decision making.	• Renewed focus on IT during 2021 with special focus on IT governance which is work in process • Independent review of IT effectiveness undertaken in 2021 • Cybersecurity and back-up processes in process of being addressed • Key focus area for 2022.
6. Food safety and quality	Food safety and quality are integral to maintaining customer trust and brand equity.	• Strict quality control systems through recipe management and standard operating procedures • Uniformity in product offering and quality across regions • Regular monitoring by executive management and by heads appointed to manage each category • Ongoing food safety audits.

Risk management report continued

Risk	Description	Mitigation
7. Business continuity	Black swan events such as natural disasters, geopolitical events, utility disruptions and pandemics.	• Ability to import product from nearby countries with minimal cost • Back-up generators in place • Back-up provisioning of water and fuel in compliance with standard operating procedures.
8. Working capital	Poor working capital management will impact cash flow and profits.	• Budget and monthly monitoring and reporting • Focus on stock shrinkages • Strong physical security • Regular wall-to-wall stock counts.
9. Dependence on key suppliers	Ensuring consistent and timely supply from a defined group of suppliers.	• Central monitoring of all transactions with key suppliers • Using distribution centres to mitigate supplier dependence • Keeping number of suppliers within each category within stipulated levels.
10. Negative publicity	Negative publicity in print/ social media can damage brand reputation.	• Quality control and standard operating procedures • Dedicated team to coordinate media interaction • Quick and complete remediation of all issues highlighted • Work with professional PR firm.
11. Unnotified changes in rules and regulations	Difficult to adjust to unnotified changes in legislation and other rules and regulations affecting the Group by the different countries in which the Group operates.	• Monitor changing behaviours of decision makers • Join industry lobby groups • Maintain a healthy relationship with regulators/departments on consultation basis.
12. Macroeconomic conditions in particular countries	Some economies remain volatile due to a stressed socio-political situation.	• Continually assess investment in all countries • High degree of localisation in each geography • Entrusting selected management staff to oversee operations of each geography for quick decision making • Disaster management plan.

Risk	Description	Mitigation
13. Fraud/theft/ corruption risk	Risk of fraud in receipting and payment processes and risk of theft of assets. Risk in corruption with outside parties.	• Segregate duties between cashiers and financial controllers • Segregate duties between the approval and the payment of expenses • Whistleblowing hotline in place for reporting on unethical practices for all stakeholders • Training implemented in every store to sensitise employees • Continuous oversight by internal audit • Clear guidelines on anti-bribery and corruption policy.
14. Non-compliance in various geographies	Non-compliance with local laws, rules and regulations may result in penalties or suspension/closure of operations.	• Involvement of local experts • Continuous oversight by internal audit team • Modifying standard operating procedures to include compliance requirements for each geography.
15. Accurately anticipating customer demand and preference	Target customers are lower to middle-income group who desire quality value products.	• Continually adapt to meet customer preferences • Develop value for money products • Track purchasing patterns • Customer surveys • Store profiling to cater to specific customer needs depending on location, target customer group, store formats • Competitive landscape monitoring • Ensuring price competitiveness on private label and third-party brands by focusing on centralised buying.
16. Supply chain risks	Operations are dependent on effective and efficient management of distribution and logistics.	• Operating geographically dispersed distribution centres to optimise operational efficiency • Managing own fleet of vehicles in each geography • Setting delivery schedules based on historical data for each store to ensure efficient stock reordering levels.

Risk heatmap



Human resources, remuneration and nominations committee report

Introduction

The background to this new committee is set out in the governance report page 58. This report deals separately with the activities of its three sub-committees namely human resources, remuneration and nominations committees.

Report of the human resources committee

The role of this sub-committee is to provide strategic guidance to the Board for the delivery of the Group's integrated human resources strategy in terms of:

- Human capital optimisation and performance
- Training and organisational effectiveness
- Talent attraction, retention and organisational culture improvement
- Succession planning, with specific reference to talent pipelines for executive directors and senior managers
- Employee relations management
- Overseeing employee wellness management
- Positioning Choppies as an employer of choice
- Employee benefit administration
- Reviewing and approving the performance of consultants appointed to administrate retirement benefits, investment returns, medical aid cover and insurance conditions.

Special focus was placed on a written formalised succession plan for the Board, CEO, and the executive management team. The search for a succession candidate for the CEO is ongoing.

A further focus area was the training and localisation programme to localise management positions – refer to page 51 for more details.

Report of the remuneration committee

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

SECTION 1: Background statement
SECTION 2: Remuneration philosophy, policy and framework
SECTION 3: Implementation and disclosure of individual executive management's remuneration

SECTION 1: Background statement

Charter

One of the first tasks of the newly constituted remuneration committee was to draw up and approve a charter underpinned by the King IV guidelines at its inaugural meeting held on 4 February 2021. This charter identifies the committee's main role to:

- Oversee the setting and administering of remuneration of all employees
- Advise on the remuneration of non-executive directors
- Oversee the establishment of a remuneration policy
- Review the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved
- Ensure that the mix of fixed and variable pay, in cash, shares and other elements, meets the Company's needs and strategic objectives
- Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives
- Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued
- Consider the results of the evaluation of the performance of the CEO and executive management in determining remuneration
- Select an appropriate comparative group when comparing remuneration levels
- Regularly review incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules
- Oversee the preparation and recommending to the Board the remuneration report, to be included in the Integrated Annual Report.

Prior to the formation of this committee during February 2021 and except for the performance evaluation and remuneration of the CEO that was reviewed by the Board, the above role of a remuneration committee was not in place nor was a charter ever drawn up. The emphasis of the committee during the reporting year was therefore to address these shortcomings of the past in concentrating on the way forward and specifically the remuneration philosophy, structure, and King IV requirements from the next financial year, ending June 2022.

Use of consultants

During the 2020 financial year, the Korn Ferry consulting group conducted a detailed benchmark remuneration survey covering all levels of staff and management in Choppies. The conclusion drawn by the consultants was that with some exceptions at mid-management level, all staff and especially senior executive remuneration was market related.

Internal benchmarking of employee remuneration in all countries in which the Group operates are being done on a continuing basis comparing individual positions with that of similar companies in the same industry, where possible, but also against the market as a whole. The benchmarking indicate that employees are remunerated fairly and in accordance with job functions.

Approval of remuneration policy and implementation report

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

Fair and responsible remuneration

As a responsible corporate citizen and, apart from government, the major employer in especially Botswana, the Company is aware of the societal issues relating to minimum wages and the wage gap and is committed to adopting fair and responsible remuneration practices. These issues have been exacerbated by the Covid-19 pandemic and the Company has prioritised the wellness and safety of its employees during this uncertain period.

The Group continues to strive to improve employment conditions across the business and implement initiatives that will over time realise the concept of fair and reasonable remuneration. This includes the promotion of employment equity and diversity in the workplace, skills development, career path planning, remuneration benchmarking to ensure internal equity and equal pay for work of equal value.

Key decisions made during the year

Key decisions made by the remuneration committee during the past year include:

- In respect of the 2021 financial year:
  - Approved the remuneration structure and setting targets for the Short-Term Incentive ("STI") scheme for the CEO
  - Approved the payment of the STI for the CEO after assessing achievement of set targets
  - Benchmarked the CEO salary
  - Approved and benchmarked the commencement remuneration package of the CFO
  - Reviewed the results of the 2020 independent benchmark exercise for all employees
  - Approved the short-term incentives paid to the executive management team
  - Considered the fees paid to non-executive directors.

- In respect of the 2022 financial year:
  - Agreed the remuneration philosophy, structure and policy for the Group
  - Reviewed and approved the rules and matrixes by country for the STI scheme for executive management
  - Benchmarked the CEO remuneration package
  - Considered and approved the increases in guaranteed pay for executive management
  - Considered and approved the overall percentage increase in basic remuneration for all employees
  - Considered the fees paid to non-executive directors
  - Considered and recommended against the awarding of Long-Term Incentives ("LTI") given the financial constraints of the Group.

Human resources, remuneration and nominations committee report continued

SECTION 2: Remuneration philosophy, policy and framework

Policy and philosophy

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

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

Remuneration framework

The remuneration committee adopted a remuneration framework, effective from 1 July 2021, which aligns the interests of shareholders and executive management. This framework is summarised below:

	Executive management		Middle management		Staff
	Senior corporate executives	**Country executives**	**Regional managers**	**Cluster and store managers**	**All other permanent staff**
Guaranteed remuneration ("GR") being basic salary + benefits all covered under total cost-to-company	Salary, retirement, medical, housing and vehicle benefit	Salary, retirement, medical, housing and vehicle benefit	Salary, retirement, medical, housing and vehicle benefit	Salary, retirement, medical, housing and vehicle benefit	Salary and retirement benefit
Short-term incentive ("STI"): STIs are dependent on financial performance (financial target) and achievement of agreed strategic and individual KPIs (functional target). No STI will be paid if the financial targets have not been achieved with the exception of the "all other staff". The STI is self-funding in that the threshold for the financial target is calculated after taking into account the cost of the STI	Financial target 67% (based on a matrix of Group EBIT and RONA). Functional target 33%. Maximum STI is 25% of basic salary, i.e. before benefits	Financial target 67% (half based on country GP and other half on country EBITDA). Functional target 33%. Maximum STI is 16.7% of basic salary, i.e., before benefits	Financial target 67% (half based on regional GP and other half on regional EBITDA). Functional target 33%. Maximum STI is 16.7% of basic salary, i.e., before benefits	Financial target 67% (half based on cluster or store GP and other half on stock turn). Functional target 33%. Maximum STI is 8.3% of basic salary, i.e., before benefits	STIs based on KPIs capped at 4.2% of basic salary, i.e., before benefits
Long-term incentives ("LTI")	The Board has decided not to re-introduce a LTI scheme at this stage. The negative equity position of the Group and the fact that shareholders are not being paid dividends at present, were the main reasons for this decision. The Board will review the situation annually.				

Given the fact that the Group is in a consolidation phase following the negative impact of loss-making operations/countries, since discontinued, and rebuilding towards a positive net equity situation, the emphasis in formulating the remuneration framework was to concentrate on market-related basic salary rather than incentives. Should the Group return to an acceptable level of profitability, the framework is in place to address the level of STI and LTI incentives.

However, the Board through its remuneration committee, is sensitive to the retention of key individuals as well as those with scarce skills required by the Group and will give special consideration to the remuneration of these personnel.

Service contracts

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

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

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

Non-executive directors' fees

Non-executive directors are paid an annual retainer, on a monthly basis, as well as an attendance fee per meeting. The Company draws on the experience, skills and knowledge of the non-executive directors with the result that they are also performing consultative services but are not paid a separate fee for these services. In this regard extensive work has been done by the independent non-executive directors during the past two years that otherwise would have resulted in high external consulting fees. The fee structure is evaluated on a regular basis based on public surveys and internal benchmarking taking into account the additional services rendered, the complexity and responsibilities assumed. Fees have not been increased since 2015. An increase in the annual retainer fees for the 2022 financial year has been recommended as set out in the below table (no increase recommended in respect of the sitting fees).

The table below sets out the retainer portion of the non-executive director fees presently and recommended for 2022:

		Fixed fee per annum	
		Actual 2021	Recom-mended 2022
Chairman of the Board	BWP	**600 000**	660 000
Chairman of the ARC	Rand	**500 000**	
Chairman of the ARC	BWP		500 000
Chairperson of the investment committee	BWP	**300 000**	360 000
Other members of the Board	BWP	**300 000**	300 000

Notes:
1. *Above retainer fees are inclusive of Board fees.*
2. *No retainer fees are paid for committees other than the ARC and investment committee as above.*

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

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

Human resources, remuneration and nominations committee report continued

SECTION 3: Implementation and disclosure of remuneration policy.

As mentioned, the remuneration framework set out in this report was only introduced with effect from the 2022 financial year. Prior to this date emphasis was on guaranteed pay with no formal STIs structure in place. Annual bonuses were awarded based on exceptional performances.

CEO's remuneration

The only exception to the above was the structure of the CEO's remuneration. In accordance with best remuneration practices as advocated by King IV with effect from 1 March 2020 the then guaranteed portion of the CEO's remuneration had been reduced by some 40% to facilitate the introduction of short-term incentives. The effect hereof during the short period of implementation (four months) in the 2020 financial year was to reduce the total remuneration of the CEO to BWP9 839 006 with the full effect only coming through in FY2021.

During the 2021 financial year the CEO remuneration was structured as follows against the comparative period:

	2021 BWP	2020 BWP
Guaranteed remuneration		
• Basic salary	**6 000 000**	6 000 000
• Retirement, medical and other benefits	**805 840**	775 542
• Total guaranteed	**6 805 840**	6 775 542
Short-term Incentive (STI)	**4 595 196**	4 595 196
Total potential remuneration	**11 401 036**	11 370 738
Actual remuneration		
Guaranteed remuneration	**6 805 840**	9 839 006
Short term Incentive	**0***	765 866**
Total potential remuneration	**6 805 840**	10 604 872

* *No incentive earned in FY2021.*
** *Paid in FY2021.*

The 2021 STI targets set for the CEO were as follows:

- 50% on a financial target based on a EBIT sliding scale between BWP250 million and BWP300 million;
- 50% on functional targets based on the Group's stated strategy.
- STI subject to the Group achieving a minimum EBIT of BWP230 million, therefore no incentive is payable in respect of 2021.

For the 2022 financial year the split between financial and functional targets for the CEO will be the same as for other members of the executive management namely 67/33%. Financial targets will be based on the same EBIT/RONA grid as for other executives. The functional targets will concentrate on the successful implementation of the Company's purpose and specifically the achievement of successful shared value initiatives.

The guaranteed portion of the CEO's remuneration will remain unchanged for 2022 but the Board increased the STI portion from BWP4 595 196 to BWP5 000 000.

LTI Incentives

For the reasons mentioned above no LTIs were allocated during the 2021 financial year nor is it planned to re-implement it in 2022.

Annual salary increase

The effective salary increase for all staff and management across the Group in BWP terms approved for 2022 amounts to 2.2% (2021 6.8%).

Prescribed corporate executives' (*) remuneration is reflected in the following table:

Name	Designation	Basic salary	Benefits	**Cost to Company 2021 BWP000**	Cost to Company 2020 BWP000
M Rajcoomar	CFO	2 569	30	**2 599**	399
V Sanooj	Chief Compliance Officer	1 732	149	**1 881**	1 539
N Ottappath	Chief Buyer	1 600	128	**1 728**	1 617

* *Prescribed officer defined as senior members of management who report directly to the CEO.*

Non-executive directors emoluments were as follows:

	BOARD		COMMITTEES					TOTAL FEES	
	Retainer fees	Sitting fees	Audit and Risk	Invest-ment	Social and Ethics	HR/Rem/ Nomcom	INED**	**2021 BWP000**	2020 BWP000
DKU Corea	600	300			33	33	33	**1 000**	933
F Ismail	300	300						**600**	550
T Pritchard	366	300	133	200	33	33	33	**1 099**	872
CJ Harward	300	300	133	233	33	33	33	**1 067**	783
HE FG Mogae									288
W Mpai									267
DA Kgosietsile									467
	1 566	1 200	266	433*	100	100	100	**3 765**	4 160

* *BWP300 was paid in respect of the prior financial year.*
** *Independent non-executive meeting.*

Human resources, remuneration and nominations committee report continued

Report of the nominations committee

The key responsibilities of this committee, as approved at its February 2021 meeting is to:

- Assist the Board with the process of identifying suitable candidates for appointment as directors and recommend the eligibility of prospective directors
- Ensure the establishment of a formal and transparent process for the appointment of directors, including:
  - identification of suitable individuals
  - performance of reference and background checks of candidates prior to nomination
  - formalising the appointment of directors through an agreement between the Company and the director
- Oversee the development of a formal induction programme for new directors
- Ensure that inexperienced directors are developed through a mentorship programme
- Regularly review the Board structure, size and composition and make recommendations to the Board with regards to adjustments deemed necessary
- Consider the performance of directors and take steps to remove directors who do not make an appropriate contribution
- Perform an annual performance evaluation of individual directors, the Board as a whole and the Board committees
- Identify and recommend to the Board a replacement for the CEO when that becomes necessary
- Recommend directors who are retiring by rotation to be put forward for re-election.

The main activities of the sub-committee during the past year included:

- A performance evaluation of the chairman, individual directors, the Board as a whole and the Board committees was undertaken. The results were generally satisfactory and included the following key functions which were already addressed:
  - The Board should formulate an annual plan
  - The Board should draw up the nomination criteria as well as the process to be followed in appointing new directors
  - An induction programme and information pack for new directors should be implemented
  - Non-executive directors meeting without management present should be re-introduced
  - Position papers on relevant Board agenda items to be prepared by management a week in advance of meetings
  - Design a management remuneration plan for senior executives
  - Develop succession plans for the CEO, Chairman and Board members
  - The Company to pro-actively engage with institutional shareholders through roadshows and briefing sessions led by the CEO
  - The Board members to undergo continuous professional training.
- The search for at least two additional Independent non-executive directors were ongoing but no suitable candidates were identified.

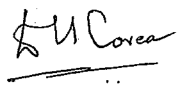
Post the 2021 financial year-end the committee recommended, and the Board approved, the appointment of Mr Valentine Chitalu as a director of the Company and a member of the ARC. Mr Chitalu's CV is available on the Company's website and his date of appointment was effective 5 August 2021. This appointment will require shareholder approval at the forthcoming AGM.

Approval

This report was approved by the chairpersons of the different sub-committee's as follows:

TOM PRITCHARD
HR & remuneration section
30 September 2021

CAROL-JEAN HARWARD



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Nominations section

Social and ethics committee report

Background
The social and ethics committee was initially constituted to comply with South African legislation following the Group's past investments in that country. Following the divestment from South Africa the Board has decided to continue with this committee in the spirit of good governance and the King IV code. Accordingly, this committee was enacted during the past year as referred to in the corporate governance report page 58.

Role and responsibility
The social and ethics committee assists the Board in all matters relating to organisational ethics, responsible corporate citizenship, health and safety, sustainable development and stakeholder relationships. The committee operated in accordance with its charter.

The key objectives and responsibilities of the committee, which are aligned with King IV include the following:
- Compliance with the ten principles set out in the United Nations Global Compact Principles
- Compliance with the Organisation for Economic Co-operation and Development "OECD" recommendations regarding corruption
- Social and economic development including the development of communities in which the Group's activities are conducted
- Record of sponsorships, donations and charitable giving
- The environment, health and public safety, including the impacts of the group's activities and products on the environment and society
- Consumer relationships, including compliance with consumer protection laws
- Reviewing the Group's labour and employment developments
- Promotion of equality and preventing unfair discrimination
- Monitoring adherence to the relevant legislation, regulations and codes of best practice in relation to matters within its mandate, including the Company's adherence to its code of conduct and business ethics (refer to page 58 of the corporate governance report for further details)
- Monitoring the implementation of Covid-19 initiatives (refer to page 34 for details on the Company's response to the pandemic).

Activities during the past year
With the previous meeting of this committee last held in 2017, the priority at the committee's meeting during the past year was firstly to review and update the committee's charter and secondly to conduct a comprehensive self-audit on the committee's responsibilities. Areas of non- or part compliance identified during the audit process will be tracked by the committee and progress monitored at future meetings.

The following new corporate governance policies and codes were approved by the Board and actioned for implementation by management:
- Anti-bribery and corruption policy
- Code of supplier conduct
- Whistleblowing policy
- Supplier code of practice
- Anti-money laundering and combating the financing of terrorism/know your client (KYC) policy
- Environmental policy.

The code of business conduct and ethics policy was reviewed by the committee and updated where considered appropriate.

Future focus areas
During the next financial period the committee will continue principally to base its monitoring activities on the key responsibilities as set out above and supplement it with topical issues arising from the input of its members and relevant exogenous factors facing the Group from time to time. The Company's response to Covid-19 will continue to be a major focus area.

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

UTTUM COREA
Chairman social and ethics committee
30 September 2021

Investment committee report

Post the consolidation exercise done in FY2020, the year under review had relatively fewer investment activities with most activities geared towards closing the ones which were initiated in the previous year but were not fully closed as follows:

1. The Tanzania operations were discontinued and all stores closed.

2. All operations in Kenya have been discontinued, and all the stores have been disposed of. The Kenya Revenue Authority ("KRA") audit is now complete and the company is currently undergoing deregistration from the market.

3. The operation in Mozambique was also closed and the property sale concluded in June 2021. The company is still in the process of deregistration.

4. The debt restructuring exercise with the lenders was concluded in September 2020 with new more lenient terms that provide the Company much more headroom than the previous structure.

In order to gain critical mass, be profitable and competitive, the Group opened four new stores in Zambia and one in Namibia.

Furthermore, the investment committee recommended that the Company acquire Unimoni Botswana (Pty) Ltd t/a Unimoni Bureau De Change. Unimoni is a money remittance and exchange company whose core business is money transfer by migrants and export/import traders (mostly smallscale businessmen), and foreign currency exchange (including wholesale bank notes). Unimoni Botswana has been operating since 2011 with a strong track record and is a renowned brand in Botswana for regulatory bookkeeping and excellent customer service. It is the fourth company to get an Electronic Payment Service ("EPS") licence from Bank of Botswana to which a number of innovative E-payment products can be introduced. This business is well aligned with Choppies growth strategy of tapping into electronic platforms as well as growing the financial services business which will help the Company build a one-stop-shop for all the countries in which it operates. This transaction was approved by the Competitions Authority on 19 December 2020.

The committee is satisfied that is has fulfilled all its duties as assigned by the Board for the period under review. The chairman of the investment committee submits recommendations to the Board for approval of the same at Board meetings.

JHarward

CAROL JEAN HARWARD
Investment committee chairperson
30 September 2021

Application of King IV principles

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

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

Leadership, ethics and corporate citizenship

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

Application of King IV principles continued

Leadership, ethics and corporate citizenship

Principle 3	**Responsible corporate citizenship** The Board should ensure that the organisation is, and is seen to be, a responsible corporate citizen.	The Board ensures that the Group is, and is seen to be, a responsible corporate citizen. The Board endorse the values, strategy and conduct which are congruent with being a responsible corporate citizen. The Board assesses the consequences of the Group's activities by monitoring performance against measures and targets in the following areas: • Workplace (including, but not limited to, employment equity, fairness of remuneration principles, development of and the health and safety of employees) • Economy (including, but not limited to, economic transformation, fraud and audit corruption practices and policies, approving a responsible and transparent tax policy) • Society (including, but not limited to, public health and safety, consumer protection, protection of human rights) • Environment (including, but not limited to, responsibilities in respect of pollution and waste disposal). The monitoring of above activities is delegated to the social and ethics committee.

Strategy, performance and reporting

Principle 4	**Strategy and performance** The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.	The Board appreciates that strategy, risk, performance and sustainability are inseparable and gives effect to this in the following manner: • Providing strategic direction by assessing and approving the Group's strategy submitted by top management • In approving the Group strategy, the Board challenges it constructively with reference to, amongst others, the timelines and parameters which determine the meaning of short, medium and long term, respectively, availability of resources and relationships connected to the various forms of capital, the expectations of material stakeholders • Assessing the impact (risk and opportunities) of the short, medium and long-term strategy and responding to negative consequences on the economy, society and environment • Approving policies and plans to implement the strategy, including key performance measures for assessing the achievement of the strategic objectives • Upon approval, the Board empowers top management to implement the said strategy and to provide it with timely, accurate and relevant feedback on progress.
Principle 5	**Reporting** The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The Board delegates the governance and approval of the integrated report to the audit and risk committee. The audit and risk committee discharges its duties by: • Ensuring that the Group issues a report annually • Assessing the integrity of external reports (including nature, scope and extent of assurance, legal requirements, intended user) • Approving the reporting frameworks adopted by management • Ensuring that all issued reports (online or printed) comply with legal requirements and meet the legitimate and reasonable information needs of material stakeholders • Approving the threshold of materiality used for purposes of disclosing information or not • Overseeing the assurance provided by the internal audit department on sustainability reporting and disclosure.

