CHOPPIES

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CHOPPIES RETURNS TO PROFITABILITY

CHOPPIES ENTERPRISES LIMITED CONDENSED REVIEWED INTERIM GROUP FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

Registration Number: BW00001142508

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited) 6 Months ended 31 December, 2020 P ' 000	(Unaudited) 6 Months ended 31 December, 2019 P ' 000	(Audited) 12 Months ended 30 June, 2020 P'000
Revenue	2,711,341	2,968,967	5,420,596
Cost of sales	[2,113,713]	[2,288,942]	[4,167,850]
Gross profit	597,628	680,025	1,252,746
Other operating income	23,402	28,700	51,961
Operating income	621,030	708,725	1,304,707
Expenditure	[483,207]	[564,071]	[1,096,725]
Net Impairment reversals/ (losses)	-	590	[11,280]
Administrative expenses	[413,759]	[473,252]	[901,870]
Selling and distribution expenses	[7,733]	[27,298]	[63,200]
Net monetary profit/(loss) on Zimbabwe entities	1,647	[14,017]	20,366
Other operating expenses	[63,362]	(50,094)	[140,741]
Operating profit before interest	137,823	144,654	207,982
Finance costs	[48,681]	[50,473]	[103,087]
Finance income		48	110
Profit before taxation	89,143	94,229	105,005
Taxation	[25,620]	[28,692]	[6,076]
Profit / (loss) from continuing operations	63,523	65,537	98,929
Loss from discontinued operations	[25,795]	[204,714]	[469,563]
Total profit/(loss) for the period	37,728	[139,177]	[370,634]
Other community (least) income			
Other comprehensive (loss) income	[42.252]	[07/01]	[16.272]
Items that may be reclassified to profit or loss	[42,352] [15,972]	[97,481] [52,975]	[16,273]
Exchange differences on translating foreign operations Exchange differences on translating foreign	[15,972]	[52,975]	[103,801]
operations in hyperinflationary economy	[26,380]	[44,506]	87,528
operations in hyperinnationary economy	[20,300]	[44,500]	67,526
Total comprehensive (loss) for the year	[4,624]	[236,658]	[386,907]
Profit / (Loss) for the period attrbutable to:	37,728	[139,177]	[370,634]
Owners of the parent	43,964	[123,389]	[330,359]
Non-controlling interest	[6,236]	[15,788]	[40,275]
3			
Total comprehensive income (loss) for the year attributable to	37,728	[139,177]	(370,634)
Owners of the company	43,964	[123,389]	[330,359]
From continuing operations	65,414	68,019	105,052
From discontinued operations	[21,450]	[191,408]	[435,411]
Non-controlling interests	[6,236]	[15,788]	[40,275]
From continuing operations	[1,891]	[2,482]	[6,123]
From discontinued operations	[4,345]	[13,306]	[34,152]
Total comprehensive loss attributable to:	[4,624]	[236,658]	[386,907]
Owners of the parent	[3,042]	[221,936]	[344,394]
Non-controlling interest	[1,582]	[14,722]	[42,513]
Non controlling interest	(1,502)	(14,722)	(42,515)
Basic earning (loss) per share - Thebe	3.37	[9.47]	[25.34]
Continuing operations	5.02	5.22	8.06
Discontinuing operations	[1.65]	[14.69]	[33.40]
Diluted earning (loss) per share - Thebe	3.37	[9.47]	[25.34]
Continuing operations	5.02	5.22	8.06
Discontinuing operations	[1.65]	[14.69]	[33.40]
Headline earning (loss) per share - Thebe	4.21	[9.29]	[15.27]
Continuing operations	4.83	5.44	9.06
Discontinuing operations	[0.62]	[14.73]	[24.33]
Diluted headline earning (loss) per share - Thebe	4.21	[9.29]	[15.27]
Continuing operations	4.83	5.44	9.06
Discontinuing operations	[0.62]	[14.73]	[24.33]

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 December, 2020 P '000	(Unaudited) 31 December, 2019 P'000	(Audited) 30 June, 2020 P'000
Assets			
Non-current assets	1,206,454	1,188,926	1,294,631
Property plant and equipment	1,133,148	1,138,695	1,218,626
Goodwill and intangible asset	68,652	42,670	65,73!
Investments in new projects	4,654	7,561	10,270
Current assets	607,765	565,684	497,08
nventories	390,118	323,616	305,47
Amounts due from related entities	5,364	6,171	5,41
Other financial assets	3	3	-,