Governing structures and delegation

Principle 6	**Primary role and responsibilities of the Board** The Board should serve as the focal point and custodian of corporate governance in the organisation.	The Board is the custodian of corporate governance in the Group. The Board has adopted a charter setting out its responsibilities, duties and accountability towards Choppies. The charter is reviewed annually. Choppies' s governance practices are disclosed on page 58 of this Integrated Annual Report.
Principle 7	**Composition of the Board** The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	An independent non-executive chairman leads the Board. The Board comprises a balance of executive and non-executive members, with the majority being non-executive, of whom most are independent. Directors are appointed through a formal process. The nomination committee identifies suitable candidates and final approval of appointment resides with the entire Board. All effort is taken to ensure the composition of the Board comprises the appropriate mix of knowledge, skills and experience (business, commercial and industry) which is sufficient to deliver on strategies and create long-term shareholder value. The Board comprises a minimum of four directors with no maximum number. In terms of the Company's constitution all new non-executive directors appointed during the year, as well as one-third of the existing non-executive directors, must retire on a rotational basis each year but may offer themselves for re-election. The nomination committee makes recommendations regarding the re-election of the retiring directors considering performance, meeting conduct, etc. A formal induction programme exists for all new directors. Upon their appointment new directors receive an induction pack consisting of, *inter alia*, agendas and minutes of the previous Board and sub-committee meetings, the latest Integrated Annual Report, relevant insurance information, strategic documents, relevant policies and charters, and are informed of their fiduciary duties in terms of the Companies Act and BSE/JSE Listings Requirements. They also visit various sites and distribution centres and have meetings with executive management. The roles and responsibilities of the chair and the CEO are separated. The Board ensures that succession plans are in place for the Board and senior management.

Application of King IV principles continued

Governing structures and delegation

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

Governance functional areas

Principle	Area	Application
Principle 11	**Risk governance** The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The Board is the ultimate custodian of risk governance. To this end, the Board has approved the risk management policy and framework upon the recommendations by the audit and risk committee. Management continuously identifies, assess, mitigates and manages risks within the existing operating environment. Mitigating controls are put in place to address these risks. The Board is apprised of the Group's top risks; the audit and risk committee is responsible for ensuring a comprehensive risk register is tabled at Board meetings and lessons learnt are taken into consideration when formulating appropriate measures for mitigating the potential negative impact of the top risks on the achievement of the Group's strategic objectives. Choppies' top risks are disclosed on page 67 of this Integrated Annual Report.
Principle 12	**Technology and information governance** The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board understands the importance, relevance and inherent risks in information technology ("IT"). It oversees the governance of IT and information. The Board delegated to the audit and risk committee the authority to ensure appropriate compliance structures are in place. The audit and risk committee monitors IT governance and approves the IT strategy. The Chief Information Officer is responsible for implementing and executing effective technology and information management systems.
Principle 13	**Compliance governance** The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Chief Compliance Officer is responsible for guiding the Board in discharging its regulatory responsibilities. The audit and risk committee as well as the social and ethics committees monitor the process implemented by management to ensure legal compliance. The Group's compliance function ensures that processes are in place and are continuously improved to mitigate the risk of non-compliance with laws, and to ensure appropriate responses to changes and developments in the regulatory environment. The Group has adopted a combined assurance model based on three lines of defence, whereby reliance is placed on various internal and external assurance providers to ensure the Group's compliance with applicable laws, codes and standards. The audit and risk committee oversees the application of the combined assurance model on an ongoing basis. The Board discloses in the Integrated Annual Report details on how it discharged its responsibility towards governing and managing compliance, areas of focus, and inspections by authorities as well as material or repeated instances of non-compliance. (See page 58)

Governance functional areas

Principle	Area	Application
Principle 14	**Remuneration governance** The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Group's remuneration committee is tasked by the Board to independently approve and oversee the implementation of a remuneration policy. The committee has considered the internal and external factors that influence remuneration in formulating a policy. The policy is designed to attract, motivate, reward, and retain human capital, and to promote the achievement of the Group's strategic objectives. Furthermore, the Group's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, the operational and strategic requirements of the Group and providing attractive and appropriate remuneration packages to employees. The remuneration of the directors and top management is considered on an annual basis and benchmarked against peer groups to ensure fair remuneration. The Group discloses the remuneration of each director and top management in the Integrated Annual Report. The remuneration report, including the implementation report and the remuneration policy are set out on pages 70 to 76 of the Integrated Annual Report. The remuneration policy and the implementation report will be tabled annually at the AGM as separate votes.
Principle 15	**Assurance** The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.	The Board has adopted a combined assurance model to obtain assurance from various assurance providers that internal controls are efficient and effective, including internal and external audit, regulatory authorities, line functions, etc. Assurance services are overseen by the audit and risk committee. The committee is responsible for, amongst other things: • Reviewing the adequacy and effectiveness of the financial reporting process and system of internal control • Approving the Integrated Annual Report, annual financial statements, interim reports and media releases and recommend to the Board for final approval • Overseeing the internal audit function and approving the annual work plan • Making recommendations to the shareholders for the appointment of the external auditors and confirming their independence • Reviewing the expertise, resources and experience of the Company's finance function • Ensuring that the financial reporting procedures are appropriate and that those procedures are effective. The internal audit function is outsourced to an independent professional firm. The report of the audit and risk committee is set out on pages 92 to 95 of the Integrated Annual Report.

Stakeholder relationships

Principle 16	**Stakeholders** In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	An overview of stakeholder relationships and engagement are provided on page 46 of the Integrated Annual Report. The Board is committed to providing timely, relevant and transparent information on corporate strategy and financial performance. The Board, through the social and ethics committee, governs stakeholder relationships, communication and reporting and delegates to management the responsibility for execution. Shareholders are encouraged to attend and actively participate in the AGM. The Board ensures that the chairpersons of the Board's committees and the designated external auditor are present at the AGM to respond to questions from shareholders.

ANNUAL FINANCIAL STATEMENTS

Contents

for the year ended 30 June 2021

The reports and statements set out below comprise the consolidated and separate Annual Financial Statements of Choppies Enterprises Limited:

Directors' responsibilities and approval

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Choppies Enterprises Limited, comprising the statements of financial position as at 30 June 2021 and the statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year ended 30 June 2021, the accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards ("IFRS"), the Botswana Stock Exchange, Johannesburg Stock Exchange Listings Requirements and requirements of the Botswana Companies Act.

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

The directors have assessed the ability of the Company and its subsidiaries to continue as going concerns (refer to note 41) and the impact of the Covid-19 pandemic on its business and, based on management's assessment, have no reason to believe these businesses will not be going concerns in the year ahead.

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

Approval of the consolidated and separate financial statements

Having considered the qualified audit opinion of the auditors as set out on pages 96 to 101, for the year 30 June 2021, the Board of Directors approved the consolidated and separate financial statements of Choppies Enterprises Limited, as identified in the first paragraph, on 18 September 2021 and these are signed on their behalf by:

RAMACHANDRAN OTTAPATHU
Chief Executive Officer

U Corea

UTTUM COREA
Chairman

18 September 2021

Chief executive officer and chief financial officer responsibility statement

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

- the consolidated and separate Annual Financial Statements set out on pages 102 to 173, fairly present in all material respects the financial position, financial performance and cash flows of Choppies Enterprises Limited in terms of International Financial Reporting Standards;
- no facts have been omitted or untrue statements made that would make the consolidated and separate Annual Financial Statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Choppies Enterprises Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Group and Company; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and separate Annual Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.*

RAMACHANDRAN OTTAPATHU
Chief Executive Officer

MINNESH RAJCOOMAR
Chief Financial Officer

18 September 2021

** While the directors are aware of their responsibility to communicate deficiencies and such fraud incidents to the audit committee and auditor, no such deficiencies nor incidents of such fraud were identified for communication during the year under review.*

Certificate of the Company Secretary

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

DPS CONSULTING SERVICES (PROPRIETARY) LIMITED
Company secretaries
30 September 2021

Directors' report

for the year ended 30 June 2021

The Board of Directors ("directors") is pleased to submit their report on the financial statements of Choppies Enterprises Limited (the Company) for the year ended 30 June 2021.

1. LISTING INFORMATION

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"). The Company registration number is BW00001142508.

2. NATURE OF BUSINESS

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

3. REVIEW OF FINANCIAL RESULTS

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

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these financial statements, pages 102 to 173.

4. STATED CAPITAL

Issued	**2021 BWP**	2020 BWP	**2021 Number of shares**	2020 Number of shares
Ordinary shares	**906 196 000**	906 196 000	**1 303 628 341**	1 303 628 341

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

5. DIVIDENDS

No dividends were declared during the period under review (2020: Nil).

6. DIRECTORATE

Details of directors and movements during the year is given on page 14 of the Integrated Annual Report.

7. DIRECTORS' INTERESTS IN SHARES

As at 30 June 2021, the directors held direct and indirect beneficial interests in 44.18% (2020: 34.90%) of its issued ordinary shares as set out on page 176 of the Integrated Annual Report.

8. SHAREHOLDERS

Details of shareholders are set out on page 176 of the Integrated Annual Report.

9. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, except for those stated in note 42 of the Annual Financial Statements, which occurred after the reporting date and up to the date of this report.

10. GOING CONCERN

The directors, relying on the presentations by management, believe that the Company and Group will continue as going concerns for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis. Details of the going concern assessment have been provided in note 41 of the Annual Financial Statements.

11. SECRETARY

DPS Consulting Services (PTY) LTD
PO Box 1453
Gaborone, Botswana

12. INDEPENDENT AUDITORS

Mazars
Plot 139, Finance Park
Gaborone, Botswana

16. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 102 to 173, were approved by the Board on 18 September 2021.

Report of the audit and risk committee (ARC)

for the year ended 30 June 2021

The background to this Board committee, its main functions, composition, and attendance by members, are set out on page 60 of the corporate governance report. This section deals with the activities of the ARC during the FY2021 year.

SPECIAL FOCUS MATTER

At the FY2020 AGM held on 18 December 2020 concern was expressed by the shareholders about the number of related-party transactions, whether these transactions were conducted on an arm's length basis especially in terms of margins and payment terms. The Board undertook to give special attention to these concerns and delegated the matter to the ARC for investigation.

The ARC commissioned the internal auditors, BDO auditing firm, to conduct an exercise on related parties within the following scope:

- Governance
  - Investigate whether policies and procedures were in place
  - Identification of related parties
  - Obtain definition of related party per management's assertion
  - Interview management to obtain process for related-party identification
  - Interview Company Secretary to obtain policy/process on related parties and disclosures
  - Obtain shareholding listing to assess potential related party. Analyse data to ascertain percentage shareholding and any other potential interest or influence held
  - Obtain listing of declarations of conflict of interest from management and compared to AFS, CIPA and CIPC records to ascertain completeness in respect of all directors
  - Obtain legal/regulatory definitions of related parties and assess from the payables, receivables and transactions tests to ascertain whether these are actual related parties
- Transactions at arm's length
  - Review of new and existing contracts relating to related parties and transactions where there were transactions during the reporting period
  - Review of the reasonability of payment terms
  - Review of the reasonableness and completeness of related-party transactions
  - Review of related party transactions outside the normal course of business
  - Related party transactions made on an arm's length basis (margins charged to Choppies, payment terms and pricing).
- Disclosure
  - Evaluate the procedures in place for identifying, properly accounting for, and disclosing related-party transactions.

Based on the scope and samples selected, the internal auditors did not find anything untoward other than the lack of dedicated policies and procedures governing the treatment of related parties and transactions. Management was then requested to draft such policy and procedures without delay for review by the ARC.

In addition to the above investigation the ARC wishes to point out that related parties were a key audit matter on which the external auditors, Mazars reported in their report to shareholders.

The ARC will continue to focus on this matter and report back to shareholders annually.

COMBINED ASSURANCE

It is too soon to refer to a combined assurance model at Choppies. For this to happen, the current "siloed" thinking needs to be reduced and an integrated approach to developing and implementing an effective control environment needs to be enforced. The various assurance services and functions as discussed below makes it clear that these are mostly new and were implemented during the past eighteen months. It will take time for these to work effectively together as an assurance model, as envisaged in King IV, to satisfy the objectives for combined assurance.

The next phase is to entrench combined assurance processes across the Group and for it to become an integral part of the Group's overall control environment.

RISK MANAGEMENT

It has been reported in the risk management report on page 64 that the Group during the past year adopted a structured and consistent approach to risk management, formulated a risk management framework and policy as well as the setting of risk appetite and tolerance levels in complying with King IV. The ARC played a leading role in this process and is satisfied with the foundation laid for a future fully integrated risk management programme. The implementation of this programme is in management's hands and the ARC will play its oversight role in future.

During the year the ARC has reviewed the risk register that is updated on a continued basis. The ARC is satisfied that all key risks are identified and monitored. Covid-19 surfaced as the top risk facing the Group currently. In this regard the ARC received assurances that the impact of the pandemic on operations have been appropriately addressed. Another major risk identified was the disrupting effect of sudden changes in rules and regulations in the four countries in which the Group operates. The top risks facing the Group are listed in the risk management report.

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

COMPLIANCE

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

The ARC also take comfort in the appointment of a competent company lawyer with good knowledge of the law and regulations, especially as it applies to Botswana.

The Group has implemented a number of governance policies during the past year as explained in the social and ethics report on page 77. The ARC was instrumental in drafting these policies.

No incidents of non-compliance with the Group's governance policies, including the code of business conduct and ethics, nor any incidents of fraud, bribery and corruption within the Group was reported.

FINANCE FUNCTION

After a turbulent time with several CFOs in the recent past, a CFO, with extensive hands-on experience with blue chip JSE-listed companies, including retail, was appointed with effect from 1 May 2020 and relocated to Botswana during October 2020.

As mentioned in the previous year's ARC report, one of the first duties of the new CFO was to assess and, where necessary, make key appointments to bolster the finance department and in particular to ensure the necessary knowledge of IFRS is embedded into the Company. In addition, the necessity to continuously strengthen the accounting systems and procedures as the Company evolves, including internal controls which also need to be done and documented were identified as priority issues. Slow progress has been made in these areas. The ARC is of the view that the finance department is unbalanced with too few senior financial executives and too many junior staff. The ARC has asked management to address this situation and stands in support of any actions that are implemented by management to remedy this situation. It therefore remains the priority of the ARC to see to it that the finance division is strengthened aptly.

However, good progress has been made in the issuance of accurate and timely monthly management accounts.

INFORMATION TECHNOLOGY ("IT")

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

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

During the FY2021, the ARC turned its attention to the IT environment in Choppies. The Board initiated an independent assurance of the effectiveness of the Group's technology and information arrangements. A South African-based IT service provider with extensive FMCG and retail experience was commissioned to perform this task.

The service provider identified weaknesses in the foundation of the Group's IT infrastructure and lack of cyber security. Management consequently appointed this service provider as its CIO (Chief Information Officer) to address the weaknesses identified. After some six months when no agreement on the fee of the CIO could be reached, management appointed a Botswana-based IT company as its new CIO.

At the ARC meeting in September 2021 reports from both above mentioned CIOs as well as Mazars were tabled. From the reports it was clear that the changes in CIOs during the year had a disrupting effect in implementing corrective action on the weaknesses identified as well as on the audit by Mazars. The lack of adequate cyber security and IT governance leaves the Group exposed and were actioned by the new CIO and will be followed up at all future ARC meetings.

WHISTLEBLOWING MEASURES

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

INTERNAL AUDIT

Slow but certain progress was made by the Group's independent audit firm, BDO since its appointment in September 2020. Covid-19 restrictions partly resulted in the delayed roll out of the internal audit programme to stores. More time was spent at the corporate office including the audit of related parties covered earlier in this report.

Report of the audit and risk committee (ARC) continued

for the year ended 30 June 2021

A sample of store audits were conducted to form a basis for identifying all auditable areas along with evaluating the risks associated with the various processes at the stores. Internal audit staff have since been deployed across Botswana. It is envisaged that all stores in the Group will be covered by the first quarter of FY2022 and thereafter in a cycle of at least one visit per store per year.

The ARC is satisfied with the approach and work of internal audit and consider it as an essential element in a combined assurance model.

GOING CONCERN

The negative equity of the Group improved from BWP467 million to BWP448 million as a result of the profitability of the Botswana operations. The negative equity was caused by regions that were discontinued during the prior year especially South Africa and foreign currency translation losses resulting from the Zimbabwe subsidiary as well as goodwill written off that was incorrectly recognised at date of listing of the Company.

In assessing whether the Group and Company will be a going concern for at least the following 12 months, the ARC considered the work done by management as set out in note 41 to the Annual Financial Statements. Having reviewed this work, the ARC concluded to recommend to the Board that the Company and Group can operate as going concerns for at least the next year to July 2022.

EXTERNAL AUDITORS AND AUDIT REPORT

Mazars audit report for FY2021 contains a qualification due to their inability to verify the opening balances of the prior year (FY2020) as they were unable to attend the June 2019 stock counts and were therefore unable to rely on the counts done by PwC.

In their audit opinion Mazars do state that the FY2021 financial statements is not modified/qualified but only the opening balances of the prior year as the Annual Financial Statements is not only in respect of FY2021 but also the comparatives (FY2020).

This qualification is most frustrating as the Company's auditors at the time, PwC, did attend the 2019 stock count and was satisfied with the count as reported at the time to the ARC. The fact that the new incoming auditors did not find sufficient comfort in the work done by PwC was unfortunate.

The ARC noted the inclusion of the going concern in the auditor's opinion as a "material uncertainty". It was noted that the Group and Company are in a far better position currently because of, amongst others, the discontinuance of loss-making operations and the new terms negotiated with lenders.

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

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

EXTERNAL AUDIT FEES

Fees non-audit services

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

Fees – audit services

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

Financial year	**2021**	2020
Botswana	**BWP4 824 150**	BWP6 985 220
South Africa	**–**	ZAR2 783 200
Zimbabwe	**BWP1 350 000**	$127 050
Zambia	**BWP450 000**	ZMK668 505
Namibia	**NAD297 500**	NAD345 650
Kenya	**KSH150 000**	KSH1 596 363
Tanzania	**TSH4 598 000**	TSH15 214 132
Mozambique	**MZN192 780**	MZN543 518

A significant reduction in audit fees over the last two years were as a result of the Group addressing the troubles of the past years and the disposal or closure of unprofitable operations.

The above fees require a confirmatory vote by shareholders.

INTEGRATED ANNUAL REPORT

The ARC evaluated the Integrated Annual Report of the Group for the year ended 30 June 2021 and based on the information provided to the committee, consider that the Group complies in all material respects with the requirements of the Companies Act and IFRS, and the ARC recommended the Integrated Annual Report to the Board for approval.

KEY FOCUS AREAS

In executing its compliance duties during the 2021 financial year, the ARC, in addition to the above, also:

- Nominated to re-appoint Mazars as external auditors for the 2022 financial year
- Confirmed that Mazars and the designated auditor, Shashi Velambath, are accredited by the BSE;
- Approved the audit plan and audit strategy memorandum
- Reviewed the audit report to management on identified areas of internal control weaknesses;
- Reviewed the audit conclusion report to the ARC
- Met with the external auditors in the absence of management: a matter of concern was raised regarding the disruptive IT environment
- Determined the fees to be paid to Mazars as disclosed above and their terms of engagement
- Received no complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group, or other related matters
- Reviewed the draft audited financial statements and Integrated Annual Report, the preliminary profit announcement and interim statements
- Met with the external auditors to discuss the Annual Financial Statements prior to their approval by the Board;
- Approved the outsourcing of the internal audit to BDO and also approved their audit plan
- Reviewed the reports of the internal audit and the providers of the whistleblowing providers
- Met with both CIOs and management as well as reviewing their reports to the ARC regarding the IT environment;
- Reviewed the report from the CFO covering amongst other matters, the financial staff situation
- Made submissions to the Board on matters concerning the Group's accounting policies, financial controls, records and reporting
- Reviewed the application of the King IV principles
- Concurred that the adoption of a going concern premise in the preparation of the Annual Financial Statements was appropriate
- Reviewed the risk register and top risks as well as the risk management programme
- Reviewed the compliance register
- Reviewed the status of income tax returns
- Recommended to the Board not to declare a dividend.

CONCLUSION

Though much progress has been made in restoring good governance, work still needs to be done in addressing the lack of senior financial staff, reviewing and documenting financial systems across the Group and start the process of a combined assurance model at Choppies. In addition, the lack of IT governance and cyber security are to be addressed by management as a priority issue.

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

On behalf of the ARC

TOM PRITCHARD
Chairperson
30 September 2021

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Independent Auditor's Report

for the year ended 30 June 2021

TO THE SHAREHOLDERS OF CHOPPIES ENTERPRISES LIMITED

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

Qualified Opinion

We have audited the consolidated and separate annual financial statements of Choppies Enterprises Limited and its subsidiaries ("Choppies Group") set out on pages 102 to 173 which comprise the consolidated and separate statement of financial position as at 30 June 2021, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, 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 2021, 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 including Qualified Opinion on Comparative Information

As reported in the prior year, due to our appointment as auditors after 1 July 2019, and consequently our inability to satisfy ourselves concerning inventory as at 30 June 2019, we were unable to determine whether adjustments might have been necessary to the results of operations and opening retained income for the 2020 comparative year.

The effect of these possible adjustments could impact comparability with the results of operations for the current year. Our opinion on the current period's financial statements is therefore not modified except for the possible lack of comparability of the results of operations of the comparative year with the current year.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the Company 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 annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Management prepared these consolidated and separate financial statements on the basis that the Group and the Company is a going concern. Management included their assessment, and the associated uncertainties they have identified, in the basis of preparation. We draw attention to note 41 on the financial statements, which indicates that the Group incurred a net profit of BWP60 million (2020: loss of BWP371 million) during the year ended 30 June 2021, had accumulated losses of BWP938 million (2020: BWP1 billion), and as at that date, Group's total liabilities exceeded its total assets by BWP448 million (2020: BWP467 million) and the total current liabilities exceed its total current assets by BWP402 million (2020: BWP777 million). As stated in note 41 of the consolidated and separate financial statements, these events or conditions, along with other matters as set forth, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Management has considered the impact of Covid-19 (Corona virus) as disclosed in note 41 of the consolidated and separate financial statements. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements 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 as a result of amounts receivable from suppliers. We regarded the recognition of supplier rebates to be a matter of most significance to the audit as there is a risk that rebates may be materially misstated due to the significant magnitude thereof, the varying terms with the suppliers and the judgements made in accruing for rebates as at year-end in relation to the nature and level of fulfilment of the Group's obligation under the supplier agreements. Such agreements typically allow for various adjustments to the original selling price of goods subsequent to delivery of the goods, including (but not limited to) trade rebates, volume discounts (often measured using purchases over an extended period of time), early settlement discounts, advertising, and other allowances (collectively, "rebate income"). The disclosure associated with supplier rebates is set out in the financial statements on the following note: • Note 1.29 – 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 or not 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. • We have assessed and evaluated the presentation and disclosure of the above matter, as set out in the note 1.29 of the financial statements (Rebates from suppliers).

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Independent Auditor's Report continued

for the year ended 30 June 2021

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 consolidated and separate financial statements on the following notes: • Note 1.26 – Financial Instruments (IFRS 9) – Amounts due from related parties • Note 36 – Related Parties
How we addressed the Key Audit Matter	Our procedures relating to related party relationships, transactions and balances included, among 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 1.26 (Financial Instruments (IFRS 9) – Amounts due from related parties) and note 36 (Related Parties) of the financial statements.

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Matter #03	IFRS 16 – Leases Accounting Standard
Description of Key Audit Matter	As of 30 June 2021, right-of-use assets in the amount of BWP582 million (2020: BWP772 million and lease liabilities in the amount of BWP722 million (2020: BWP753 million were recognized in Choppies Enterprises Limited's Consolidated Financial Statements. Right-of-use assets accounts for 34% of total assets with an associated lease liability approximating 34% 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 consolidated 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 consolidated financial statements on the following notes: • Note 12 – Right-of-use asset • Note 31 – Lease liabilities 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 consolidated 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 consolidated financial statements (note 31 on Lease Liabilities and note 12 on Property, Plant and Equipment).

Independent Auditor's Report continued

for the year ended 30 June 2021

Other information

The directors are responsible for other information. The other information comprises the information included in the document titled "Directors' Responsibilities and Approval of the Consolidated and Separate Financial Statements and the Chief Executive Officer and Chief Financial Officer Responsibility Statement", and does not include the consolidated and separate annual financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the directors for the consolidated and separate annual financial statements

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

Auditor's responsibility for the audit of the consolidated and separate annual financial statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

Mazars
Certified Auditors
Practicing member: Shashikumar Velambath
Membership number: 19980076

Date: 21 September 2021
Gaborone

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

		Group		Company	
Figures in Pula thousand	Notes	**2021**	2020	**2021**	2020
Continuing operations					
Revenue	4	**5 330 761**	5 420 596	**–**	–
Cost of sales	5	**(4 141 605)**	(4 167 850)	**–**	–
Gross profit		**1 189 156**	1 252 746	**–**	–
Other operating income	6	**45 191**	52 617	**–**	–
Loss on disposal of plant and equipment/business	7	**(201)**	(656)	**–**	(107 885)
Impairment reversal/(losses)	7	**–**	(9 868)	**(2 517)**	14 103
Movement in credit loss allowances	7	**16 954**	(1 412)	**–**	–
Administrative expenses	7	**(855 718)**	(901 870)	**–**	(8 481)
Selling and distribution expenses	7	**(35 119)**	(63 200)	**–**	–
Other operating expenses	7	**(134 689)**	(140 741)	**–**	–
Net monetary gain on translating Zimbabwean entities		**589**	20 366	**–**	
Operating profit/(loss)		**226 163**	207 982	**(2 517)**	(102 263)
Finance income	8	**103**	110	**–**	–
Finance costs	9	**(110 036)**	(103 087)	**–**	–
Profit/(loss) before taxation		**116 230**	105 005	**(2 517)**	(102 263)
Taxation	10	**(34 336)**	(6 076)	**–**	–
Profit/(loss) from continuing operations		**81 894**	98 929	**(2 517)**	(102 263)
Discontinued operations					
Loss from discontinued operations	23	**(22 267)**	(469 563)	**–**	–
Profit/(loss) for the year		**59 627**	(370 634)	**(2 517)**	(102 263)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations in hyperinflationary economies	26	**34 010**	87 528	**–**	–
Exchange differences on translating foreign operations	27	**(75 012)**	(103 801)	**–**	–
Other comprehensive loss for the year net of taxation		**(41 002)**	(16 273)	**–**	–
Total comprehensive profit/(loss) for the year		**18 625**	(386 907)	**(2 517)**	(102 263)
Profit/(loss) attributable to:					
Owners of the parent		**68 332**	(330 359)	**(2 517)**	(102 263)
Non-controlling interest	14	**(8 705)**	(40 275)	**–**	–
		59 627	(370 634)	**(2 517)**	(102 263)

		Group		Company	
Figures in Pula thousand	Notes	**2021**	2020	**2021**	2020
Profit/(loss) attributable to:					
Owners of the parent:					
From continuing operations		**84 824**	105 052	**(2 517)**	(102 263)
From discontinued operations	11	**(16 492)**	(435 411)	**–**	–
		68 332	(330 359)	**(2 517)**	(102 263)
Non-controlling interest:					
From continuing operations		**(2 930)**	(6 123)	**–**	–
From discontinued operations		**(5 775)**	(34 152)	**–**	–
	14	**(8 705)**	(40 275)	**–**	–
Total comprehensive profit/(loss) attributable to:					
Owners of the parent		**24 790**	(344 394)	**(2 517)**	(102 263)
Non-controlling interest		**(6 165)**	(42 513)	**–**	–
		18 625	(386 907)	**(2 517)**	(102 263)
Earnings per share					
Basic earnings/(loss) per share					
Basic earnings per share (thebe) – continuing operations	11	**6.51**	8.06		
Basic loss per share (thebe) –discontinued operations	11	**(1.27)**	(33.40)		
		5.24	(25.34)		
Diluted earnings/(loss) per share					
Diluted earnings per share (thebe) – continuing operations	11	**6.51**	8.06	**–**	–
Diluted loss per share (thebe) – discontinued operations	11	**(1.27)**	(33.40)	**–**	–
		5.24	(25.34)	**–**	–

Statements of financial position

as at 30 June 2021

		Group		Company	
Figures in Pula thousand	Notes	**2021**	2020	**2021**	2020
Non-current assets					
Property, plant and equipment	12	**1 087 576**	1 218 626	**–**	–
Goodwill and intangible asset	13	**64 477**	65 735	**–**	–
Investments in subsidiaries	14	**–**	–	**104 073**	104 073
Investments in new projects	15	**8 136**	10 270	**–**	–
		1 160 189	1 294 631	**104 073**	104 073
Current assets					
Inventories	17	**340 692**	305 476	**–**	–
Amounts due from related entities	16	**5 310**	5 414	**168 458**	233 695
Investments at fair value	18	**3**	3	**–**	–
Advances and deposits	19	**44 295**	39 092	**–**	–
Trade and other receivables	20	**63 810**	63 645	**137**	2 433
Current tax receivable		**10 094**	9 887	**–**	–
Restricted cash	21	**5 143**	12 845	**–**	–
Cash and cash equivalents	22	**73 920**	60 727	**441**	465
		543 267	497 089	**169 036**	236 593
Assets of disposal groups	23	**–**	49 081	**–**	–
Total assets		**1 703 456**	1 840 801	**273 109**	340 666
Equity and liabilities					
Stated capital	24	**906 196**	906 196	**906 196**	906 196
Treasury shares	25	**(29 616)**	(29 616)	**–**	–
Hyper inflationary reserve	26	**192 930**	158 920	**–**	–
Foreign currency translation reserve	27	**(473 964)**	(396 412)	**–**	–
Retained loss		**(938 206)**	(1 006 538)	**(637 498)**	(634 981)
Equity attributable to equity holders of parent		**(342 660)**	(367 450)	**268 698**	271 215
Non-controlling interest	14	**(105 769)**	(99 604)	**–**	–
		(448 429)	(467 054)	**268 698**	271 215
Non-current liabilities					
Long-term borrowings	29	**616 362**	355 665	**–**	–
Lease liabilities	30	**572 201**	599 869	**–**	–
Deferred taxation liabilities	31	**18 545**	29 062	**–**	–
		1 207 108	984 596	**–**	–
Current liabilities					
Trade and other payables	33	**568 461**	571 225	**4 411**	65 000
Amounts due to related entities	16	**43 734**	82 794	**–**	–
Current portion of long-term borrowings	29	**86 129**	192 289	**–**	–
Lease liabilities	30	**149 445**	153 116	**–**	–
Current tax payable		**29 483**	7 248	**–**	4 451
Bank overdraft	22	**67 525**	148 788	**–**	–
		944 777	1 155 460	**4 411**	69 451
Liabilities of disposal groups	23	**–**	167 799	**–**	–
Total liabilities		**2 151 885**	2 307 855	**4 411**	69 451
Total equity and liabilities		**1 703 456**	1 840 801	**273 109**	340 666

Statements of changes in equity

for the year ended 30 June 2021

Figures in Pula thousand	Stated capital	Foreign currency transla-tion reserve	Hyper inflationary transla-tion reserve	Treasury shares	Retained loss	Total attri-butable to equity holders of the group/ company	Non-control-ling interest	Total equity
Group								
Balance at 1 July 2019	**906 196**	**(294 849)**	**71 392**	**(29 616)**	**(676 179)**	**(23 056)**	**(57 091)**	**(80 147)**
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)
Total comprehensive loss for the year	**–**	**(101 563)**	**87 528**	**–**	**(330 359)**	**(344 394)**	**(42 513)**	**(386 907)**
Balance at 30 June 2020	**906 196**	**(396 412)**	**158 920**	**(29 616)**	**(1 006 538)**	**(367 450)**	**(99 604)**	**(467 054)**
Profit 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)
Total comprehensive income for the year	**–**	**(77 552)**	**34 010**	**–**	**68 332**	**24 790**	**(6 165)**	**18 625**
Balance at 30 June 2021	**906 196**	**(473 964)**	**192 930**	**(29 616)**	**(938 206)**	**(342 660)**	**(105 769)**	**(448 429)**
Note	24	27	26	25			14	

Figures in Pula thousand	Stated capital	Retained loss	Total equity
Company			
Balance at 1 July 2019	**906 196**	**(532 718)**	**373 478**
Loss for the year	–	(102 263)	(102 263)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(102 263)**	**(102 263)**
Balance at 30 June 2020	**906 196**	**(634 981)**	**271 215**
Loss for the year	–	(2 517)	(2 517)
Other comprehensive loss	–	–	–
Total comprehensive loss for the year	**–**	**(2 517)**	**(2 517)**
Balance at 30 June 2021	**906 196**	**(637 498)**	**268 698**
Note	24		

Statements of cash flows

for the year ended 30 June 2021

		Group		Company	
Figures in Pula thousand	Note	**2021**	2020	**2021**	2020
Cash flows from operating activities					
Profit (loss) before taxation		**116 230**	105 005	**(2 517)**	(102 263)
Adjustments for:					
Depreciation, write-off and amortisation	7	**259 013**	253 592	**–**	–
Losses on disposals of plant and equipment		**201**	656	**–**	–
Finance income		**(103)**	(110)	**–**	–
Finance costs		**110 036**	103 087	**–**	–
Movement in investments in new projects expensed during the year	15	**24**	302	**–**	–
Impairment losses net of reversals		**–**	11 280	**–**	(14 103)
Purchase consideration		**–**	–	**–**	52 851
Restricted cash movements	21	**7 702**	13 455	**–**	–
Changes in working capital:					
Movement in inventories		**(35 216)**	55 922	**–**	–
Movement in trade and other receivables		**(9 493)**	1 692	**4 813**	(2 433)
Movement in advances and deposits		**(5 927)**	33 709	**–**	–
Movement in amount due from related entities		**104**	8 487	**65 009**	54 272
Movement in trade and other payables		**19 990**	44 219	**(60 361)**	64 516
Movement in amount due to related entities		**(39 060)**	(13 521)	**–**	–
Cash generated from operations		**423 501**	617 775	**6 944**	52 840
Interest received	8	**103**	110	**–**	–
Taxation paid		**(22 167)**	1 263	**(6 968)**	–
Cash flows of discontinued operations	23	**(42 718)**	(457 255)	**–**	–
Net cash generated from/(consumed by) operating activities		**358 719**	161 893	**(24)**	52 840
Cash flows from investing activities					
Purchase of property, plant and equipment	12	**(46 560)**	(48 329)	**–**	–
Proceeds on disposal of property, plant and equipment		**5 291**	78 086	**–**	–
Purchase of intangible assets	13	**(2 756)**	(565)	**–**	–
Purchase of business	35	**(5 925)**	–	**–**	–
Cash consideration paid		**–**	(52 849)	**–**	(52 849)
Sale of business		**–**	30 128	**–**	–
Investment in new projects	15	**(10 246)**	(10 468)	**–**	–
Discontinued operations	23	**–**	26 465	**–**	–
Net cash (used in)/generated from investing activities		**(60 196)**	22 468	**–**	(52 849)
Cash flows from financing activities					
Financing obtained from third parties	32	**555 649**	100 000	**–**	–
Capital payments of long-term liabilities	32	**(482 409)**	(103 156)	**–**	–
Lease payments	32	**(162 153)**	(162 910)	**–**	–
Discontinued operations	32	**(38 337)**	18 087	**–**	–
Interest paid		**(97 604)**	(103 087)	**–**	–
Net cash used in financing activities		**(224 854)**	(251 066)	**–**	–
Net movement in cash and cash equivalents		**73 669**	(66 705)	**(24)**	(9)
Cash and cash equivalents at beginning of the year		**(88 061)**	(41 440)	**465**	474
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 year	22	**6 395**	(88 061)	**441**	465

Accounting policies

for the year ended 30 June 2021

CORPORATE INFORMATION

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

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

1. ACCOUNTING POLICIES

The consolidated and separate financial statements ("the financial statements") are prepared in accordance with the International Financial Reporting Standards ("IFRS"), the Botswana Companies Act, the Botswana Stock Exchange, the Johannesburg Stock Exchange requirements and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The financial statements were approved by the Board of Directors on 18 September 2021.

1.1 Basis of preparation

The Group and company financial statements are presented in Botswana Pula, which is also the functional currency. All amounts have been rounded to nearest thousands, except where otherwise stated.

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

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

Judgements made by the board in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in significant judgements and sources of estimation uncertainty in note 1.33.

1.2 Consolidation

Basis of consolidation

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Transaction costs are expressed as incurred except if it refers to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment (refer to note 7 and 13).

Goodwill

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

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

Investments in subsidiaries

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

Accounting policies continued

for the year ended 30 June 2021

1. ACCOUNTING POLICIES (continued)

1.2 Consolidation (continued)

Transactions eliminated on consolidation

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

Non-controlling interest ("NCI")

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

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

Loss of control

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

Changes in Group's interests in subsidiaries

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

1.3 Business combinations

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

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

1.4 Property, plant and equipment

Property, plant and equipment items are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairment.

Depreciation

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful life of each part of property, plant and equipment. The items of property, plant and equipment (except freehold land) are depreciated by applying the following useful lives:

Item	Average useful life
Right-of-use asset	4 – 20 years
Leasehold improvements	Over the lease term
Plant and machinery	
• Bakery equipment	4 – 20 years
• Butchery and takeaway equipment	5 – 17 years
• Refrigeration equipment	7 – 14 years
• Cold-room and compressors, generators	7 – 20 years
• Electrical and fittings	6 – 14 years
• Others	6 – 7 years
Furniture and fixtures	
• Shelving	7 – 14 years
• Check out tills	6 – 14 years
• Drop safes	20 – 29 years
• Others	10 years
Motor vehicles	4 – 10 years
Office equipment	10 years
IT equipment	3 – 10 years
Aircraft	20 years

1. ACCOUNTING POLICIES (continued)

1.4 Property, plant and equipment (continued)

Freehold land is not depreciated as it is considered to have an indefinite useful life.

The residual value of each part of property, plant and equipment, if not insignificant, is reassessed annually. The expected useful lives are determined by a combination of comparison to industry, assessment of operational plans and strategies, actual experience and taking cognisance of advice from external experts.

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amounts and are recognised in the statement of profit or loss.

Repairs and maintenance costs are recognised in the statement of profit or loss during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits will flow to the Group. Major renovations are depreciated over the period until the next major renovation is required, which may be shorter than the remaining life of the related asset.

Subsequent expenditures are capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

1.5 Financial guarantee contracts

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

With reference to note 34, the Company provides financial guarantees to certain banks in respect of bank facilities granted to certain subsidiaries. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

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

1.6 Investments in new projects

Investments in new projects relates to capital expenditure incurred with regard to new stores to be opened in the following financial year. Investments in new projects is stated at cost. The amounts are transferred to respective asset classes when the assets are available for their intended use. Depreciation commences when the assets are ready for their intended use.

1. ACCOUNTING POLICIES (continued)

1.7 Impairment of assets

Non-financial assets

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

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

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

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

1.8 Leased assets

The Group as a lessee

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

1.9 Leases (IFRS 16) – Group as lessor

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

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

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

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease. Operating lease income is included in other operating income (note 6).

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

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

1.10 Inventories

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

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

1.11 Tax and deferred taxation

Deferred tax assets and liabilities

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

Deferred tax is not recognised for:

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

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

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

Accounting policies continued

for the year ended 30 June 2021

1. ACCOUNTING POLICIES (continued)

1.11 Tax and deferred taxation (continued)

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

Tax expenses

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

Dividends withholding tax

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

1.12 Employee benefits

Short-term employee benefits

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

Severance benefits

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

Gratuities

The Group operates a gratuity scheme for expatriates in terms of employment contracts and a gratuity is not considered to be a retirement benefit plan as the benefits are payable on completion of employment contract period of continuous employment or on termination of employment at the option of the employee. The expected gratuity liability is provided in full by way of accrual.

Defined contribution plans

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

1.13 Share incentive scheme

Share incentive scheme

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

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

1. ACCOUNTING POLICIES (continued)

1.14 Revenue

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

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

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

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

1.15 Operating expenses

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

1.16 Finance income

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

1.17 Finance costs

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

1.18 Earnings and headline earnings per share

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

1.19 Dividend per share

Dividends per share are calculated based on the dividends declared during the year compared to the number of ordinary shares in issue at the time of declaration.

Accounting policies continued

for the year ended 30 June 2021

1. ACCOUNTING POLICIES (continued)

1.20 Stated capital, hyper-inflation reserve, foreign currency translation reserve and retained (loss) profit

Stated capital

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

Ordinary shares are classified as equity.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Botswana Pula.
- Retained (loss) profit – includes all current and prior period retained (loss) profits.
- Treasury shares – refer to accounting policy 1.21.
- Hyperinflationary reserve – this is the effect of all components of shareholders equity that are restated by applying a general price index from the beginning period or dates on which those items arose.

1.21 Treasury shares

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

1.22 Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This is on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares.

1.23 Dividends distributed to shareholders

Dividends are recorded in the period in which they have been declared and are recognised directly in equity. Dividends declared after the reporting date are not recognised as a liability in the statements of financial position.

1.24 Operating segments

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

1.25 Translation of foreign currencies

Transactions in foreign currencies

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

Foreign operations

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

1. ACCOUNTING POLICIES (continued)

1.25 Translation of foreign currencies (continued)

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

Translation of foreign operations in hyperinflationary economies

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

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

1.26 Financial instruments (IFRS 9)

Recognition and derecognition

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

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

Financial assets that are equity instruments:

- Mandatorily at fair value through profit or loss; or

Financial assets that are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost.

Risk management presents the financial instruments held by the Group based on their specific classifications.

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

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

Amounts due from related entities at amortised cost

Classification

Amounts due from related entities (note 16) are classified as financial assets subsequently measured at amortised cost.

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

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Impairment

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

Significant increase in credit risk

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

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

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

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

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

Definition of default

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

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

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Write off policy

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

Measurement and recognition of expected credit losses (ECL)

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

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

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

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

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

An ECL gain or loss is recognised for all amounts due from related parties in the statement of profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The ECL loss is included in material operating items requiring separate disclosure in profit or loss as a movement in credit loss allowance (note 7).

Credit risk

Details of credit risk related to amounts due from related parties are included in the specific notes (refer to note 16).

Derecognition

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

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

Accounting policies continued

for the year ended 30 June 2021

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Trade and other receivables, including amounts due from related entities, advances and deposits

Classification

Trade and other receivables, excluding, where applicable, VAT, are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

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

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

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Botswana Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in the statement of profit or loss in selling and distribution expenses (note 7).

Details of foreign currency risk exposure and the management thereof are provided in the risk management (note 38).

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Trade and other receivables, including amounts due from related entities, advances and deposits (continued)

Impairment

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

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

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 20.

A counterparty is in default when there is evidence that the counterparty is in significant difficulty such that it will have insufficient funds to repay the carrying amount on demand. The default is identified when a counterparty is either 90 days past due or if the counterparty indicates financial difficulty.

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

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries are recognised in the statement of profit or loss in impairment (note 7).

Credit risk

Details of credit risk are included in the trade and other receivables note (note 20) and the risk management note (note 38).

Derecognition

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

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

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 18. They are classified as mandatorily at fair value through profit or loss.

Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are recognised in the statement of profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in the statement of profit or loss. Details of the valuation policies and processes are presented in note 18.

Fair value gains or losses recognised on investments at fair value through profit or loss.

Dividends received on equity investments are recognised in the statement of profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in other income (note 6).

Impairment

Investments in equity instruments are not subject to impairment provisions.

Derecognition

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

Borrowings and amounts due to related entities

Classification

Amounts due to related entities (note 16) and borrowings (note 29) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 9).

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 38 for details of risk exposure and management thereof.

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Amounts denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the amount is determined in the foreign currency. The carrying amount is then translated to the Botswana Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in the statement of profit or loss in the selling and distribution expenses (note 7).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the risk management (note 38).

Derecognition

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

Trade and other payables

Classification

Trade and other payables (note 33), excluding VAT payable and amounts received in advance, are classified as financial liabilities and subsequently measured at amortised cost.

Recognition and measurement

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

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

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

If trade and other payables contain a material financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Group to liquidity risk. Refer to risk management (note 38).

Accounting policies continued

for the year ended 30 June 2021

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Botswana Pula equivalent using the closing rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the selling and distribution expenses (note 7).

Details of foreign currency risk exposure and the management thereof are provided in the risk management note (note 38).

Derecognition

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

Cash and cash equivalents

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

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

Bank overdrafts

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

Derecognition

Financial assets

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

Financial liabilities

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

1. ACCOUNTING POLICIES (continued)

1.26 Financial instruments (IFRS 9) (continued)

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.27 Agency fees and commissions

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

1.28 Share incentive scheme

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

1.29 Rebates from suppliers

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

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

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

1.30 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also note 23).

Accounting policies continued

for the year ended 30 June 2021

1. ACCOUNTING POLICIES (continued)

1.31 Non-current assets and liabilities classified as held for sale and discontinued operations

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

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see also note 23).

1.32 Determination of functional currency in Zimbabwe

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

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

Accounting for hyperinflationary subsidiary

The Zimbabwean economy has continued to be hyper-inflationary and the results of operations of the Zimbabwean subsidiary has been prepared in accordance with IAS 29 – Financial Reporting in Hyperinflationary Economies (IAS 29). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date and the corresponding figures for the previous periods be stated in the same terms to the latest reporting date. The restatement has been calculated by means of conversion factors derived from month-on-month consumer price index (CPI) prepared by the Zimbabwe Statistical Agency. The indices and conversion factors used to restate the financial statements as at 30 June 2021 are as follows:

Date	**Indices**	**Conversion factor**
30 June 2021	**2 986.40**	**1.00**
30 June 2020	1 445.21	2.07

Sensitivity of functional currency

The Group translated the Zimbabwe results by applying the closing exchange rate as at 30 June 2021 specified by Reserve Bank of Zimbabwe, which was BWP1.00 : ZWL7.83 (in line with the requirement of the provision of IAS 21 for the translation of hyperinflationary economies). The effect if the Group had applied a weaker closing exchange rate to translate the result of its Zimbabwean subsidiary on 30 June 2021, is presented in the table below. We assumed that the closing exchange rate was weaker by ZWL1.00.

Summarised statement of profit or loss and other comprehensive income for the year ended 30 June 2021	**ZWL to BWP at closing rate**	**ZWL to BWP at closing rate plus ZWL1.00**	**Net impact**
Revenue	**537 225**	**476 385**	**60 841**
Profit after tax	**(343)**	**(39)**	**(305)**

1. ACCOUNTING POLICIES (continued)

1.32 Determination of functional currency in Zimbabwe (continued)

Plant and equipment

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

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

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

Inventories

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

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

Shareholders' equity

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

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

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

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

1.33 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate annual financial statements in conformity with IFRS requires the company, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Impairment of trade receivables

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period (refer to note 20).

Allowance for slow-moving, damaged and obsolete inventory

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

Accounting policies continued

for the year ended 30 June 2021

1. ACCOUNTING POLICIES (continued)

1.33 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 39.

Impairment testing

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

Useful lives of property, plant and equipment

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

Restricted cash

Restricted cash deposits include an amount of BWP5.1 million (2020: BWP12.8 million) relating to the Zimbabwe operations. This is due to exchange control regulations as well as a shortage of physical currency. The rate used for conversion was the quoted ZWL bank rate. Refer to note 21. The company did not have the necessary clearance from the Reserve Bank of Zimbabwe to externalise funds at 30 June 2021.

Business combinations

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

Notes to the consolidated and separate annual financial statements

for the year ended 30 June 2021

2. SEGMENT RESULTS

Operating segments are identified based on financial information regularly reviewed by the Choppies Enterprises Limited Chief Executive Officer (identified as the chief operating decision maker of the Group for IFRS 8 reporting purposes) for performance assessments and resource allocations.

The Group has two continuing operating segments (2020: four) as described below, which are the Group's strategic divisions. Operating segments are disclosed by geographical regions.

Performance is measured based on the profit before taxation as the Board believes that such information is the most relevant in evaluating the results of the segments against each other and other entities which operate within the retail industry.

Botswana – retail of fast-moving consumer goods in Botswana.

Rest of Africa – retail of fast-moving consumer goods in Namibia, Zambia and Zimbabwe.

Kenya, Tanzania and Mozambique were discontinued, and South Africa was sold during the financial year 2020.

30 June 2021

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

30 June 2020

Statement of profit or loss and other comprehensive Income	Botswana	Rest of Africa	Total for continuing operations	Total for operations discontinued	Total Group
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
Operating income	47 010	4 951	51 961	(46 134)	5 827
EBITDA	466 668	4 774	471 442	(296 937)	174 505
Impairment reversal/(loss)	(9 552)	(316)	(9 868)	(88 859)	(98 727)
Depreciation and 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

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Covid-19 – Related Rent Concessions – Amendment to IFRS 16

The Covid-19 pandemic has resulted in an amendment to IFRS 16 – Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021;
- there is no substantive change to other terms and conditions of the lease; and
- the amendment was also extended to include rent concessions until 30 June 2022.

The effective date of the amendment is for years beginning on or after 1 June 2020.

The group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

Although certain leases were renegotiated, they were not linked to the Covid-19 pandemic and as a result the amendment was not applied.

Definition of a business – Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs;
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Group has adopted the amendment for the first time in the financial year 2021 consolidated and separate annual financial statements.

This amendment did not impact the Group upon adoption since the specifics of this amendment were not applicable to the business combination entered into during the current financial year.

Presentation of Financial Statements: Disclosure initiative

The amendment clarifies and aligns the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

This amendment did not impact the Group since the principles included in the amendment were already applied.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

3.1 Standards and interpretations effective and adopted in the current year (continued)

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarifies and aligns the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The Group has adopted the amendment for the first time in the financial year 2021 consolidated and separate Annual Financial Statements.

This amendment did not impact the Group since the principles included in the amendment were already applied.

3.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2021 or later periods:

Classification of Liabilities as Current or Non-Current – Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The Group expects to adopt the amendment for the first time in the 2024 consolidated and separate Annual Financial Statements.

The impact of this amendment on the classification of financial liabilities will be assessed upon the amendment becoming effective.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the amendment is for years beginning on or after 1 January 2022.

The Group expects to adopt the amendment for the first time in the 2023 consolidated and separate Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate Annual Financial Statements since these principles were already applied previously.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in the statement of profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the amendment is for years beginning on or after 1 January 2022.

Notes to the consolidated and separate annual financial statements continued

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3. NEW STANDARDS AND INTERPRETATIONS (continued)

The Group expects to adopt the amendment for the first time in the 2023 consolidated and separate Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate Annual Financial Statements since the Group does not manufacture goods while testing equipment.

Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the amendment is for years beginning on or after 1 January 2022.

The Group expects to adopt the amendment for the first time in the 2023 consolidated and separate Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate Annual Financial Statements since the principles contained in this amendment are already applied.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The Group expects to adopt the amendment for the first time in the 2022 consolidated and separate Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate Annual Financial Statements since this amendment only impacts disclosures provided by the entity.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The Group expects to adopt the amendment for the first time in the 2022 consolidated and separate Annual Financial Statements.

The potential impact of this amendment to the Group's LIBOR-linked loans are still being assessed.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 1 January 2021.

The Group expects to adopt the amendment for the first time in the 2022 consolidated and separate Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate Annual Financial Statements since there are no IBOR-linked lease liabilities.

Figures in Pula thousand	Group 2021	Group 2020	Company 2021	Company 2020
4. REVENUE				
Revenue from contracts with customers				
Sale of goods	**5 330 761**	5 420 596	**–**	–
	5 330 761	5 420 596	**–**	–
Disaggregation of revenue from contracts with customers by segment				
Botswana	**4 144 361**	4 260 179	**–**	–
Rest of Africa	**1 186 400**	1 160 417	**–**	–
	5 330 761	5 420 596	**–**	–
5. COST OF SALES				
Sale of goods	**4 141 605**	4 167 850	**–**	–
6. OTHER OPERATING INCOME				
Commissions received on financial services	**28 704**	29 513	**–**	–
Rental income	**3 453**	4 523	**–**	–
Transportation income	**8 444**	13 651	**–**	–
Miscellaneous income	**4 590**	4 930	**–**	–
	45 191	52 617	**–**	–
7. OPERATING LOSS/(PROFIT)				
Operating profit/(loss) for the year is stated after charging (crediting) the following, among others:				
Losses on disposals				
Property, plant and equipment	**201**	656	**–**	–
Investments in subsidiaries (loss on disposal of South Africa)	–	–	**–**	107 885
	201	656	**–**	107 885
Auditor's remuneration – external				
Audit fees	**775**	572	**–**	–
Audit fees – prior year	**12 009**	10 716	**–**	–
	12 784	11 288	**–**	–
Consulting and professional fees				
Consulting and professional service fees	**12 059**	13 394	**–**	7 929
Legal fees	**4 589**	5 785	**–**	–
Legal fee relating to South Africa restructuring and disposal	**–**	2 961	**–**	–
	16 648	22 140	**–**	7 929
Employee costs				
Salaries, wages, bonuses and other benefits	**350 497**	374 068	**–**	8
Defined contribution expense	**11 944**	10 909	**–**	–
Total employee costs	**362 441**	384 977	**–**	8

Notes to the consolidated and separate annual financial statements continued

for the year ended 30 June 2021

		Group		Company	
	Figures in Pula thousand	**2021**	2020	**2021**	2020
7.	**OPERATING LOSS/(PROFIT)** (continued)				
	Leases				
	Variable lease (concession) payments				
	Premises – variable	**7 707**	7 981	–	–
	Gain on rental concessions (unrelated to Covid-19)	**(11 244)**	–	–	–
		(3 537)	7 981	–	–
	Depreciation, write-off and amortisation				
	Depreciation of property, plant and equipment	**88 166**	93 458	–	–
	Depreciation of right-of-use asset	**168 413**	157 891	–	–
	Amortisation of intangible assets	**2 434**	2 243	–	–
		259 013	253 592	–	–
	Impairment losses				
	Impairment of goodwill (refer to note 13)	**–**	9 868	–	–
	Investment in subsidiaries (refer to note 14)	**–**	–	–	(2)
	Reversal of impairment of intercompany loan	**–**	–	2 517	(14 105)
		–	9 868	2 517	(14 103)
	Movement in credit loss allowances				
	Bad debts recovered	**(15 463)**	3 208	**–**	–
	Movement in expected credit loss allowance	**(1 491)**	(1 796)	**–**	–
		(16 954)	1 412	**–**	–
	Donations				
	Donations paid	**887**	6 239	**–**	–
	Expenses by nature				
	Expenses are analysed by nature as follows:				
	Administration expenses				
	Auditor's remuneration	**12 784**	11 288	**–**	–
	Bank charges	**50 008**	42 932	**–**	–
	Computer expenses	**23 271**	23 852	**–**	–
	Depreciation of right-of-use asset	**168 413**	157 891	**–**	–
	Electricity charges	**97 607**	88 479	**–**	–
	Employee costs	**362 441**	384 977	**–**	–
	Insurance, licence and permits	**13 915**	14 568	**–**	–
	Motor vehicle expenses	**28 806**	29 526	**–**	–
	Lease charges	**(3 537)**	7 981	**–**	–
	Professional charges	**16 648**	22 140	**–**	7 734
	Security expenses	**31 726**	28 657	**–**	–
	Effects of hyperinflation accounting on administrative expenses	**15 233**	44 313	**–**	–
	Other administrative expenses	**38 403**	45 266	**–**	747
		855 718	901 870	**–**	8 481

Figures in Pula thousand	Group 2021	Group 2020	Company 2021	Company 2020
7. OPERATING LOSS/(PROFIT) (continued)				
Selling and distribution expenses				
Advertising and sales promotion	**12 405**	13 361	**–**	–
Foreign exchange differences	**18 720**	45 783	**–**	–
Other selling and distribution expenses	**3 962**	3 840	**–**	–
Effects of hyperinflation accounting on selling and distribution expenses	**32**	216	**–**	–
	35 119	63 200	**–**	–
Other expenses				
Depreciation and amortisation	**90 600**	95 701	**–**	–
Repairs and maintenance	**43 145**	41 544	**–**	–
Effects of hyperinflation accounting on other expenses	**944**	3 496	**–**	–
	134 689	140 741	**–**	–
8. INVESTMENT INCOME				
Interest income				
From investments in financial assets:				
Bank and other cash	**103**	110	**–**	–
9. FINANCE COSTS				
Leases	**56 461**	59 208	**–**	–
Bank overdraft, borrowings and shareholders loans	**53 575**	43 879	**–**	–
Total finance costs	**110 036**	103 087	**–**	–

Notes to the consolidated and separate annual financial statements continued

for the year ended 30 June 2021

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
10. TAXATION				
Major components of the tax expense				
Current				
Income tax – current period	**42 945**	7 475	**–**	–
Income tax – recognised in current tax for prior periods	**–**	(89)	**–**	–
	42 945	7 386	**–**	–
Deferred				
Originating and reversing temporary differences	**(8 609)**	(1 310)	**–**	–
	34 336	6 076	**–**	–
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting profit (loss)	**116 230**	105 005	**(2 517)**	(102 263)
Tax at the applicable tax rate of 22% (2020: 22%)	**25 571**	23 101	**(554)**	(22 498)
Tax effect of adjustments on taxable income				
Unrecognised deferred tax asset	**12 850**	19 549	**–**	–
Prior year overprovision of current tax	**–**	(89)	**–**	–
Tax effect of profit on termination of leases	**(136)**	–	**–**	–
Disallowed expenses	**674**	3 456	**554**	22 498
Tax effect of impairment on intercompany loans	**–**	(40 588)	**–**	–
Effects of different tax rate	**(4 623)**	647	**–**	–
	34 336	6 076	**–**	–

The tax losses carried forward for certain subsidiaries are BWP184 million (2020: BWP156 million) which can be claimed by these subsidiaries to reduce any future tax payments. These losses cannot be offset across different legal entities and can be carried forward no longer than five years.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
11. EARNINGS AND DIVIDEND PER SHARE				
Basic earnings per share and diluted earnings per share				
Basic earnings (loss) per share (thebe)				
Basic earnings per share (thebe) – continuing operations	**6.51**	8.06	**–**	–
Basic loss per share (thebe) – discontinued operations	**(1.27)**	(33.40)	**–**	–
	5.24	(25.34)	**–**	–
Diluted earnings (loss) per share (thebe)				
Basic earnings per share (thebe) – continuing operations	**6.51**	8.06	**–**	–
Basic loss per share (thebe) – discontinued operations	**(1.27)**	(33.40)	**–**	–
	5.24	(25.34)	**–**	–

Figures in Pula thousand	Group 2021	Group 2020	Company 2021	Company 2020
11. EARNINGS AND DIVIDEND PER SHARE (continued)				
Profit or loss for the year attributable to equity holders of the parent				
Continuing operations	**84 824**	105 052	**–**	–
Discontinued operations	**(16 492)**	(435 411)	**–**	–
	68 332	(330 359)	**–**	–
Headline earnings and diluted headline earnings per share				
The calculation of headline earnings and diluted headline earnings per share is based on the weighted average number of ordinary shares in issue during the year.				
Basic headline earnings (loss) per share (thebe)				
Basic headline earnings per share (thebe) – continuing operations	**6.52**	9.06	**–**	–
Basic headline loss per share (thebe) – discontinued operations	**(0.04)**	(24.33)	**–**	–
	6.48	(15.27)	**–**	–
Diluted headline earnings (loss) per share (thebe)				
Diluted headline earnings per share (thebe) – continuing operations	**6.52**	9.06	**–**	–
Diluted headline loss per share (thebe) – discontinued operations	**(0.04)**	(24.33)	**–**	–
	6.48	(15.27)	**–**	–

The Group has assessed the impact of the dilution of the shares in the Trust to be immaterial.

Headline earnings

Group	2021 Gross	2021 Income tax effect	2021 Net	2020 Gross	2020 Income tax effect	2020 Net
Profit for the year attributable to owners of the company						
Continuing operations	**–**	**–**	**84 824**	–	–	105 052
Discontinued operations	**–**	**–**	**(16 492)**	–	–	(435 411)
Re-measurement:						
Loss of disposal of property, plant and equipment	**1 876**	**(44)**	**1 832**	50 994	(11 219)	39 775
Impairment losses	**14 258**	**–**	**14 258**	101 935	(10 396)	91 539
Headline earnings/(loss)			**84 422**			(199 045)

Notes to the consolidated and separate annual financial statements continued

for the year ended 30 June 2021

11. EARNINGS AND DIVIDEND PER SHARE (continued)

Continuing operations	**2021**			**2020**		
Profit for the year attributable to owners of the company	**Gross**	**Income tax effect**	**Net**	Gross	Income tax effect	Net
Continuing operations	**–**	**–**	**84 824**	–	–	105 052
Re-measurement:						
Loss of disposal of property, plant and equipment	**201**	**(44)**	**157**	656	(144)	512
Impairment losses	**–**	**–**	**–**	13 076	(562)	12 514
Headline earnings			**84 981**			118 078

Discontinued operations	**2021**			2020		
Profit for the year attributable to owners of the company	**Gross**	**Income tax effect**	**Net**	Gross	Income tax effect	Net
Discontinued operations	**–**	**–**	**(16 492)**	–	–	(435 411)
Re-measurement:						
Loss of disposal of property, plant and equipment	**1 675**	**–**	**1 675**	50 338	(11 074)	39 264
Impairment losses	**14 258**	**–**	**14 258**	88 859	(9 834)	79 025
Headline loss			**(559)**			(317 122)

	Group		**Company**	
Figures in Pula thousand	**2021**	2020	**2021**	2020
The weighted average number of ordinary shares in issue during the year to the nearest thousand				
Weighted average number of shares:				
Issued ordinary share at 30 June	**1 303 628**	1 303 628	**–**	–
Weighted average number of ordinary shares at 30 June	**1 303 628**	1 303 628	**–**	–
Shares to the nearest thousand				
Basic	**1 303 628**	1 303 628	**–**	–
Diluted	**1 303 628**	1 303 628	**–**	–

12. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment – Group – 2021

	Right-of-use asset – buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Cost	821 059	49 659	506 133	162 718	192 254	105 222	113 809	58 412	2 009 266
Accumulated depreciation and impairment	(157 569)	(10 772)	(244 394)	(97 062)	(111 158)	(61 803)	(86 684)	(21 198)	(790 640)
Net book value at 1 July 2020	663 490	38 887	261 739	65 656	81 096	43 419	27 125	37 214	1 218 626
Additions	118 547	3 313	24 640	3 728	18 633	779	5 303	–	174 943
Acquisitions – cost	5	–	–	2 850	1 240	1 071	834	–	6 000
Acquisitions – accumulated depreciation	–	–	–	(2 249)	(720)	(865)	(834)	–	(4 668)
Disposals and scrappings – cost	(12 735)	–	(8 342)	–	(20 532)	–	(167)	–	(41 776)
Disposals and scrappings – accumulated depreciation and impairment	1 811	–	–	–	14 395	–	21	–	16 227
Hyperinflation and foreign exchange movements	(24 605)	(5 891)	(4 945)	8 030	(631)	–	(822)	–	(28 864)
Depreciation	(166 194)	(2 484)	(33 920)	(11 215)	(16 864)	(9 747)	(11 231)	(1 257)	(252 912)
Net book value at 30 June 2021	580 319	33 825	239 172	66 800	76 617	34 657	20 229	35 957	1 087 576
Made up as follows:									
Cost	902 271	54 365	553 412	182 834	199 047	107 072	126 814	58 412	2 184 227
Accumulated depreciation and impairment	(321 952)	(20 540)	(314 240)	(116 034)	(122 430)	(72 415)	(106 585)	(22 455)	(1 096 651)
	580 319	33 825	239 172	66 800	76 617	34 657	20 229	35 957	1 087 576

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – Group – 2020

	Right-of-use asset – buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Aircraft	Total
Cost	–	68 347	998 381	382 464	325 570	104 986	207 132	58 412	2 145 292
Accumulated depreciation and impairment	–	(29 873)	(496 425)	(174 778)	(176 047)	(51 232)	(140 888)	(20 028)	(1 089 271)
Net book value at 1 July 2019	–	38 474	501 956	207 686	149 523	53 754	66 244	38 384	1 056 021
Additions	–	9 059	27 473	9 048	2 991	236	9 318	–	58 125
Transfers from plant and machinery	–	644	(3 644)	1 478	441	–	1 081	–	–
Adjustment on transition to IFRS 16	824 173	–	–	–	–	–	–	–	824 173
Disposals and scrappings	–	(44)	(46 525)	(54 273)	(16 771)	–	(21 509)	–	(139 122)
Disposals and scrappings – accumulated depreciation and impairment	–	–	15 729	11 217	12 940	–	17 377	–	57 263
Transfers to assets classified as held for sale	–	(10 532)	(5 504)	(13 109)	(59)	–	(2 252)	–	(31 456)
Disposal of subsidiary	–	(2 805)	(129 997)	(58 534)	(33 766)	–	(17 288)	–	(242 390)
Hyperinflation and foreign exchange movements	(2 792)	6 343	(16 180)	(14 974)	(8 566)	–	(2 928)	–	(39 097)
Depreciation on continued operations	(157 891)	(1 935)	(45 035)	(11 023)	(10 587)	(10 571)	(13 137)	(1 170)	(251 349)
Depreciation on discontinued operations	–	(317)	(36 534)	(11 860)	(15 050)	–	(9 781)	–	(73 542)
Net book value at 30 June 2020	663 490	38 887	261 739	65 656	81 096	43 419	27 125	37 214	1 218 626
Cost	821 059	49 659	506 133	162 718	192 254	105 222	113 809	58 412	2 009 266
Accumulated depreciation and impairment	(157 569)	(10 772)	(244 394)	(97 062)	(111 158)	(61 803)	(86 684)	(21 198)	(790 640)
	663 490	38 887	261 739	65 656	81 096	43 419	27 125	37 214	1 218 626

Property, plant and equipment encumbered as security

The Group entered into a Loan Facilities Agreement during the financial year which was secured by a cross-company guarantee issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP636 052 544 issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date BWP599 411 387 of these facilities were utilised. Refer to notes 22 and 29 for further disclosure of the facilities.

Lease liabilities are secured over motor vehicles and aircraft with a net book value of BWP1 889 313 (2020: BWP68 605 000) as disclosed in note 30.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Net carrying amounts of right-of-use assets				
Right-of-use asset – buildings	**580 319**	663 490	**–**	–
Motor vehicles	**1 889**	68 605	**–**	–
Aircraft	**–**	37 214	**–**	–
	582 208	769 309	**–**	–

Impairment and reversal of impairment

During the year no impairment indicators were identified relating to buildings and plant and machinery. There is no impairment for the period under review for buildings (2020: BWP Nil) and plant and machinery (2020: BWP Nil).

13. GOODWILL AND INTANGIBLE ASSET

Reconciliation of goodwill and intangible assets – Group – 2021

	Goodwill	Software	Carrying amount
Cost	**703 274**	**28 397**	**731 671**
Accumulated amortisation	**(3 114)**	**(9 633)**	**(12 747)**
Accumulated impairment losses	**(639 430)**	**(13 759)**	**(653 189)**
Carrying amount at 1 July 2020	**60 730**	**5 005**	**65 735**
Additions during the year	**–**	**2 756**	**2 756**
Acquisitions	**–**	**110**	**110**
Amortisation	**–**	**(2 551)**	**(2 551)**
Effects of hyperinflation	**(22 872)**	**–**	**(22 872)**
Effect of movements in exchange rates	**21 299**	**–**	**21 299**
	59 157	**5 320**	**64 477**
Comprising of:			
Cost	**59 157**	**31 263**	**90 420**
Accumulated amortisation	**–**	**(12 184)**	**(12 184)**
Accumulated impairment losses	**–**	**(13 759)**	**(13 759)**
	59 157	**5 320**	**64 477**

Reconciliation of goodwill and intangible assets – Group – 2020

	Goodwill	Software	Carrying amount
Cost	729 581	27 832	757 413
Accumulated amortisation	(3 114)	(7 390)	(10 504)
Accumulated impairment losses	(646 736)	(13 759)	(660 495)
Carrying amount at 1 July 2019	79 731	6 683	86 414
Additions during the year	–	565	565
Transferred to discontinued operations	(13 154)	–	(13 154)
Impairments	(9 868)	(2 243)	(12 111)
Effects of hyperinflation	53 705	–	53 705
Effect of movements in exchange rates	(49 684)	–	(49 684)
	60 730	5 005	65 735
Comprising of:			
Cost	703 274	28 397	731 671
Accumulated amortisation	(3 114)	(9 633)	(12 747)
Accumulated impairment losses	(639 430)	(13 759)	(653 189)
	60 730	5 005	65 735

The valuation of goodwill at the reporting date was determined by comparing the value in use of the cash-generating units (“CGUs”), that the goodwill is allocated to, the carrying amounts of the assets and liabilities within the CGUs. The value in use is determined by comparing the present value of estimated incremental future cash flows to the carrying amount. This was based on five-year cash flow projections based on the most recent budgets approved by the Board and extrapolations of cash flows. The Group has assessed the impact of Covid-19 on its business and has no reason to believe it has materially affected the business as it is classified as essential services. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market in which the CGU operates.

No impairment indicators were identified relating to goodwill.

13. GOODWILL AND INTANGIBLE ASSET (continued)

Goodwill is allocated to the CGUs (mainly individual stores) of the main operations as follows:

	Group 2021	Group 2020	**Company 2021**	Company 2020
Goodwill				
Nanavac Investments (Pvt) Ltd (Zimbabwe)	**59 157**	60 730	**–**	–

The following assumptions were applied in the evaluation of goodwill discount rate is 21.95% (2020: 14%-22%).

Average sales growth rate	**Group 2021 %**	Group 2020 %	**Company 2021**	Company 2020
In Zimbabwe	**10**	6	**–**	–
Terminal value growth rate	**2.4**	3.6 – 6.0	**–**	–

Five-year average inflation rate	**Group 2021 %**	Group 2020 %	**Company 2021**	Company 2020
In Zimbabwe	**50.0**	50.2	**–**	–

Five-year gross profit margin	**Group 2021 %**	Group 2020 %	**Company 2021**	Company 2020
In Zimbabwe	**22.8**	27.9	**–**	–

The value-in-use calculations and impairment reviews are sensitive to changes in key assumptions, particularly relating to discount rates and cash flow growth. A sensitivity analysis has been performed based on changes in key assumptions. The following key assumptions would need to change by the amounts as disclosed below, assuming all other assumptions remained constant, in order for the estimated recoverable amounts of the CGUs to equal their carrying amounts:

- an increase in the discount rate between 40% and 70% depending on the CGU; and
- a decrease in terminal value growth rate between 100% and 130% depending on the CGU.

14. INVESTMENT IN SUBSIDIARIES

Choppies Enterprises Limited held the below interests in the stated capital of subsidiaries consolidated into these financial statements. The company has nine (2020: nine) subsidiaries, seven (2020: seven) of which were operating during the financial year.

- Four (2020: four) subsidiaries are wholly owned including Choppies Group Share Incentive Trust Scheme.
- The other five (2020: five) subsidiaries are majority held.

Choppies Group Share Incentive Trust Scheme

Choppies Group share incentive trust scheme is termed as a subsidiary mainly due to the control exercised by the company over its management. The trust does not have any capital or equity fund which is owned by the company. Details of the movement of the trust is given in note 25. The value mentioned towards the trust is the cost of shares transferred to the Trust for its management as per the provisions of trust deed.

Company

The below table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Reconciliation of investment in subsidiaries				
Opening balance at beginning of the year	**–**	–	**104 073**	104 075
Impaired during the year	**–**	–	**–**	(2)
	–	–	**104 073**	104 073

14. INVESTMENT IN SUBSIDIARIES (continued)

In Botswana Pula	Country of incorporation	% Ownership 2021	Carrying value of investment 2021	% Ownership 2020	Carrying value of investment 2020
Choppies Distribution Centre (Pty) Ltd	Botswana	**100%**	**74 410 116**	100%	74 410 116
Choppies Supermarkets Namibia (Pty) Ltd	Namibia	**100%**	**98**	100%	98
Choppies Supermarkets Tanzania Limited	Tanzania	**75%**	**12 904 576**	75%	12 904 576
Choppies Supermarkets Tanzania Limited – Impairment		**–**	**(12 904 576)**	–	(12 904 576)
Choppies Enterprises Kenya Limited	Kenya	**75%**	**178 878 293**	75%	178 878 293
Choppies Enterprises Kenya Limited –impairment		**–**	**(178 878 293)**	–	(178 878 293)
Choppies Distribution Centre Kenya Limited	Kenya	**75%**	**10 716**	75%	10 716
Choppies Distribution Centre Kenya Limited – Impairment		**–**	**(10 716)**	–	(10 716)
Choppies Group Share Incentive Trust Scheme	Botswana	**100%**	**29 615 835**	100%	29 615 835
Choppies Supermarket Mozambique Limitada	Mozambique	**90%**	**33 613 445**	90%	33 613 445
Choppies Supermarket Mozambique Limitada – impairment		**–**	**(33 613 445)**	–	(33 613 445)
Choppies Supermarkets Limited (Zambia)	Zambia	**90%**	**47 158**	90%	47 158
Nanavac Investments (Pvt) Ltd	Zimbabwe	**100%**	**–**	100%	–
			104 073 207		104 073 207

Due to the absence of exchange control approval in Zimbabwe, the Group's ability to receive any dividends from Nanavac may be restricted.

Subsidiaries with non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are operating/operated during the current financial year. The summarised financial information is provided prior to intercompany eliminations.

	Country of incorporation	% Ownership interest held by non-controlling interest 2021	2020
Subsidiary			
Choppies Supermarkets Limited (Zambia)	Zambia	**10%**	10%
Choppies Enterprises Kenya Limited	Kenya	**25%**	25%
Choppies Distribution Centre Kenya Limited	Kenya	**25%**	25%
Choppies Supermarkets Tanzania Limited	Tanzania	**25%**	25%
Choppies Supermarket Mozambique LDA	Mozambique	**10%**	10%

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14. INVESTMENT IN SUBSIDIARIES (continued)

2021

	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Summarised statement of financial position							
Choppies Supermarkets Limited (Zambia)	95 441	55 986	151 427	92 048	243 775	335 823	(18 444)
Choppies Enterprises Kenya Limited	–	3 863	3 863	43 719	106 664	150 383	(74 389)
Choppies Supermarkets Tanzania Limited	–	1	1	34 163	–	34 163	(8 511)
Choppies Supermarket Mozambique LDA	–	6 080	6 080	–	17 582	17 582	(4 425)
Total	95 441	65 930	161 371	169 930	368 021	537 951	(105 769)

	Revenue	Loss before tax	Loss after tax	Loss allocated to non-controlling interest	Other compre-hensive income/ (loss)	Total compre-hensive income/ (loss)
Summarised statement of profit or loss and other comprehensive income						
Choppies Supermarkets Limited (Zambia)	494 876	(29 295)	(29 295)	(2 930)	(475)	(29 770)
Choppies Enterprises Kenya Limited	–	(15 336)	(15 336)	(3 834)	2 388	(1 446)
Choppies Supermarkets Tanzania Limited	–	(5 761)	(5 761)	(1 440)	198	(1 242)
Choppies Supermarket Mozambique Limitada	–	(5 012)	(5 012)	(501)	1	(500)
Total	494 876	(55 404)	(55 404)	(8 705)	2 112	(32 958)

Choppies Enterprises Kenya Limited, Choppies Supermarkets Tanzania Limited and Choppies Supermarket Mozambique LDA were classified as non-current assets held for sale in the statements of financial position, refer to note 23. In the current year, any remaining assets and liabilities were transferred to continuing business.

14. INVESTMENT IN SUBSIDIARIES (continued)

2021

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
Summarised statement of cash flows				
Choppies Supermarkets Limited (Zambia)	**15 730**	**(13 424)**	**(27 110)**	**(24 805)**
Choppies Enterprises Kenya Limited	**(4 243)**	**–**	**–**	**(3 834)**
Choppies Supermarkets Tanzania Limited	**(2 455)**	**–**	**–**	**(1 440)**
Choppies Supermarket Mozambique LDA	**(673)**	**–**	**–**	**(501)**
Total	**8 359**	**(13 424)**	**(27 110)**	**(30 580)**

2020

	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Summarised statement of financial position							
Choppies Supermarkets Limited (Zambia)	140 527	58 329	198 856	55 169	264 959	320 128	(15 467)
Choppies Enterprises Kenya Limited	3 158	15 397	18 555	97 978	71 095	169 073	(72 942)
Choppies Supermarkets Tanzania Limited	3 519	6 096	9 615	–	33 895	33 895	(7 270)
Choppies Supermarket Mozambique LDA	13 524	6 096	19 620	3 807	22 316	26 123	(4 012)
Total	160 728	85 918	246 646	156 954	392 265	549 219	(99 691)
Non-controlling interest in all other subsidiaries							87
							(99 604)

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14. INVESTMENT IN SUBSIDIARIES (continued)

2020

	Revenue	Loss before tax	Loss after tax	Loss allocated to non-controlling interest	Total compre-hensive income/ (loss)	Loss allocated to non-controlling interest
Summarised statement of profit or loss and other comprehensive income						
Choppies Supermarkets Limited (Zambia)	604 147	(61 228)	(61 228)	(6 123)	(642)	(6 765)
Choppies Enterprises Kenya Limited	38 040	(116 146)	(116 146)	(29 396)	(1 120)	(30 516)
Choppies Supermarkets Tanzania Limited	1 385	(16 653)	(16 660)	(4 164)	(491)	(4 655)
Choppies Supermarket Mozambique LDA	4 891	(5 916)	(5 916)	(592)	15	(577)
Total	648 463	(199 943)	(199 950)	(40 275)	(2 238)	(42 513)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net increase (decrease) in cash flow
Summarised statement of cash flows				
Choppies Supermarkets Limited (Zambia)	124 006	(112 395)	(13 779)	(2 169)
Choppies Enterprises Kenya Limited	(113 933)	26 101	54 254	(33 578)
Choppies Supermarkets Tanzania Limited	(807)	346	–	(462)
Choppies Supermarket Mozambique LDA	10 127	4 401	(5 981)	8 547
Total	19 393	(81 547)	34 494	(27 662)

Since Choppies Distribution Centre Kenya Limited is not an operating subsidiary, details of the same are not disclosed in the summarised financial information.

Assessment of investments in subsidiaries for impairment

The company assesses investments in subsidiaries for potential impairment when their impairment indicators have been identified. The company assesses the current and future financial performance of these subsidiaries, taking into account the company's business model (five-year projection). An impairment loss is recognised if a subsidiary does not show a cumulative profitable return over the next five years from the year-end. All investments in subsidiaries are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the investments' recoverable amount exceeds its carrying amount. Future performance was assessed based on cash flow projections for Group's subsidiaries below and the following key assumptions:

	Choppies Supermarkets Limited (Zambia)		Choppies Supermarkets Namibia (Pty) Ltd		Choppies Distribution Centre (Pty) Ltd	
	2021 %	2020 %	**2021 %**	2020 %	**2021 %**	2020 %
Revenue growth rates	**10.0**	7.0	**9.0**	8.0	**6.0**	6.0
Gross profit margins	**19.0**	17.6	**19.0**	17.4	**24.0**	23.5
Inflation rates	**10.0**	9.0	**5.0**	4.0	**2.62**	3.2
Terminal growth rates	**5.0**	3.6	**5.0**	4.2	**6.0**	4.8

The Group reviewed the projections and operations of the regions, namely Botswana, Namibia and Zambia and remains optimistic of the region as it is showing good growth and value add to the Group. As a result, the Group did not impair these investments in the financial year 2021 due to the expected positive EBIDTA and increase in value based on future projections.

15. INVESTMENTS IN NEW PROJECTS

These amounts relate to capital expenditure incurred with regard to new stores to be opened in the following financial year. The amounts are non-current in nature and will be transferred to plant and equipment when the store opens.

Investments in new projects is reconciled as follows:

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Balance at the beginning of the year	**10 270**	27 018	**–**	–
Amounts reclassified as additions to property, plant and equipment during the year (note 12)	**(9 835)**	(9 939)	**–**	–
Capital advanced during the year	**10 246**	10 468	**–**	–
Amounts reclassified as expenses	**(24)**	(302)	**–**	–
Effects of exchange rates	**(2 521)**	(3 887)	**–**	–
Transferred to discontinued operations	**–**	(13 088)	**–**	–
	8 136	10 270	**–**	–

16. AMOUNTS DUE TO(FROM) RELATED ENTITIES

Amounts due from related entities – subsidiaries	**–**	–	**168 458**	233 695
Amounts due from related entities – other related parties	**5 310**	5 414	**–**	–
	5 310	5 414	**168 458**	233 695

Transactions with related entities are carried out on mutually agreed terms and conditions in the normal course of business on an arm's length basis. Refer to note 36 for the details of related party balances and transactions.

All amounts are short-term. The carrying values of amounts due from related entities are considered to be a reasonable approximation of fair value.

Exposure to credit risk

Amounts due from related entities inherently expose the Group to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

The Group applies the IFRS 9 general approach to measuring expected credit losses which uses a lifetime expected loss allowance for its amounts due from related entities. This is because the amounts due from related entities are expected to be repaid within the agreed time (which is normally 30 to 45 days). The amounts due from related entities arise from normal trading activities.

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

The Group measures the loss allowance for amounts due from related parties by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on amounts due from related parties is determined as the lifetime expected credit losses on amounts due from related parties. These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of past default experience of amounts due from related parties but also incorporates forward looking information and general economic conditions of the industry as at the reporting date. The lifetime ECL (expected credit loss) is expected to be immaterial or almost nil based on past experience as a result of low risk of default and no amounts are past due.

Amounts due from related entities are written off when there is no reasonable expectation of recovery, for example, when a related entity has been placed under liquidation.

At the Company level, an impairment loss from related parties (subsidiaries) is recognised based on management's assessment of the related party's inability to repay the amounts advanced in the near future.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Amounts due to related entities	**(43 734)**	(82 794)	**–**	–

These balances are trade related, unsecured, interest free and are repayable under normal trading terms. Refer to note 36 for the details of related party balances and transactions.

All amounts are short-term. The carrying values of amounts due to related entities are considered to be a reasonable approximation of fair value.

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		Group		Company	
	Figures in Pula thousand	**2021**	2020	**2021**	2020
17.	**INVENTORIES**				
	Merchandise	**393 831**	343 461	**–**	–
	Goods in transit	**675**	3 435	**–**	–
		394 506	346 896	**–**	–
	Provision for inventory obsolescence	**(53 814)**	(41 420)	**–**	–
		340 692	305 476	**–**	–
	Cost of inventories recognised as an expense during the year	**4 141 605**	4 167 850	**–**	–
18.	**INVESTMENTS AT FAIR VALUE**				
	Mandatorily at fair value through statement of profit or loss:				
	Investment in listed shares	**3**	3	**–**	–
	The investment consists of 1 000 shares in First National Bank Botswana Limited. The quoted price at 30 June 2021 was BWP2.25 (2020: BWP2.4 per share).				
19.	**ADVANCES AND DEPOSITS**				
	Salary advances	**459**	286	**–**	–
	Rent advances	**1 439**	1 147	**–**	–
	Prepaid expenses	**3 376**	3 539	**–**	–
	Rent deposits	**8 090**	7 789	**–**	–
	Other deposits	**645**	880	**–**	–
	Electricity deposits	**2 933**	2 950	**–**	–
	Telephone deposits	**85**	85	**–**	–
	Advance to suppliers	**25 531**	20 395	**–**	–
	Other advances	**1 738**	2 021	**–**	–
		44 296	39 092	**–**	–
	Advances to suppliers are prepayments for inventory and services.				
20.	**TRADE AND OTHER RECEIVABLES**				
	Gross trade receivables	**132 426**	134 075	**–**	–
	Loss allowance	**(127 085)**	(128 576)	**–**	–
	Net trade receivables	**5 341**	5 499	**–**	–
	Other receivables	**24 702**	21 610	**–**	–
	Rebate receivables	**25 468**	28 218	**–**	–
	Value added tax	**8 299**	8 318	**137**	2 433
		63 810	63 645	**137**	2 433

Other receivables include balances relating to counterparties for transacting in money transfers, electricity and satellite television subscriptions.

20. TRADE AND OTHER RECEIVABLES (continued)

Credit risk

Trade and other receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

Trade receivables arise from retail sales. Retail trade is located in Botswana, Namibia, Zambia and Zimbabwe. Credit risk is assessed and monitored internally along these risk concentrations.

The Company is exposed to credit risk if counterparties fail to make payments as they fall due.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The company uses a provision matrix to measure the ECL of trade receivables from various customer groups. Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on type of clients and products.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 – Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

Credit risk on rebate receivable

These rebates receivable are recovered from supplier payments and the Group does not expect any credit loss. Rebate receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Group	**2021**	**2021**	2020	2020
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (lifetime expected credit loss)**	Estimated gross carrying amount at default	Loss allowance (lifetime expected credit loss)
Not past due: 4.75% (2020: 6.26%)	**3 517**	**(167)**	6 857	(429)
Past due 1 – 30 days: 12.92% (2020: 13.28%)	**240**	**(31)**	1 709	(227)
Past due 31 – 60 days 23.89% (2020: 23.42%)	**180**	**(43)**	222	(52)
Past due 61 – 90 days: 36.54% (2020: 34.50%)	**52**	**(19)**	258	(89)
More than 91 days past due: 100.0% (2020: 100.0%)	**2 918**	**(2 918)**	3 716	(3 716)
Specific debtors Payless	**123 907**	**(123 907)**	124 063	(124 063)
Total	**130 814**	**(127 085)**	136 825	(128 576)

20. TRADE AND OTHER RECEIVABLES (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Opening balance	**128 576**	166 621	**–**	–
Specific provision on Payless	**–**	3 208	**–**	–
Specific provision of South African debtors	**–**	(29 464)	**–**	–
Transferred to discontinued operations	**–**	(9 993)	**–**	–
Reversal of prior year provision	**(1 491)**	(1 796)	**–**	–
Closing balance	**127 085**	128 576	**–**	–

All amounts are short-term. The carrying values of trade and other receivables are considered to be a reasonable approximation of fair value.

21. RESTRICTED CASH

Cash and cash equivalents held by the entity that are not available for use by the group

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Cash and cash equivalents – restricted cash Zimbabwe	**5 143**	12 845	**–**	–

Restricted cash deposits above relate to the Zimbabwean operations, which are not available for use by the Group, due to severe long-term restrictions on the repatriation of dividends from Zimbabwe and the volatility of the Zimbabwean ZWL$ and the continued uncertainty regarding Zimbabwe's legislative framework, exchange controls and economy. Furthermore, the company did not have the necessary control clearance from the Reserve Bank of Zimbabwe to externalise funds by 30 June 2021.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Cash and cash equivalents consist of:				
Cash on hand	**6 745**	3 980	**–**	–
Bank balances	**67 175**	56 747	**441**	465
Total cash and bank balances	**73 920**	60 727	**441**	465
Bank overdraft	**(67 525)**	(148 788)	**–**	–
	6 395	(88 061)	**441**	465

The Group has the following banking facilities:

- A new facility called Facility D – raised during March 2021 with a consortium of banks as described under note 30. Facility D is a BWP50 000 000 overdraft facility from Absa Bank of Botswana Limited, Stanbic Bank of Botswana Limited and First National Bank of Botswana Limited, secured by a cross-company guarantee of BWP50 000 000 issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP50 000 000 issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date, BWP47 612 441 of this facility was utilised. The facility is payable in full by March 2022.
- BWP20 000 000 overdraft facility from First Capital Bank Botswana Limited payable July 2021. This facility is unsecured.
- The facilities at June 2020 of BWP149 000 000 was settled in full during March 2021.

23. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE

During the financial year 2020, Choppies Enterprises Limited Board decided to discontinue the operations of Kenya, Tanzania, Mozambique and South Africa. In South Africa, the entire issued shares were sold on 22 April 2020 for each of its wholly owned subsidiaries. In Kenya and Tanzania, the operations were closed and the Group exited these countries during the 2020 financial year. The Mozambique operations were closed and the assets transferred to Choppies Zambia.

At the end of the current financial year we transferred any remaining assets and liabilities to continuing business. The remaining assets relating to the disposal group are BWP5.1 million which are all considered recoverable. The remaining liabilities relating to the disposal group are BWP69.0 million which will be settled by the Group in the ordinary course of business.

Operating losses of South Africa (until the date of disposal) and the other three regions (full financial year) and assets and liabilities are summarised as follows:

	Consolidated discontinued operations		South Africa region		Other regions	
	2021	2020	**2021**	2020	**2021**	2020
Revenue	**–**	2 396 644	**–**	2 355 498	**–**	41 146
Cost of sales	**–**	(1 967 235)	**–**	(1 927 478)	**–**	(39 757)
Net profit before tax	**–**	429 409	**–**	428 020	**–**	1 389
Expenses	**(19 455)**	(751 539)	**–**	(677 670)	**(19 455)**	(73 869)
Other (losses)/income	**–**	(46 482)	**–**	13 478	**–**	(59 960)
Net interest	**(2 812)**	(9 760)	**–**	(1 984)	**(2 812)**	(7 776)
Tax	**–**	58	**–**	–	**–**	58
Net loss after tax	**(22 267)**	(378 314)	**–**	(238 156)	**(22 267)**	(140 158)
Loss on remeasurement and disposal						
Loss before tax on disposal	**–**	(91 249)	**–**	(91 249)	**–**	–
	(22 267)	(469 563)	**–**	(329 405)	**(22 267)**	(140 158)
Assets and liabilities						
Non-current assets held for sale						
Property, plant and equipment	**–**	31 001	**–**	–	**–**	31 001
Current assets						
Advances and deposits	**–**	1 354	**–**	–	**–**	1 354
Trade and other receivables	**–**	10 624	**–**	–	**–**	10 624
Cash and cash equivalents	**–**	6 102	**–**	–	**–**	6 102
	–	18 080	**–**	–	**–**	18 080
	–	49 081	**–**	–	**–**	49 081
Liabilities of disposal groups						
Borrowings and bank overdraft	**–**	115 477	**–**	–	**–**	115 477
Current tax payable	**–**	331	**–**	–	**–**	331
Trade and other payables	**–**	51 991	**–**	–	**–**	51 991
	–	167 799	**–**	–	**–**	167 799

23. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE (continued)

	Consolidated discontinued operations		South Africa region		Other regions	
	2021	2020	**2021**	2020	**2021**	2020
Equity						
Foreign currency translation reserve	**4 349**	(6 857)	**–**	–	**4 349**	(6 857)
Cash flows from discontinued operations						
Operating activities	**(42 718)**	(457 255)	**–**	–	**(27 852)**	(457 255)
Investing activities	**–**	26 465	**–**	–	**–**	26 465
Financing activities	**(38 337)**	18 087	**–**	–	**(38 337)**	18 087
	(81 055)	(412 703)	**–**	–	**(66 189)**	(412 703)

24. STATED CAPITAL

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Stated capital				
1 303 628 341 (2020: 1 303 628 341) issued ordinary shares at no par	**906 196**	906 196	**906 196**	906 196

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank pari passu with regard to the company's residual assets.

25. TREASURY SHARES

The Group operates an employee share incentive scheme. The scheme is operated through a trust known as "Choppies Group Share Incentive Trust". The trust was established to provide an incentive to the beneficiaries to encourage and commit them to the future interest of the Choppies Group and subscribe and hold for and the benefit of the beneficiaries, as directed by the directors from time to time, until such time that the shares vest in the beneficiaries.

On 22 May 2017, the Group issued 12 000 000 ordinary shares, valued at BWP30 720 000, to the Choppies Group Incentive Trust. There has been no issue of shares during the year (2020: Nil).

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Total number of shares held by the trust	**12 000 000**	12 000 000	**–**	–
Key management personnel	**100 000**	100 000	**–**	–
Senior employees	**1 375 000**	1 375 000	**–**	–
	1 475 000	1 475 000	**–**	–
Value of shares held by the trust	**29 615 835**	29 615 835	**–**	–

26. HYPERINFLATIONARY TRANSLATION RESERVE

Opening balance	**158 920**	71 392	**–**	–
Exchange differences on translating foreign operations in hyperinflationary economy	**34 010**	87 528	**–**	–
	192 930	158 920	**–**	–

This reserve is used to report the exchange differences on translating subsidiaries which is based in hyperinflationary economy. The Zimbabwe Dollar ("ZWL$") functional currency in which one of the subsidiaries operates continues to be hyperinflationary and the results of its operations have been prepared in terms of the IAS 29 – Financial Reporting in Hyper-inflationary Economies.

27. FOREIGN CURRENCY TRANSLATION RESERVE

This reserve is used to record exchange differences arising from the translation of the results of foreign subsidiaries.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Opening balance	**(396 412)**	(294 849)	**–**	–
Exchange differences on translating foreign operations	**(75 012)**	(103 801)	**–**	–
Exchange differences on translating foreign operations attributable to non-controlling interest	**(2 540)**	2 238	**–**	–
	(473 964)	(396 412)	**–**	–
Foreign currency translation reserve comprises of:				
Foreign currency translation reserve – continuing operations	**(473 964)**	(389 555)	**–**	–
Foreign currency translation reserve – discontinued operations	**–**	(6 857)	**–**	–
	(473 964)	(396 412)	**–**	–

28. RETAINED EARNINGS

Retained earnings record the cumulative net profit or loss made by the Group after deducting dividends to shareholders and other utilisation of the reserves.

29. LONG-TERM BORROWINGS

Bank borrowings held at amortised cost

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Secured				
First National bank of Botswana Limited	**64 219**	–	**–**	–
Absa Bank of Botswana Limited	**292 906**	266 342	**–**	–
Stanbic Bank of Botswana Limited	**163 161**	180 095	**–**	–
Absa Bank South Africa Limited	**7 339**	–	**–**	–
Absa Bank Kenya Plc	**24 173**	–	**–**	–
Unsecured		–	**–**	–
Loan from shareholders	**107 074**	101 517	**–**	–
Shanta Retail Holding Limited	**43 619**	–	**–**	–
	702 491	547 954	**–**	–
Non-current liabilities				
Term loans	**616 362**	355 665	**–**	–
Current liabilities				
Current portion of long-term loans	**86 129**	192 289	**–**	–
	702 491	547 954	**–**	–

29. LONG-TERM BORROWINGS (continued)

Absa Bank of Botswana Limited, Stanbic Bank of Botswana Limited and First National Bank of Botswana Limited

The lenders have made available three term facility loans:

Facility	End date	Absa	Stanbic	FNB	Total facility	**Balance at June 2021**
Facility A1	Feb-2023	72 000 000	41 000 000	16 000 000	129 000 000	**103 286 478**
Facility B	Feb-2026	150 000 000	84 000 000	33 000 000	267 000 000	**267 000 000**
Facility C	Mar-2026	84 000 000	47 000 000	19 000 000	150 000 000	**150 000 000**
Total		306 000 000	172 000 000	68 000 000	546 000 000	**520 286 478**

- Facility A1 is repayable by way of monthly equal instalments commencing in March 2021 and ending in February 2023.
- Facility B is repayable by way of monthly equal instalments commencing in March 2023 and ending in February 2026.
- Facility C is repayable in by way of a lump sum in March 2026.

Facility A1 is part of a basket of facilities including the Absa Bank of SA loan (facility A2) and Absa Bank of Kenya loan (facility A3) as detailed in the notes below and the Bank Overdraft (facility D) as detailed in note 22.

Interest is calculated based on the rate of interest on each loan per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being the Botswana prime lending rate. Interest accrues on a day-to-day basis and is calculated based on 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan.

These loans were used to settle the facility loans from Absa Bank and Stanbic shown under the prior year, in full in March 2021 with the remaining funds used towards the repayment of the bank overdraft, capital expenditure, operating expenses and general corporate purposes, including the payment of all fees and expenses relating to the implementation of the facilities.

Absa South Africa Bank Limited

The lenders have made available a term facility loan:

Facility	End date	Absa ZAR	Nominal amount BWP	**Balance at June 2021 BWP**
Facility A2	Jan-2023	12 129 084	8 972 544	**7 339 442**

Facility A2 is repayable by way of monthly equal instalments commencing in March 2021 and ending in January 2023.

Interest is calculated based on the rate of interest on each loan per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being the South African prime lending rate. Interest accrues on a day-to-day basis and is calculated based on 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan.

Absa Bank of Kenya Plc

In the prior year the outstanding balance was transferred to liabilities for disposal group. The facility was for KSH300 000 000. During the current financial year the Kenyan Shilling loan was transferred from the Kenyan subsidiary to Botswana and converted to a US Dollar loan.

The lenders have made available a US Dollar term facility loan:

Facility	End date	Absa US$	Nominal amount BWP	**Balance at June 2021 BWP**
Facility A3	Feb-2023	2 800 000	31 080 000	**24 173 026**

Facility A3 is repayable by way of monthly equal instalments commencing in March 2021 and ending in February 2023.

Interest is calculated based on the rate of interest on each loan per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being the Libor lending rate. Interest accrues on a day-to-day basis and is calculated based on 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan.

29. LONG-TERM BORROWINGS (continued)

Facility loans A to C are subject to financial covenants. Under the terms of the major borrowing facilities, the Botswana Group* is required to comply with the following financial covenants, calculated on the basis that IAS 17 – Leases is still applied:

- Botswana Group gross debt to EBITDA ratio must not exceed 2.0 times;
- Botswana Group interest cover ratio (EBITDA divided by finance charges) must be minimum of 1.2 times; and
- Botswana debt service cover ratio (free cash flow divided by the debt service costs) must be a minimum of 1.2 times.

The Botswana Group has compiled with these covenants throughout the reporting period. As at the reporting date, these ratios measure as follows:-

	2021	2020
• Gross debt to EBITDA	**1.1**	N/A
• Interest cover ratio	**5.2**	N/A
• Debt service cover ratio	**2.0**	N/A

** The Botswana Group consists of the parent company and the Botswana subsidiary – Choppies Distribution Centre (Pty) Ltd.*

Shanta Retail Holding Limited

In August 2019, the Group obtained a short-term loan for USD4 million to further finance the working capital requirements of Choppies Enterprises Kenya Limited from the minority shareholder Shanta Retail Holding Limited. Choppies Enterprises Limited issued a guarantee for the loan and entered into convertible loan agreement with a minority shareholder of Shanta Retail Holding Limited on the condition that, the loan amount will be converted in to shares in the event that Choppies Enterprises Limited defaults on repayment when due.

The loan is interest free and has no fixed repayment terms. The loan was included under liabilities for disposal group in the prior year.

The loan is guaranteed by the founding shareholders in their personal capacity. If this loan is called before the Group has enough cash to cater for it, the founding shareholders have agreed to settle it in their personal capacity and then agree suitable terms of repayment with CEL.

Loan from founding shareholders

Pursuant to the terms of a debt reduction interceptor agreement entered into between Choppies Enterprises Limited, Choppies Distribution Centre Proprietary Limited a subsidiary of Choppies Enterprises Limited and Absa Bank Limited, First National Bank of Botswana Limited, Stanbic Bank of Botswana Limited, Standard Bank SA Limited and Standard Chartered Bank Botswana Limited (the lenders) on 11 October 2019 and terms of the guarantee entered into by the founding shareholders and the lenders, pursuant to the intercreditor agreement, the founding shareholders effected a payment of BWP100 million on 19 October 2019 to the agent for the lenders. The capital of the loan bears interest at a rate equal to 0.5% below the average rate of interest paid by Choppies Enterprises Limited to the lenders under various finance documents as defined in the intercreditor agreement. The repayment of this loan may only happen after the successful implementation of the Group's debt reduction plan. This loan has a reversionary security over the assets secured in favour of the consortium creditors.

At the reporting date, borrowings payables were as follows:

	Group		**Company**	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Cash flows within one year				
Capital repayments	**86 129**	192 289	**–**	–
Interest	**38 931**	22 549	**–**	–
	125 060	214 838	**–**	–
Cash flows within two to five years				
Capital repayments	**616 362**	356 665	**–**	–
Interest	**81 387**	17 120	**–**	–
	697 749	373 785	**–**	–
Total				
Capital repayments	**702 491**	547 954	**–**	–
Interest	**120 318**	39 669	**–**	–
	822 809	587 623	**–**	–

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30. LEASE LIABILITIES

Figures in Pula thousand	Group 2021	Group 2020	Company 2021	Company 2020
Minimum lease payments due				
• within one year	**196 035**	203 065	**–**	–
• in second to fifth year inclusive	**495 485**	537 638	**–**	–
• later than five years	**205 552**	197 938	**–**	–
	897 072	938 641	**–**	–
Less: future finance charges	**(175 426)**	(185 656)	**–**	–
Present value of minimum lease payments	**721 646**	752 985	**–**	–
Present value of minimum lease payments due				
• within one year	**149 445**	153 116	**–**	–
• in second to fifth year inclusive	**393 709**	434 075	**–**	–
• later than five years	**178 492**	165 794	**–**	–
	721 646	752 985	**–**	–
Non-current liabilities	**572 201**	599 869	**–**	–
Current liabilities	**149 445**	153 116	**–**	–
	721 646	752 985	**–**	–

The Group has leases for the stores it operates in Botswana, Zambia, Namibia and Zimbabwe. With the exception of short-term leases, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 12).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a termination fee. Most leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Scania Finance Southern Africa (Pty) Ltd

Finance lease liabilities

These lease liabilities are secured over motor vehicles with a net book value of BWP1 889 313 (2020: BWP68 605 271). These liabilities bear interest at the South African prime lending rate less 0.5% – 1% per annum and are repayable in 24 – 36 monthly instalments.

Wesbank Botswana Limited

Finance lease liabilities

These lease liabilities were repaid in full during the financial year.

Alensy Energy Solutions (Pty) Ltd

These lease liabilities are secured over solar equipment with a net book value of BWP1 620 868 (2020: BWP Nil). These liabilities bear interest at the South African prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

30. LEASE LIABILITIES (continued)

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Variable lease (concession) payments	**(3 537)**	7 981	**–**	–

Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset. Variable lease payments are expensed in the period they are incurred.

Total cash outflow for leases for the year ended 30 June 2021 was BWP162 153 058 (2020: BWP162 910 002).

Additional information on the right-of-use assets by class of assets is as follows:

	30 June 2021		
	Carrying amounts (note 12)	**Depreciation expense**	**Impairment**
Buildings	**580 319**	**168 413**	**–**
Motor vehicles	**1 889**	**752**	**–**
	582 208	**169 165**	**–**

	30 June 2020		
	Carrying amounts (note 12)	Depreciation expense	Impairment
Buildings	666 282	157 891	–
Motor vehicles	68 605	9 404	–
Aircraft	37 214	1 170	–
	772 101	168 465	–

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

31. DEFERRED TAX

The movement in deferred taxation is analysed as follows:

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Reconciliation of deferred tax liability				
At beginning of the year	**(29 062)**	(32 262)	**–**	–
Business combination	**1 747**	–	**–**	–
Charge to the profit or loss	**8 609**	(1 310)	**–**	–
Foreign exchange differences including effects of hyperinflation	**161**	4 510	**–**	–
	(18 545)	(29 062)	**–**	–
Accelerated capital allowances on items of property, plant and equipment	**(39 744)**	(46 120)	**–**	–
Lease liabilities	**124 848**	128 652	**–**	–
Right-of-use asset	**(104 394)**	(110 211)	**–**	–
Advances and deposits	**–**	(54)	**–**	–
Provisions	**–**	131	**–**	–
Tax losses carried forward	**2 205**	–	**–**	–
Unrealised forex loss	**(1 460)**	(1 460)	**–**	–
	(18 545)	(29 062)	**–**	–

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32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – Group – 2021

	Opening balance	Dis-continued operations	Foreign exchange movements	New loans	Interest non-cash movements	Repay-ments	Closing balance
Borrowings	**547 954**	**115 518**	**(2 958)**	**555 649**	**7 074**	**(520 746)**	**702 491**
Finance lease liabilities	**753 316**	**–**	**17 469**	**113 014**	**–**	**(162 153)**	**721 646**
Total liabilities from financing activities	**1 301 270**	**115 518**	**14 511**	**668 663**	**7 074**	**(682 899)**	**1 424 137**

Repayments relating to borrowings of BWP520 745 626 are split on the statement of cash flows between continuing operations of BWP482 408 846 and discontinued operations of BWP38 336 780.

Reconciliation of liabilities arising from financing activities – Group – 2020

	Opening balance	Dis-continued operations	Foreign exchange move-ments	Adjust-ment on transition to IFRS 16	New loans	Interest non-cash move-ments	Repay-ments	Closing balance
Borrowings	618 871	(71 233)	1 955	-	100 000	1 517	(103 156)	547 954
Lease liabilities	54 284	(17 556)	(976)	880 474	-	-	(162 910)	753 316
Total liabilities from financing activities	673 155	(88 789)	979	880 474	100 000	1 517	(266 066)	1 301 270

There is no financing activity in the company, CEL.

33. TRADE AND OTHER PAYABLES

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Trade payables	**440 889**	413 565	–	–
Other payables	**110 379**	98 532	781	9 963
Withholding tax payable	**2 652**	2 239	–	–
Vat payables	**6 897**	1 852	–	–
Consideration payable to Kind Investment (Pty) Ltd	**7 644**	55 037	3 630	55 037
	568 461	571 225	4 411	65 000

Trade and other payables are interest-free and have payment terms of up to 30 days.

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value. Information of the Group's exposure to currency and liquidity risks is included in note 38.

34. CONTINGENT LIABILITIES

The Group has the following contingent liabilities at the reporting date:

Choppies Enterprises Limited together with all its subsidiaries have provided a guarantee of BWP27 million in favour of Absa Bank of Botswana Limited in respect of an overdraft facility of BWP53 million and a guarantee of BWP40 million in favour of Standard Chartered Bank Botswana Limited in respect of an overdraft facility of BWP40 million.

Choppies Enterprises Limited has the following guarantees issued for Nanavac Investments (Pvt) Ltd:

Beneficiaries	**2021 US$'000**	2020 US$'000	**2021 BWP'000**	2020 BWP'000
Delta Corporation Limited	**800**	800	**8 724**	8 193
National Foods Operations Limited	**2 000**	700	**21 810**	7 168
Dairibord Zimbabwe (Pvt) Ltd	**1 000**	1 000	**10 905**	10 241
Unilever Zimbabwe (Pvt) Ltd	**800**	800	**8 724**	8 193
Lobels Biscuits (Pvt) Ltd	**400**	–	**4 362**	–
Zimbabwe Sugar Sales (Pvt) Ltd	**479**	479	**5 224**	5 655
	5 479	3 779	**59 749**	39 450

The guarantees are callable on demand.

Choppies Enterprises Limited has the following guarantees issued for Choppies Enterprises Kenya Limited:

Beneficiaries	**2021 KES'000**	2020 KES'000	**2021 BWP'000**	2020 BWP'000
Kapa Oil Refineries Limited	**–**	20 000	**–**	1 972
Unga Limited	**–**	27 000	**–**	2 662
Del Monte Kenya Limited	**–**	10 000	**–**	986
Tiger Brands (EA) Limited	**–**	20 000	**–**	1 972
	–	77 000	**–**	7 592

Choppies Enterprises Limited has the following guarantees issued for Choppies Supermarkets Tanzania Limited:

Beneficiaries	**2021 TZS'000**	2020 TZS'000	**2021 BWP'000**	2020 BWP'000
Tanzanian Breweries Limited	**10 000**	10 000	**47**	46
Bonite Bottlers Limited	**7 500**	7 500	**35**	34
	17 500	17 500	**82**	80

Choppies Enterprises Limited has the following guarantees issued for Choppies Supermarket Mozambique LDA:

Beneficiaries	**2021 MZN'000**	2020 MZN'000	**2021 BWP'000**	2020 BWP'000
Cervejas De Mozambique, SARL	**–**	3 000	**–**	511

Choppies Supermarkets SA (Pty) Ltd had the following guarantees at the date of disposal (as per the closing sale agreement):

Beneficiaries	**2021 ZAR'000**	2020 ZAR'000	**2021 BWP'000**	2020 BWP'000
Consumer Goods and Services	**138**	138	**105**	94
Southern African Music Rights Organisation	**561**	561	**428**	381
Delareyville Municipality	**1 892**	1 892	**1 444**	1 286
QWIX Technology	**780**	780	**1 595**	530
Barakaat Property Investments (Mondeor Lease)	**499**	499	**381**	339
Recyquip Engineering and Manufacturing (Pty) Ltd	**1 282**	1 282	**979**	871
Mont Catering & Refrigerations SA (Pty) Ltd	**6 709**	6 709	**5 121**	4 561
Keriotic Investment SA (Pty) Ltd	**–**	19 410	**–**	13 195
RBV Consultant SA (Pty) Ltd	**–**	5 042	**–**	3 428
ILO Industries SA (Pty) Ltd	**–**	8 161	**–**	5 548
	11 861	44 474	**10 053**	30 233

- Guarantees for Tanzania and Mozambique will be released once supplier dues are fully settled.
- Guarantees to South Africa expire on 30 September 2021.

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35. BUSINESS COMBINATIONS

On 1 October 2020, Jexman Holdings Proprietary Limited, a wholly owned subsidiary of Choppies Distribution Centre (Pty) Ltd, purchased 100% of the shares in the Botswana subsidiary of UAE Exchange International Holdings Limited. The Group rebranded the business as MonyGlob (Pty) Ltd trading as MonyGlob Bureau De Change. MonyGlob's business and principal activities are money transfer and foreign exchange.

The acquisition expands the Group's presence in areas previously under-serviced by Choppies and are expected to increase revenue and earnings in the future. As a socially responsible corporate Group, the Group retained all staff working in the acquired business and employed additional staff to enhance the management team.

The net assets of the acquired businesses are summarised as follows.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	**8 881**	–	**–**	–
Deferred tax	**1 746**	–	**–**	–
Trade and other receivables	**933**	–	**–**	–
Current tax receivable	**217**	–	**–**	–
Cash and cash equivalents	**3 385**	–	**–**	–
Lease liabilities	**(7 625)**	–	**–**	–
Trade and other payables	**(1 612)**	–	**–**	–
Total identifiable net assets	**5 925**	–	**–**	–
Acquisition date fair value of consideration paid				
Purchase consideration	**(5 925)**	–	**–**	–

The acquisition-related costs amounted to BWP179 000. These costs have been expensed in the year of acquisition and are included in professional charges in the statement of profit or loss.

The fair value of the trade and other receivables approximates its gross contractual cash flows and amounts.

The amount of losses of MonyGlob (Pty) Ltd since acquisition date at 1 October 2020 included in the consolidated profit is BWP1 103 912. The amount of losses of Monyglob (Pty) Ltd for the current reporting period as though the acquisition date for MonyGlob (Pty) Ltd had been as of the beginning of the reporting period at 1 July 2020 is BWP3 480 488.

The acquisition is currently impacted by the pandemic and especially due to the lack of tourism.

36. RELATED PARTIES

Subsidiaries (Refer to note 14)

The Group's related parties include its key management, companies with common directors and ownership.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Outstanding balances are usually settled in cash.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Related party balances				
Amounts due from related entities (subsidiaries)				
Choppies Distribution Centre (Pty) Ltd	**–**	–	**141 222**	206 459
Nanavac Investments (Pty) Ltd	**–**	–	**35 093**	35 093
Nanavac Investments (Pty) Ltd – impairment	**–**	–	**(17 879)**	(17 879)
Choppies Supermarkets Limited (Zambia)	**–**	–	**9 546**	9 546
Choppies Supermarkets Namibia (Pty) Ltd	**–**	–	**476**	476
	–	–	**168 458**	233 695

The balances are unsecured, interest-free and repayable on demand. In the company an impairment reversal of BWP2 517 (2020: BWP14 105 194) was recognised for amounts due from related party, Choppies Supermarket SA (Pty) Ltd. No other impairment losses have been recognised during the financial year.

Related entities are third parties in which one or both of the founding shareholders or their immediate family members have significant control through ownership or directorship.

These balances are trading related, are based on mutually agreed terms and conditions, unsecured and interest-free and are payable under normal trading terms.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Amounts due from related entities (third parties)				
Adam's Apple (Pty) Ltd	**–**	26	**–**	–
Admiral Touch (Pty) Ltd	**31**	50	**–**	–
Alpha Direct Insurance Company (Pty) Ltd	**–**	9	**–**	–
Arcee (Pty) Ltd	**53**	75	**–**	–
Auto World (Pty) Ltd	**82**	–	**–**	–
Bagpiper (Pty) Ltd	**41**	72	**–**	–
Balance Fortune (Pty) Ltd	**12**	9	**–**	–
Boitumelo Foundation	**–**	319	**–**	–
Cottonvale (Pty) Ltd	**1**	27	**–**	–
Distron Botswana (Pty) Ltd	**28**	–	**–**	–
Electrometric Enterprises (Pty) Ltd	**–**	7	**–**	–
Farouk Ismail	**–**	2	**–**	–
Feasible Investments (Pty) Ltd	**60**	60	**–**	–
Gainville (Pty) Ltd	**18**	–	**–**	–
Golkonda Holding (Pty) Ltd	**–**	40	**–**	–
Honey Guide (Pty) Ltd	**66**	32	**–**	–
Ilo Industries (Pty) Ltd	**251**	623	**–**	–
JB Sports Holdings (Pty) Ltd	**–**	41	**–**	–
Kala Hari Medical Distributors (Pty) Ltd	**1 753**	–	**–**	–
Keriotic Investments (Pty) Ltd	**1 027**	1 676	**–**	–
Lubsoga (Pty) Ltd	**1**	–	**–**	–
Mackinnon Holdings (Pty) Ltd	**2**	5	**–**	–
Mediland Health Care Distributors (Pty) Ltd	**–**	59	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**1**	9	**–**	–
Ovais Investments (Pty) Ltd	**43**	–	**–**	–
Pennywise Investments (Pty) Ltd	**6**	6	**–**	–
Princieton (Pty) Ltd	**4**	11	**–**	–

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Amounts due from related entities (third parties) (continued)				
RBV Consultants (Pty) Ltd	**466**	818	**–**	–
Real Plastic Mould (Pty) Ltd*	**95**	(34)	**–**	–
Rootlet (Pty) Ltd	**6**	6	**–**	–
Shaysons Investments (Pty) Ltd	**80**	153	**–**	–
Solace (Pty) Ltd	**225**	566	**–**	–
Strides of Success (Pty) Ltd	**5**	1	**–**	–
The Far Property Company (Pty) Ltd	**9**	11	**–**	–
Vet Agric Suppliers (Pty) Ltd	**924**	721	**–**	–
Zcx Investments (Pty) Ltd	**20**	14	**–**	–
	5 310	5 414	**–**	–

** Negative values are advance payments received.*

The balances are trading related, are based on mutually agreed terms and conditions, unsecured and interest free and repayable under normal trading terms.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Amounts due to related entities (third parties)				
Adam's Apple (Pty) Ltd	**–**	280	**–**	–
Admiral Touch (Pty) Ltd	**390**	268	**–**	–
Alpha Direct Insurance Company (Pty) Ltd	**–**	4 600	**–**	–
Anuksha (Pty) Ltd	**16**	21	**–**	–
Arcee (Pty) Ltd	**998**	314	**–**	–
Auto World (Pty) Ltd	**58**	–	**–**	–
Bagpiper (Pty) Ltd	**439**	363	**–**	–
Balance Fortune (Pty) Ltd	**2 345**	350	**–**	–
Bargen (Pty) Ltd	**104**	–	**–**	–
Browallia (Pty) Ltd	**–**	7	**–**	–
Cottonvale (Pty) Ltd	**13**	33	**–**	–
Distron Botswana (Pty) Ltd	**1 660**	571	**–**	–
Distron Zambia (Pty) Ltd	**614**	108	**–**	–
ETG (Pty) Ltd	**4**	–	**–**	–
Electrometic Enterprises (Pty) Ltd	**885**	854	**–**	–
Feasible Investment (Pty) Ltd	**2 708**	4 789	**–**	–
Ghanzi Highway Filling Station (Pty) Ltd	**33**	11	**–**	–
Honey Guide (Pty) Ltd	**3 429**	5 886	**–**	–
Ilo Industries (Pty) Ltd	**3 211**	11 402	**–**	–
Industrial Filling Station (Pty) Ltd	**28**	20	**–**	–
Kala Hari Medical Distributors (Pty) Ltd	**11**	–	**–**	–
Kamoso Africa (Pty) Ltd	**216**	–	**–**	–
Keriotic Investments (Pty) Ltd	**18 081**	30 862	**–**	–
Keriotic Investments SA (Pty) Ltd	**–**	776	**–**	–
Mackinnon Holdings (Pty) Ltd	**49**	22	**–**	–
Mall Motors Botswana (Pty) Ltd	**–**	8	**–**	–
Mediland Health Care Distributors (Pty) Ltd	**–**	11	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**90**	187	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**526**	920	**–**	–
Part Quip (Pty) Ltd	**52**	–	**–**	–
Pennywise Investments (Pty) Ltd	**5**	68	**–**	–
Pharma Futura (Pty) Ltd	**386**	–	**–**	–
Pinestone (Pty) Ltd	**336**	269	**–**	–
Prosperous People (Pty) Ltd	**62**	56	**–**	–
RBV Consultants (Pty) Ltd	**4 032**	6 482	**–**	–
RBV Consultants SA (Pty) Ltd	**–**	90	**–**	–

Figures in Pula thousand	Group 2021	Group 2020	Company 2021	Company 2020
36. RELATED PARTIES (continued)				
Real Plastic Mould (Pty) Ltd	**1 071**	451	**–**	–
Shaysons Investments (Pty) Ltd	**248**	26	**–**	–
Shree Trading (Pty) Ltd	**19**	–	**–**	–
Solace (Pty) Ltd	**483**	3 355	**–**	–
The Far Property Company Ltd	**–**	4 205	**–**	–
Vet Agric Suppliers (Pty) Ltd	**1 103**	5 088	**–**	–
Whitecoral (Pty) Ltd	**29**	20	**–**	–
Zcx Investment (Pty) Ltd	**–**	21	**–**	–
	43 734	82 794	**–**	–
Related party transactions				
Purchase of goods or services from related entities				
Adam's Apple (Pty) Ltd	**–**	4 606	**–**	–
Admiral Touch (Pty) Ltd	**6 566**	3 639	**–**	–
Alpha Direct Insurance Company (Pty) Ltd	**–**	6 443	**–**	–
Anuksha (Pty) Ltd	**243**	–	**–**	–
Arcee (Pty) Ltd	**2 650**	9 188	**–**	–
Ascending Returns (Pty) Ltd	**–**	698	**–**	–
Auto World (Pty) Ltd	**465**	–	**–**	–
Bagpiper (Pty) Ltd	**238**	6 067	**–**	–
Balance Fortune (Pty) Ltd	**11 573**	8 042	**–**	–
Bargen (Pty) Ltd	**373**	–	**–**	–
Botswana Telecommunications Corporation Ltd	**–**	7 461	**–**	–
Cottonvale (Pty) Ltd	**74**	33	**–**	–
Dinawa Farms (Pty) Ltd	**110**	–	**–**	–
Distron Botswana (Pty) Ltd	**7 632**	3 290	**–**	–
Distron Zambia (Pty) Ltd	**–**	3 997	**–**	–
Electrometic Enterprises (Pty) Ltd	**5 006**	5 703	**–**	–
Feasible Investment (Pty) Ltd	**18 194**	24 113	**–**	–
Ghanzi Highway Filling Station (Pty) Ltd	**320**	272	**–**	–
Honey Guide (Pty) Ltd	**45 067**	59 291	**–**	–
Ilo Industries (Pty) Ltd	**49 722**	67 428	**–**	–
Industrial Filling Station (Pty) Ltd	**382**	86	**–**	–
JB Sports Holdings (Pty) Ltd	**–**	125	**–**	–
Kala Hari Medical Distributors (Pty) Ltd	**3 405**	–	**–**	–
Kamoso Africa (Pty) Ltd	**1 055**	–	**–**	–
Keriotic Investments (Pty) Ltd	**126 850**	147 896	**–**	–
Longreach (Pty) Ltd	**–**	2	**–**	–
Mackinnon Holdings (Pty) Ltd	**369**	692	**–**	–
Mall Motors Botswana (Pty) Ltd	**–**	110	**–**	–
Mediland Health care distributors (Pty) Ltd	**–**	182	**–**	–
Megatop Holdings (Pty) Ltd	**175**	–	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**2 163**	11 610	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**86**	3 499	**–**	–
Part Quip (Pty) Ltd	**742**	–	**–**	–
Pearl Grey (Pty) Ltd	**6**	60	**–**	–
Pennywise Investments (Pty) Ltd	**242**	259	**–**	–
Pharma Futura (Pty) Ltd	**13 060**	–	**–**	–
Pinestone (Pty) Ltd	**3 797**	4 421	**–**	–
Prosperous People (Pty) Ltd	**755**	1 047	**–**	–
Q Tique 79 (Pty) Ltd	**–**	63	**–**	–

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	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
36. RELATED PARTIES (continued)				
RBV Consultants (Pty) Ltd	**29 166**	35 043	**–**	–
Real Plastic Mould (Pty) Ltd	**11 921**	17 370	**–**	–
Sariox (Pty) Ltd	**532**	–	**–**	–
Shaysons Investments (Pty) Ltd	**1 192**	2 921	**–**	–
Shree Trading (Pty) Ltd	**200**	–	**–**	–
Solace (Pty) Ltd	**40 947**	42 620	**–**	–
Vet Agric Suppliers (Pty) Ltd	**99 611**	102 243	**–**	–
Whitecoral (Pty) Ltd	**141**	289	**–**	–
Zcx Investment (Pty) Ltd	**475**	251	**–**	–
	485 505	581 060	**–**	–
Sale/(sales returns) of stock to related entities				
Adam's Apple (Pty) Ltd	**–**	365	**–**	–
Admiral Touch (Pty) Ltd	**940**	490	**–**	–
Alpha Direct Insurance Company (Pty) Ltd	**–**	271	**–**	–
Arcee (Pty) Ltd	**637**	765	**–**	–
Auto World (Pty) Ltd	**1 382**	–	**–**	–
Backwater Holdings (Pty) Ltd	**–**	4	**–**	–
Bagpiper (Pty) Ltd	**538**	833	**–**	–
Balance Fortune (Pty) Ltd t/a Quick	**126**	137	**–**	–
Boitumelo Foundation	**107**	660	**–**	–
Brass Lock (Pty) Ltd	**–**	18	**–**	–
Bull Shot (Pty) Ltd	**–**	93	**–**	–
Cottonvale (Pty) Ltd	**131**	129	**–**	–
Distron Botswana (Pty) Ltd	**28**	3	**–**	–
Electrometic Enterprises (Pty) Ltd	**86**	86	**–**	–
Farouk Ismail	**5**	239	**–**	–
Feasible Investments (Pty) Ltd	**579**	647	**–**	–
Gainville (Pty) Ltd	**80**	–	**–**	–
Golkonda Holding (Pty) Ltd	**–**	454	**–**	–
Honey Guide (Pty) Ltd	**112**	512	**–**	–
Ilo Industries (Pty) Ltd	**2 816**	4 188	**–**	–
Kala Hari Medical Distributors (Pty) Ltd	**2 429**	–	**–**	–
Kamoso Africa (Pty) Ltd	**3**	–	**–**	–
Keriotic Investments (Pty) Ltd	**6 700**	11 411	**–**	–
Lubsoga (Pty) Ltd	**29**	–	**–**	–
Mackinnon Holdings (Pty) Ltd	**67**	148	**–**	–
Mediland Health Care Distributors (Pty) Ltd	**–**	349	**–**	–
Megatop Holdings Proprietary Limited	**105**	–	**–**	–
Mont Catering and Refrigeration (Pty) Ltd	**12**	69	**–**	–
Mont Catering and Refrigeration SA (Pty) Ltd	**–**	5	**–**	–
Ovais Investment (Pty) Ltd	**383**	401	**–**	–
Pennywise Investments (Pty) Ltd	**60**	–	**–**	–
Pharma Futura (Pty) Ltd	**26**	–	**–**	–
Princieton (Pty) Ltd	**22**	38	**–**	–
Prosperous People (Pty) Ltd	**–**	3	**–**	–
RBV Consultants (Pty) Ltd	**3 073**	4 588	**–**	–
Real Plastic Mould (Pty) Ltd	**777**	1 177	**–**	–
Rootlet (Pty) Ltd	**81**	–	**–**	–
Shaysons Investments (Pty) Ltd	**258**	731	**–**	–
Solace (Pty) Ltd	**3 196**	3 535	**–**	–
Strides of Success (Pty) Ltd	**47**	15	**–**	–
Texo (Pty) Ltd	**–**	1	**–**	–
The FAR Property Company (Pty) Ltd	**178**	114	**–**	–
Venta (Pty) Ltd	**10**	–	**–**	–
Venta (Pty) Ltd	**–**	118	**–**	–
Vet Agric Suppliers (Pty) Ltd	**8 826**	–	**–**	–

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
36. RELATED PARTIES (continued)				
Weal (Pty) Ltd	**–**	23	**–**	–
Zappos (Pty) Ltd	**–**	4	**–**	–
Zcx Investment (Pty) Ltd	**186**	208	**–**	–
	34 035	32 832	**–**	–
Rent paid to related entity			**–**	–
The FAR Property Company (Pty) Ltd*	**58 744**	68 411	**–**	–
Interest on shareholder's loan			**–**	–
R Ottapathu	**4 446**	1 214	**–**	–
FE Ismail	**1 111**	303	**–**	–
	5 557	1 517	**–**	–

** Rent paid is the actual rental payments as per lease agreements. Included in the statement of profit or loss and other comprehensive income is an interest expense of BWP16 107 919 (2020: BWP16 032 958) relating to the right-of-use asset.*

37. DIRECTORS' AND KEY PERSONNEL REMUNERATION

The table below provides key management personnel compensation during the year including directors. These amounts are included in employee costs in note 7.

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Directors fees				
Non-executive directors				
His Excellency FG Mogae	**–**	200	**–**	–
W Mpai	**–**	267	**–**	–
DA Kgosietsile	**–**	467	**–**	–
FE Ismail	**300**	300	**–**	–
CJ Harward	**767**	533	**–**	–
DKU Corea	**400**	433	**–**	–
T Pritchard	**733**	567	**–**	–
	2 200	2 767	**–**	–
Salaries				
Executive directors				
FE Ismail	**–**	1 202	**–**	–
R Ottapathu*	**7 572**	9 839	**–**	–
H Stander	**–**	358	**–**	–
	7 572	11 399	**–**	–

** Last year includes BWP775 542 that was disclosed under other administrative expenses in note 7.*

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Retainer fees				
Non-executive directors				
His Excellency FG Mogae	**–**	88	**–**	–
FE Ismail	**300**	250	**–**	–
T Pritchard	**366**	305	**–**	–
DKU Corea	**600**	500	**–**	–
CJ Harward	**300**	250	**–**	–
	1 566	1 393	**–**	–
Salaries				
Related to other key management personnel				
M Rajcoomar	**2 599**	399	**–**	–
V Sanooj	**1 881**	1 539	**–**	–
	4 480	1 938	**–**	–

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38. RISK MANAGEMENT

Overview

The Group is exposed to credit, liquidity, interest rate and foreign currency risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The Group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the Group.

Risk management framework

The Group's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of directors through the audit and risk committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

Interest rate risk

The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Fixed rate borrowings expose the Group to fair value interest rate risk. Variable rate borrowings, loans and cash and cash equivalents results in cash flow interest rate risks. Other than ensuring optimum money market rates for deposits, the Group does not make use of financial instruments to manage this risk.

The Group invests with reputable institutions and has obtained borrowings and overdraft facilities, which are subject to normal market interest rate risk. The effective annual interest rates on the Group's call deposits, long-term borrowings and bank overdrafts at year-end were as follows:

Interest cost

Botswana

	2021	2020
Absa Bank of Botswana Limited (overdraft)	**Prime plus 0.17%**	Prime less 2.5%
Stanbic Bank Botswana Limited (overdraft)	**Prime plus 0.17%**	–
First National Bank Botswana Limited (overdraft)	**Prime plus 0.17%**	–
Absa Bank of Botswana Limited (term loan)	**Prime plus 0.81%**	Prime
Stanbic Bank Botswana Limited (term loan)	**Prime plus 0.81%**	Prime less 2%
First National Bank Botswana Limited (term loan)	**Prime plus 0.81%**	–
Absa Bank Kenya PLC	**Libor plus 3%**	
Shanta Retail Holding Limited	**–**	–
Standard Chartered Bank Botswana Limited (overdraft)	**–**	Prime less 1%
Wesbank Botswana Limited	**–**	Prime less 2%

38. RISK MANAGEMENT (continued)

	2021	2020
South Africa		
Absa Bank of Botswana Limited	**Prime plus 2%**	Prime lending rate
Alensy Energy Solutions (Pty) Ltd	**Prime plus 2%**	–
Scania Finance Southern Africa	**Prime less 2%**	Prime less 2%
Zimbabwe		
Absa Bank of Zimbabwe Limited	**–**	3.5% above 3-month LIBOR
Absa Bank of Zimbabwe Limited (overdraft)	**–**	3.5% above 3-month LIBOR
Interest income		
Botswana		
Call accounts denominated in Pula	**4.00% to 6.00%**	4.00% to 6.00%
Call accounts denominated in foreign currencies	**1.00% to 2.00%**	1.00% to 2.00%
Fixed deposits with banks	**5.50% to 7.00%**	5.50% to 7.00%

The following are the Pula equivalent of the balances susceptible to interest rate risk:

	Group		Company	
Figures in Pula thousand	**2021**	2020	**2021**	2020
Long-term borrowings	**(702 491)**	(547 954)	**–**	–
Bank overdrafts	**(67 525)**	(148 788)	**–**	–
Call accounts denominated in Pula	**1 971**	2 829	**–**	–
Call accounts denominated in foreign currencies	**–**	539	**–**	–
Fixed deposits with banks	**4 514**	4 323	**–**	–

With average interest rates as noted, an increase/decrease of 5% (2020: 5%) in the current interest rates during the reporting period would have increased/decreased the Group's profit before taxation and equity as disclosed below:

Impact on profit before tax

Pre-tax profit for the year would have been BWP1 953 (2020: BWP2 672) lower/higher, mainly as a result of higher/lower interest expense and income on floating rate borrowings and interest-bearing assets.

Foreign exchange risk

The Group is exposed to foreign currency risk for transactions which are denominated in currencies other than the Botswana Pula. These transactions mainly relate to the Group's distribution and retail trading business and its investment in foreign operations. These transactions are predominantly denominated in South African Rand, United States Dollar and British Pound Sterling.

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38. RISK MANAGEMENT (continued)

Foreign currency risks that do not influence the Group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations in the Group's reporting currency) are not hedged.

Group		30 June 2021 Foreign currency amount	30 June 2021 BWP equivalent	30 June 2020 Foreign currency amount	30 June 2020 BWP equivalent
South African Rand denominated assets – balances with banks	ZAR'000	**26 485**	**20 244**	5 200	3 535
United States Dollar denominated assets – balances with banks	US$'000	**642**	**6 823**	346	4 085
British Pound Sterling denominated assets – balances with banks	GBP'000	**151**	**2 281**	151	2 192
South African Rand denominated assets – Receivables	ZAR'000	**26 317**	**20 115**	21 596	14 681
United States Dollar denominated assets – Receivables	US$'000	**314**	**3 337**	307	3 625
South African Rand denominated liabilities	ZAR'000	**(199 992)**	**(152 864)**	(267 382)	(181 769)
United States Dollar denominated liabilities	US$'000	**(3 552)**	**(37 747)**	(213)	(2 515)

	2021	2021
Year-end exchange rates		
South African Rand	**1.3083**	1.4710
United States Dollar	**0.0941**	0.0847
British Pound Sterling	**0.0662**	0.0689
Average exchange rates		
South African Rand	**1.3800**	1.4036
United States Dollar	**0.0901**	0.0891
British Pound Sterling	**0.0665**	0.0706

A 10% weakening of the Botswana Pula against the above mentioned foreign currencies at the reporting date would have decreased/increased the Group's profit before taxation and equity by the amounts disclosed below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group 2021 Impact on profit before tax	Group 2020 Impact on profit before tax
South African Rand denominated assets – balances with banks	**2 249**	354
United States Dollar denominated assets – balances with banks	**758**	409
British Pound Sterling denominated assets – balances with banks	**253**	219
South African Rand denominated assets – receivables	**2 235**	1 468
United States Dollar denominated assets – receivables	**371**	363
South African Rand denominated liabilities	**(16 985)**	(18 177)
United States Dollar denominated liabilities	**(4 194)**	(252)
	(15 313)	(15 616)

A 10% strengthening of the Botswana Pula against the above-mentioned currencies at the reporting date would have had an equal but opposite effect on the Group's profit before taxation and equity to the amounts disclosed above.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

38. RISK MANAGEMENT (continued)

Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- amounts due from related entities;
- trade and other receivables;
- cash and cash equivalents; and
- advances and deposits.

The Group limits the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or Groups of counterparties. The Group has no significant concentration of credit risk, and exposure to third parties is monitored as part of the credit control process.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered with banks registered in the geographical areas where the Group operates. Banks in Botswana are not rated, but most of the banks are subsidiaries of major South African or United Kingdom registered institutions.

The company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables that have similar characteristics are grouped together and assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and according to the geographical location of customers where applicable.

In determining the level of likely credit losses on write-off of trade receivables, the Group has taken cognisance of historical collections from external debt collection processes and delayed settlement arrangements with debtors, as well as the impact which the expected future development of macro-economic indicators (specifically gross domestic product) may have on historical collection and default rates, including the possible impact of Covid-19 on its business and collection.

Trade receivables are considered irrecoverable where:

- the customer has not made any payment within 180 days from the date of invoice (at which stage amounts are considered in full default);
- no alternative payment arrangements have been made and adhered to by the customer during the first 90 days after date of invoice; and
- alternative collection efforts (mainly through external debt collection agencies), initiated once the invoice has been outstanding for more than 90 days, have failed.

On the above basis the expected credit loss for trade receivables as at 30 June 2021 was determined as follows, (refer to note 20).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is summarised as follows:

Figures in Pula thousand	**2021**	2020	**2021**	2020
Trade receivables – net of provision for impairment	**5 341**	5 499	**–**	–
Other receivables	**24 702**	21 610	**–**	–
Rebate receivables	**25 468**	28 218	**–**	–
Advances and deposits	**44 295**	39 092	**–**	–
Amounts due from related entities	**5 310**	5 414	**168 458**	233 695
Bank balances	**67 175**	56 747	**441**	465
	172 291	156 580	**168 899**	234 160

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38. RISK MANAGEMENT (continued)

Liquidity risk

The Group is exposed to daily operational payments and payment of trade payables and long-term borrowings. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group sets limits on the minimum amounts of maturing funds available to meet such calls and unexpected levels of demand.

The following financial instruments are classified as non-derivative financial liabilities:

Figures in Pula thousand	**2021**	2020	**2021**	2020
Long-term borrowings	**702 491**	547 954	**–**	–
Amounts due to related entities	**43 734**	82 794	**–**	–
Bank overdrafts	**67 525**	148 788	**–**	–
Trade payables	**440 889**	413 565	**–**	–
Other payables	**118 023**	153 569	**4 411**	9 963
	1 372 662	1 346 670	**4 411**	9 963

The following are the contractual maturities of the non-derivative financial liabilities, including estimated interest payments and the impact of netting agreements:

Group 2021 – Figures in Pula thousand	**Carrying amount**	**Contractual cash flows**	**One year**	**Two to five years**	**Greater than five years**
Long-term borrowings	**702 491**	**(822 809)**	**(125 060)**	**(697 749)**	**–**
Lease liabilities	**721 646**	**(897 072)**	**(196 035)**	**(495 485)**	**(205 552)**
Amounts due to related entities	**43 734**	**(43 734)**	**(43 734)**	**–**	**–**
Bank overdrafts	**67 525**	**(67 525)**	**(67 525)**	**–**	**–**
Trade payables	**440 889**	**(440 889)**	**(440 889)**	**–**	**–**
Other payables	**118 023**	**(118 023)**	**(118 023)**	**–**	**–**
	2 094 308	**(2 390 052)**	**(991 266)**	**(1 193 234)**	**(205 552)**

Group 2020 – Figures in Pula thousand	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than five years
Long-term borrowings	547 954	(586 096)	(214 828)	(371 268)	–
Lease liabilities	752 985	(938 641)	(203 065)	(537 638)	(197 939)
Amounts due to related entities	82 794	(82 794)	(82 794)	–	–
Bank overdrafts	148 788	(148 788)	(148 788)	–	–
Trade payables	413 565	(413 565)	(413 565)	–	–
Other payables	153 569	(98 532)	(98 532)	–	–
	2 099 655	(2 268 416)	(1 161 572)	(908 906)	(197 939)

Company 2021 – Figures in Pula thousand	**Carrying amount**	**Contractual cash flows**	**One year**	**Two to five years**	**Greater than five years**
Other payables	**4 411**	**(4 411)**	**(4 411)**	**–**	**–**

Company 2020 – Figures in Pula thousand	Carrying amount	Contractual cash flows	One year	Two to five years	Greater than five years
Other payables	65 000	(65 000)	(65 000)	–	–

38. RISK MANAGEMENT (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

39. FAIR VALUE INFORMATION

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs in determining these measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

Figures in Pula thousand	Financial assets manda-torily at fair value	Financial assets at amortised costs	Financial liabilities at amortised costs	Fair value	Level 1	Level 2	Level 3	Total
Group 2021								
Assets								
Financial assets								
Mandatorily at fair value through profit or loss:								
Investment in shares	3	–	–	–	3	–	–	3
Financial assets not measured at amortised cost								
Advances and deposits	–	44 295	–	44 295	–	–	–	–
Trade and other receivables	–	30 043	–	30 043	–	–	–	–
Amounts due from related entities	–	5 310	–	5 310	–	–	–	–
Cash and cash equivalents	–	67 175	–	67 175	–	–	–	–
	3	146 823	–	146 823	3	–	–	3
Liabilities								
Financial liabilities not measured at fair value								
Long-term borrowings	–	–	702 491	702 491	–	–	–	–
Lease liabilities	–	–	721 646	721 646	–	–	–	–
Trade and other payables	–	–	568 461	568 461	–	–	–	–
Amounts due from related entities	–	–	43 734	43 734	–	–	–	–
Bank overdraft	–	–	67 525	67 525	–	–	–	–
	–	–	2 103 857	2 103 857	–	–	–	–

Notes to the consolidated and separate annual financial statements continued

for the year ended 30 June 2021

39. FAIR VALUE INFORMATION (continued)

Figures in Pula thousand	Financial assets manda-torily at fair value	Financial assets at amortised costs	Financial liabilities at amortised costs	Fair value	Level 1	Level 2	Level 3	Total
Group 2020								
Assets								
Financial assets measured at fair value								
Investment in shares	3	–	–	–	3	–	–	3
Financial assets measured at amortised cost								
Advances and deposits	–	39 092	–	39 092	–	–	–	–
Trade and other receivables	–	27 109	–	27 109	–	–	–	–
Amounts due from related entities	–	5 414	–	5 414	–	–	–	–
Cash and cash equivalents	–	56 747	–	56 747	–	–	–	–
	3	128 362	–	128 362	3	–	–	3
Liabilities								
Financial liabilities measured at amortised cost								
Long-term borrowings	–	–	547 954	547 954	–	–	–	–
Lease liabilities	–	–	752 985	752 985	–	–	–	–
Trade and other payables	–	–	571 225	571 225	–	–	–	–
Amounts due to related entities	–	–	82 794	82 794	–	–	–	–
Bank overdraft	–	–	148 788	148 788	–	–	–	–
	–	–	2 103 746	2 103 746	–	–	–	–

Carrying value is a reasonable approximation of fair value.

Company 2021								
Assets								
Financial assets measured at amortised cost								
Amounts due from related entities	**–**	**168 458**	**–**	**168 458**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**–**	**441**	**–**	**441**	**–**	**–**	**–**	**–**
	–	**168 899**	**–**	**168 899**	**–**	**–**	**–**	**–**
Liabilities								
Financial liabilities measured at amortised cost								
Other payables	**–**	**–**	**4 411**	**4 411**	**–**	**–**	**–**	**–**

39. FAIR VALUE INFORMATION (continued)

Figures in Pula thousand	Financial assets manda-torily at fair value	Financial assets at amortised costs	Financial liabilities at amortised costs	Fair value	Level 1	Level 2	Level 3	Total
Company 2020								
Assets								
Financial assets measured at amortised cost								
Amounts due from related entities	–	233 695	–	233 695	–	–	–	–
Cash and cash equivalents	–	465	–	465	–	–	–	–
	–	234 160	–	234 160	–	–	–	–
Liabilities								
Financial liabilities measured at amortised cost								
Other payables	–	–	65 001	65 001	–	–	–	–

Carrying value is a reasonable approximation of fair value.

40. FINANCIAL SUPPORT

Choppies Distribution Centre (Pty) Ltd, a wholly owned subsidiary of Choppies Enterprises Limited, has pledged its continued financial and operational support to certain subsidiaries of Choppies Enterprises Limited in order for these companies to continue operating as going concerns in the foreseeable future. Each of these companies is technically insolvent with their liabilities exceeding their assets.

The financial support provided by the company will continue for each individual company until such time as the equity and assets, fairly valued, exceed the liabilities for each of the respective individual companies.

Based on the ability of Choppies Distribution Centre (Pty) Ltd to continue providing such support, the individual financial statements of these technically insolvent companies have been prepared on the going concern assumption. The shareholders' deficits at the reporting date for each of the companies are summarised as follows:

Foreign subsidiaries in Pula thousand	**2021**	2020
Choppies Supermarkets Namibia (Pty) Ltd	**43 498**	41 001
Choppies Supermarkets Limited (Zambia)	**184 396**	152 167
Nanavac Investments (Pvt) Ltd	**246 363**	200 115
	474 257	393 283

41. GOING CONCERN

The Group and Company Annual Financial Statements have been prepared based on accounting policies applicable to a going concern. This basis assumes that there will be funds available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group's negative equity reduced from BWP467.1 million at June 2020 to BWP448.4 million as at June 2021, mainly due to trading profits and hyperinflationary translation reserves exceeding currency weaknesses in Zimbabwe.

It is to be noted that the continuing operations contributed a profit after tax of BWP81.9 million (2020: BWP98.9 million). Going forward, operating profits from the continuing operations are expected to build up value for the Group as management's focus will be on the operations that have an operating profit namely Botswana Zambia, Zimbabwe and Namibia, which should help stabilise the Group and restore equity.

41. GOING CONCERN (continued)

The Board has put in place various measures and procedures to improve governance at entity and operational levels. The Board is confident that the Group has the capacity and goodwill to turn the performance around and thus become cashflow positive.

Although there are conditions and events that create doubt around the entity's ability to continue as a going concern, the ability of the Group and Company to continue as a going concern is dependent on many factors and indicators. The Board has considered, among other, the following relating to financial, operating and legislation towards management's assessment of going concern. It should be stressed that the Board has relied on information as prepared by management, and as listed below.

Financial indicators

- The consolidated and individual subsidiary budgets for the 2022 financial year indicate that the ongoing operations will be profitable from year 2022 onwards.
- Modelling and stress testing the forecast financial results for the Group and Company for the next five years indicated improvements in performance going forward.
- Sensitivity and stress tested monthly cash flow projections for the next 12 months to June 2022 and beyond to consider the impact of the working capital and essential capital expenditure.
- The restructured debt facility will allow more flexibility and headroom compared to the previous structure. The new debt is detailed under note 30.
- Based on the forecasts, management is confident that the Group will comply with all covenant requirements going forward.
- As at June 2021, there are no fixed term borrowings that have matured and the projections do not indicate any challenges in repayment of borrowings in the next 12 months.
- The founding shareholders have also provided personal sureties towards the Kenyan loan to the minority shareholder's amounting to BWP43.6 million (2020: BWP73.9 million), with recourse thereafter to the Group.

Operational indicators

- Management have assessed the economic and operational forecast environment in the countries where the ongoing subsidiaries operate. The Zimbabwe situation will continue to be challenging with currency volatility and restrictions on profit repatriation expected to continue.
- The impact of the Covid-19 pandemic has been assessed by the Board and management. The impact on the Group's businesses was limited due to its operations been classified as essential services and hence not fully closed during the lockdown periods. The duration and future impact of the Covid-19 pandemic remains unclear at this time.
- The Group has not lost any key supplier or service agreements which are key for generating revenue and profits. The Group is looking to strengthen relationships further and venture into new areas of revenue generation going forward.
- Relationship with suppliers have strengthened further compared to prior years. The inventory levels are therefore expected to remain at required levels to enable the Group to generate the budgeted revenue and achieve customer satisfaction and brand loyalty.
- Management is aware of the competition in the markets in which they operate. They are confident of retaining and increasing the market share in the coming years through effective service delivery.

Legislative and other factors

Compliance with all laws and regulations applicable to the Group is currently a priority for the Board and management. All identified risks on compliance are continuously being dealt with and appropriate controls are being put in place to detect and act upon any compliance requirements which might arise. Management is not aware of any key legislative change which can affect the Group going forward.

Consequently, the Board relying on management's assessment, is confident that both the Company and Group will continue as going concerns in the foreseeable future.

Overall risk to operations – Impact of Covid-19 (coronavirus)

Since December 2019, the spread of Covid-19 has severely impacted many economies around the globe. In many countries, businesses have been forced to cease or limit operations for long or indefinite periods of time. Botswana and other countries in which we operate have introduced measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closure of non-essential services. These measures have triggered significant disruptions to businesses, resulting in an economic slowdown. Governments and Central Banks including the Bank of Botswana, have responded with monetary and fiscal interventions to stabilise economic conditions.

41. GOING CONCERN (continued)

Since the Group trades in essential commodities, it is allowed to continue operating during the lockdown period, however, the impact of Covid-19 on the Group's business is expected to result in uncertainty going forward. The impact of the pandemic during the financial year in the regions in which we trade did have a negative impact on the operations of the company in comparison with the budget and last year. This indicates that in future, despite the fact that we are essential services, the impact of to the pandemic would be harmful to our performance.

The duration and impact of the Covid-19 pandemic currently remains unclear. It is not possible to reliably estimate the duration and severity of these consequences on the economies of the countries in which we operate.

The Group has identified several measures available to limit the negative financial impact of Covid-19 on its business, including:

- Cost-saving measures, which has been implemented to reduce costs and increase profitability.
- Introducing online sales and other sale processes to enhance customer service delivery considering that the business was declared an essential service during the lockdown period. These are now continuing services.
- Better inventory management processes to ensure appropriate stock levels are maintained for fast moving goods and ensuring sales level are met.

The Group recognises that the Covid-19 pandemic and related disruption to the economy will result in unpredictability of the business environment. The Group will continue to monitor the situation globally and locally and will take all measures to safeguard the interest of stakeholders in a responsible manner. Our goals are to protect the health of our stakeholders and customers by upholding rigorous hygiene standards across our stores, offices and supply chain, and to support the imperative of minimising person-to-person transmission through 'social distancing' measures. Special protocols that have been implemented for Choppies drivers of cross-border trucks to ensure uninterrupted and regular delivery of imported goods.

42. EVENTS AFTER THE REPORTING PERIOD

42.1 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.

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

SHAREHOLDERS' INFORMATION


11
6
SANITARY PADS
TOILET ROLLS
SHAMPOO
HAIR CARE
TISSUES
5

Shareholders' analysis

for the year ended 30 June 2021

ANALYSIS 2021

	Number of shareholders	Number of shares	% of total shareholding
Shareholder spread			
1 – 1 000	7 493	1 968 423	70.30
1 001 – 10 000	2 304	8 829 580	21.62
10 001 – 100 000	690	19 959 149	6.47
100 001 – 1 000 000	121	45 043 723	1.14
Over 1 000 000	51	1 227 827 466	0.48
Total	10 659	1 303 628 341	100.00
Distribution of shareholders			
Companies	214	50 255 419	2.01
Share scheme	1	12 000 000	0.01
Individuals	10 339	80 775 259	97.06
Institutional investors	93	584 630 951	0.87
Directors	5	575 966 712	0.05
Total	10 652	1 303 628 341	100.00
Shareholders type			
Non-public shareholders	5.00	575 966 712	44.18
Public shareholders	10 647	727 661 629	55.82
Total	10 652	1 303 628 341	100.00
Directors			
Ramachandran Ottapathu (including indirect holdings)		315 884 469	24.23
Farouk Ismail (including indirect holdings)		259 946 396	19.94
Carol-Jean Harward		135 847	0.01
Don Kumaray U Corea		–	–
Thomas Pritchard		–	–
Total		575 966 712	44.18

TOP 10 SHAREHOLDERS

Choppies share register 30 June 2021

Name of top 10 shareholders 2021	Number of shares held 2021	Percentage of shareholding 2021
Ramachandran Ottapathu	315 884 469	24.23
Farouk Ismail	259 946 396	19.94
Allan Gray	230 343 450	17.67
Marina IV LP	131 291 985	10.07
Botswana Insurance Fund Manager	103 350 925	7.93
UBS Switzerland AG-Client Assets	33 896 890	2.60
Standard Private Equity (Mauritius)	29 723 816	2.28
Festus Gontebanye Mogae	19 459 388	1.49
Six Sis Ltd	17 955 000	1.38
Tigmon Willow (Pty) Ltd	17 231 785	1.32
Total	1 159 084 104	88.91

Shareholders' diary

for the year ended 30 June 2021

Financial year-end	30 June
Preliminary annual results announcement	22 September 2021
Integrated Annual Report posted	5 November 2021
2021 Annual General Meeting	29 November 2021
Next interim results announcement	March 2022
FY2022 annual results announcement	September 2022

Notice of annual general meeting

for the year ended 30 June 2021

CHOPPIES ENTERPRISES LIMITED

(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
("Choppies" or the "Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Choppies Enterprises Limited will be held by way of Zoom at 14:00 on Monday, 29 November 2021 (the "AGM" or "meeting"):

1. To receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2021 together with the Directors' and Auditor's reports thereon as well as the Integrated Annual Report.

2. To confirm the appointment of Mr Valentine Chitalu as a director of the Company.

3. To confirm the re-election of Mr Farouk Ismail, who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, and being eligible, offers himself for re-election as a non-executive director.

4. To consider and if deemed fit, ratify the appointment of Mazars as auditors of the Company for the ensuing financial year.

5. To consider and if deemed fit, ratify the remuneration paid to the auditors, Mazars, for the year ended 30 June 2021 as set out on page 94 of the Integrated Annual Report.

6. To approve the remuneration policy as set out in section 2 of the remuneration report – page 72 of the Integrated Annual Report.

7. To approve the implementation of the remuneration policy as per section 3 of the remuneration report – page 74 of the Integrated Annual Report.

8. To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations for the year ending 30 June 2022 subject to these being made in terms of Company policy, for charitable purposes and in total not exceeding 1.5% of EBITDA for FY2022.

9. The answering by the directors of questions put by shareholders in respect of the affairs and the business of the Company in respect of the year ended 30 June 2021.

10. To close the meeting.

IMPORTANT INFORMATION REGARDING ATTENDANCE, PARTICIPATION AND VOTING AT THE AGM

Record date

The date on which holders of shares listed on the Botswana Stock Exchange must be recorded as such in the register of shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 19 November 2021. The date on which holders of shares listed on the JSE Limited must be recorded as such in the register of Shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 19 November 2021 with the last day of trade on the JSE Limited being Tuesday, 16 November 2021.

ELECTRONIC PARTICIPATION

Given the restrictions on gatherings and travel due to the Covid-19 pandemic as implemented by the Government of Botswana, which restrictions are anticipated to prevail in the immediate future and in November 2021, the AGM will be held entirely through electronic communication being Zoom by which all shareholders participating in the meeting simultaneously hear each other throughout the meeting, as provided for in section 109 of the Companies Act and section 3(b) of the Second Schedule to the Companies Act. The Company's Constitution also permits such electronic communication at a meeting of shareholders.

Shareholders who choose not to attend in person but seek to appoint a proxy to attend the meeting on their behalf can still submit their proxy forms. Proxy forms are to be delivered or sent by email to the Company Secretary, DPS Consulting Services (Pty) Ltd ("DPS") as provided for on the proxy form. Where a shareholder has submitted a proxy form, the person attending the AGM on the Shareholder's behalf shall be presumed to vote in accordance with the instructions of voting set out in the proxy form.

Shareholders and the proxy of any shareholder who wish to participate in the AGM, will be required to submit the relevant duly completed Electronic Participation Form which is annexed to the notice of AGM together with the relevant documents to DPS, as provided for on the form. Shareholders are strongly encouraged to complete their verification well ahead of time.

Once the identity of a shareholder seeking to attend the meeting and the authority of any person representing such a shareholder (if the shareholder is not an individual or holds their shares through a nominee) or the proxy appointed by a shareholder and the person seeking to attend the AGM has been verified by DPS, the person seeking to attend the AGM will be provided with details on how to join the AGM.

Shareholders who have not appointed a proxy, hence not set forth instructions of voting, and who intend to participate in the meeting, once the identity of the shareholder has been verified, will be provided with a voting form together with instructions on how to join the AGM. Shareholders or proxies for shareholders attending the meeting are urged to send their duly completed voting forms to DPS by delivery, or by email before the meeting.

Pursuant to article 13.3 of the Constitution of the Company, the Chairman has regulated the procedure to be adopted at the meeting as follows:

- Voting will be by poll
- In terms of article 15.2 of the Constitution, voting will be by way of submission of voting papers by Shareholders or proxies attending the meeting before the meeting or during but before the end of the meeting
- Pursuant to article 15.10 of the Constitution, the auditors, Mazars, will scrutinise the proxy forms, the voting forms and the results
- Pursuant to article 15.11 of the Constitution, the Chairman shall declare the result after receipt of a certificate from the auditors in terms of article 15.11 of the Constitution.

The Company shall publish the results of the meeting within 48 hours of the conclusion of the meeting.

VOTING INSTRUCTION

Nominee accounts (dematerialised shareholders other than own-name registered shareholders)

Shareholders whose Shares are held in a nominee account must not complete the attached form of proxy.

If shares are held in a nominee account, then nominee, Central Securities Depository Participant ("CSDP") or broker of such shareholder should contact the shareholder to ascertain how to cast votes at the AGM and thereafter cast the shareholder's vote in accordance with its instruction.

Notice of annual general meeting continued

for the year ended 30 June 2021

If you have shares in the Company held in a nominee account and have not been contacted, it would be advisable for you to contact your nominee or CSDP or broker and furnish them with your instruction. If your nominee or CSDP or broker do not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them or, if the mandate is silent in this regard, to abstain from voting.

Unless you advise your nominee, CSDP or broker timeously in terms of your agreement by the cut off of time advised by them that you wish to attend the AGM or send a proxy to represent you, your nominee, CSDP or broker will assume you do not wish to attend the AGM or send a proxy.

If a nominee, CSDP or broker is a company, it may appoint a proxy provided that the proxy form is accompanied by a resolution of the nominee, CSDP or broker empowering the person acting on behalf of the nominee, CSDP or broker to appoint the proxy. Alternatively, such nominee, CSDP or broker may appoint by resolution, a person to represent it at a meeting; in such event, the resolution should be delivered to DPS at least 48 hours prior to the holding of the meeting. The proxy or representative appointed by the nominee, CSDP or broker should complete the Electronic Participation Form and deliver that to DPS.

If you wish to participate in the AGM, you must request the necessary letter of representation from your nominee or CSDP or broker and submit this letter together with the Electronic Participation Form to DPS at least 48 hours prior to the holding of the meeting.

“Own-name” shareholders (Certificated and own-name registered dematerialised shareholders)
“Own-name” Shareholders who wish to participate at the AGM themselves, should submit their duly completed Electronic Participation Form together with an acceptable form of identification to DPS at least 48 hours prior to the holding of the meeting.

“Own-name” Shareholders may also appoint a proxy to represent them at the AGM by completing the attached proxy form and returning it to DPS at least 48 hours prior to the time and date of the meeting. If a shareholder appoints someone other than the Chairman of the meeting as their proxy and wants the proxy to participate in the AGM, the proxy must complete and submit the Electronic Participation Form to DPS at least 48 hours prior to the holding of the meeting.

An integrated annual report updating shareholders on key issues pertaining to the Company, dealing with certain of the matters which are to be dealt with at the AGM at 2PM on Monday, 29 November 2021, together with notice convening the meeting, proxy forms, and electronic participation forms (to enable participation of a Shareholder or a proxy in the electronic meeting) will be sent to Shareholders on or about Friday, 5 November 2021.

By order of the Board

DPS CONSULTING SERVICES (PROPRIETARY) LIMITED
Company Secretaries

5 November 2021

Form of proxy

CHOPPIES ENTERPRISES LIMITED
(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
BSE share code: CHOPPIES)
(ISIN: BW0000001072)
("Choppies" or the "Company")

FORM OF PROXY

I/we ______________________ of ______________________ being holder of ______________

ordinary shares of the Company hereby appoint ______________________________________ or

failing him/her ______________________________ or, failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held entirely by way of electronic communication at 14:00 on Monday, 29 November 2021 (the "Annual General Meeting" or "meeting").

	For	Against	Abstain
Resolution 1 – To receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2021 together with the Directors' and Auditor's Reports thereon as well as the Integrated Annual Report.			
Resolution 2 – To confirm the appointment of Mr Valentine Chitalu as a director of the Company.			
Resolution 3 – To confirm the re-election of Mr Farouk Ismail who retires by rotation in terms of Clause 20.9.1 of the Constitution of the Company, and being eligible, offers himself for re-election as a non-executive director.			
Resolution 4 – To consider and if deemed fit, ratify the appointment of Mazars as auditors of the Company for the ensuing financial year.			
Resolution 5 – To consider and if deemed fit, ratify the remuneration paid to the auditors, Mazars, for the year ended 30 June 2021 as set out on page 94 of the Integrated Annual Report.			
Resolution 6 – To approve the remuneration policy as set out in section 2 of remuneration report – page 72 of the Integrated Annual Report.			
Resolution 7 – To approve the implementation of the remuneration policy as per section 3 of remuneration report – page 74 of the Integrated Annual Report.			
Resolution 8 – To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations for the year ending 30 June 2022 subject to these being made in terms of Company policy, for charitable purposes and in total not exceeding 1.5% of EBITDA for FY2022.			

Each Shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more persons as proxy to attend, speak and vote in place of the Shareholder at the Annual General Meeting and the proxy appointed need not be a shareholder at Choppies. Please read notes 1 to 9 on the reverse side hereof.
Please indicate with an "X" how you wish your votes to be cast.

Signed on this ______________ day of ______________________ 2021

Signature of shareholder(s) ______________________________

Assisted by me (where applicable) ______________________________

Form of proxy continued

NOTES:

1. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy. If the proxy form is signed under a power of attorney, it must be accompanied by a copy of the power of attorney and a signed notice of non-revocation of the power of attorney (unless the power of attorney has already been deposited with the Company).

2. The form appointing such a proxy must be deposited at the office of the Company Secretary, DPS Consulting Services (Pty) Ltd, Plot 54513, Unit 6A, Courtyard Village, Gaborone, Botswana, or by email to fadhili@dpsconsultancy.com not less than 48 hours before the meeting.

3. Proxies executed by companies/organisations should be accompanied by a resolution of the organisation appointing the representative to sign the proxy form.

4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

5. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with the instructions provided in the notice convening the meeting and these notes, provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.

6. A form of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. Where ordinary shares are held jointly, all joint shareholders must sign the proxy form.

9. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

Electronic participation form

CHOPPIES ENTERPRISES LIMITED
(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(JSE share code: CHP)
(BSE share code: CHOPPIES)
(ISIN: BW0000001072)
("Choppies" or the "Company")

Shareholders or their proxies who wish to participate in the Annual General Meeting to be held entirely by way of electronic communication at 14:00 on Monday, 29 November 2021 (the "AGM" or "meeting") ("AGM participant") must notify the Company by delivering this form and supporting documents to the office of the Company Secretary DPS Consulting Services (Proprietary) Limited ("DPS"), Plot 54513, Unit 6A, Courtyard Village, Gaborone, PO Box 1453, Gaborone, or by email to fadhili@dpsconsultancy.com as soon as possible but no later than 14:00 on Thursday, 25 November 2021.

Shareholders are strongly encouraged to complete their verification well ahead of time.

Each AGM participant who has successfully been verified by DPS will be provided with the details on how to join the AGM. AGM participants who are a proxy for a shareholder will be provided with a voting form and be presumed to vote at the meeting in accordance with the instructions for voting set out on the proxy form. AGM Participants who are not proxies will be provided with a voting form. AGM participants who are not proxies are strongly encouraged to send their completed voting forms to DPS before the meeting. AGM participants who have not sent completed voting forms to DPS prior to the meeting will be able to complete the voting forms and submit the same to DPS by email to fadhili@dpsconsultancy.com during the meeting or at the latest by the end of the proceedings of the meeting.

Reference is made to the notice of the AGM for important information regarding participation and voting at the AGM.

Name of registered shareholder	
Omang/ID/Passport number/Registration number of registered shareholder	
Name and contact details of CSDP or broker (if shares are held in dematerialised form)	
Shareholder CSD account number/broker account number or own name account number or custodian account number	
Number of ordinary shares held	
Full name of AGM participant	
Omang/ID/Passport number of AGM participant	
Email address of AGM participant	
Cellphone number of AGM participant	

By signing this form I/we agree and consent to the processing of my/our personal information above for the purposes of participation in the AGM and acknowledge the following:

1. The cost of joining the AGM is for the expense of the AGM participant and will be billed separately by the AGM participant's service provider. The AGM participant is not permitted to share the link with a third party.
2. The Company, its agents and third-party service providers cannot be held accountable and will not be obliged to make alternative arrangements in the event of a loss or interruption of network activity or other network failure due to insufficient airtime, internet connectivity, internet bandwith, power outages or any other circumstances which prevents any AGM participant or proxy holder from participating in the AGM or voting.

Signed on this ______________ day of ______________ 2021

Signature of shareholder(s) ______________

Assisted by me (where applicable) ______________

Corporate information

CHOPPIES ENTERPRISES LIMITED
(Incorporated in Botswana on 19 January 2004)
(Registration number BW00001142508)
Plot 169
Gaborone International Commerce Park
Gaborone, Botswana

REGISTERED ADDRESS
DPS Consulting Services (Pty) Ltd
PO Box 1453, Gaborone, Botswana
Tel: +267 316 2062

LEGAL ADVISER
Neill Armstrong
PO Box 45701, Riverwalk, Gaborone,
Botswana

BOTSWANA GROUP AUDITOR
Mazars
Plot 139, Finance Park, Gaborone, Botswana
Telephone: +267 395 7466

SPONSORING BROKER
Stockbrokers Botswana Ltd
Plot 67978, Ground Floor, East Wing, Mokolwane House,
Fairgrounds, Gaborone, Botswana
Telephone: +267 395 7900

JSE SPONSOR
PSG Capital
1st floor, Ou Kollege Building
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Stellenbosch, 7600
PO Box 7403
Stellenbosch, 7599
South Africa
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COMPANY SECRETARY
DPS Consulting Services (Pty) Ltd
PO Box 1453, Gaborone, Botswana
Tel: +267 316 2062

BANKERS

Absa Bank Botswana Limited
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First Capital Bank Botswana Limited
Head Office: Capital House, Plot 17954,
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Fax: +267 3922818

Stanbic Bank Botswana Limited
Stanbic House, Plot 50672, Off Machel Drive,
Fairgrounds Private Bag 00168, Gaborone, Botswana
Tel: +267 3618110
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Website: www.stanbicbank.co.bw

Bank of Baroda (Botswana) Limited
Plot 1108, AKD House, Queens Road, The Mall, Gaborone,
Botswana
PO Box 21559, Bontleng, Gaborone, Botswana
Tel: +267 3933773/3188878
Fax: +267 3188879
Website: www.bankofbaroda.co.bw

First National Bank Botswana Limited
First Place, Plot 54362 CBD, Gaborone, Botswana
Tel: +267 3706000

Bank Gaborone
Plot 74768, Corner 2nd Commercial and Western,
Commercial Road Central Business District
Private Bag 00325, Gaborone
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info@bankgaborone.co.bw
http://www.bankgaborone.co.bw

FBC Bank Limited
108 Jason Moyo Street
11th Avenue
Bulawayo
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Email: help@fbc.co.zw
Fax: (+263 292) 76224

Central African Building Society (CABS)
Shop 1& 2 Ascot Complex
Bulawayo
Tel: + 263 29 75902/75991
Email: management@cabs.co.zw

Ecobank Zimbabwe Limited
5 Parkade Centre, Cnr Fife Street
9th Venue, Bulawayo
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BancABC Zimbabwe
Jason Moyo Branch
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ZB Bank
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Tel:292 888507 Ext 3923

Steward Bank
7 King George Road Harare
Zimbabwe
Tel:08677004085
Email: customerservice@stewardbank.co.zw

First Capital Bank (FCB)
625 Famona, Bulawayo
97A Robert Mugabe Way
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Email: customerservice@firstcapitalbank.co.zw

Ecocash Zimbabwe
1906 Borrowdale Road, Borrowdale, Harare
Tel:+263 242 486121/6 114 (Toll Free)
+263 4 486120/486867
Email: ecocashhelp@econet.co.zw

METROPOLITAN BANK (METBANK)
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Tel:263-242-703514
Econet Toll Free Number: 08080251
TelOne Toll Free Number: 08004166
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Bank of Windheok
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Lusaka,
Zambia
Tell: 0211 228 979
www.Zanaco.co.zm

Atlas Mara Bank
Atlas Mara House
Ground Floor, Plot 746B, Corner Church
Road/Nasser Rds, Lusaka
Phone: 0211 257 970
https://atlasmarazambia.com

Abbreviations and definitions

AGM	Annual General Meeting
Annual report	Annual report as envisaged in section 215 of the Companies Act
ARC	Audit and risk committee
Basic earnings per share ("EPS") (thebe)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares calculated in thebe
BSE	Botswana Stock Exchange Limited
BWP	Botswana Pula, the functional currency of Botswana
CAPEX	Capital expenditure
CEO	Chief executive officer of Choppies Enterprises Limited
CFO	Chief financial officer of Choppies Enterprises Limited
CIO	Chief information officer
"Choppies" or "the Company"	Choppies Enterprises Limited, listed on the BSE and JSE
Companies Act	The Botswana Companies Act Cap 42:01
CPI (%)	An index of prices used to measure the change in the cost of basic goods and services
COVID-19, the pandemic	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CSI	Corporate social investment
CSR	Corporate social responsibility
Diluted basic earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in thebe
DC	Distribution centre
Diluted headline earnings per share	Headline earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments calculated in thebe
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESG	Environmental, social and governance
FMCG	Fast moving consumer goods
FOREX	Foreign exchange
FY2020	Financial year ended 30 June 2020
FY2021	Financial year ending 30 June 2021

GDP	Gross domestic product
Group	Choppies Enterprise Limited and its subsidiaries
Headline earnings	Determined in terms of the circular issued by the South African Institute of Chartered Accountants by excluding from reported earnings specific separately identifiable re-measurements net of related tax and non-controlling interests
Headline earnings per share ("HEPS")	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment and investments
HR	Human resources
IAS	International auditing standards
Integrated Annual Report	A report as required by King IV, the BSE and JSE Listings Requirements and in terms of the International Integrated Reporting Framework guidelines
IFRS	International Financial Reporting Standards
IT	Information Technology
JSE	JSE Limited/Johannesburg Stock Exchange
King III	King Report on Corporate Governance for South Africa 2009
King IV or King IV Report	King Report on Corporate Governance for South Africa 2016
KPI	Key performance indicator
LSM	Living standards measure
MBA	Master of Business Administration
SA Companies Act	The South African Companies Act, 2008 (Act 71 of 2008)
SENS	Stock Exchange News Service of the JSE
SKUs	Stock keeping units
Shares in issue (number)	The number of ordinary shares in issue as listed by the BSE and JSE
The Board	The Board of Directors of Choppies Enterprises Limited
The year	The year ended 30 June 2021
WACC	Weighted average cost of capital
Weighted average number of shares (number)	The number of shares in issue at the beginning of a period, adjusted for shares cancelled, bought back, or issued during the period, multiplied by a time-weighting factor


BANANAS
APPLES

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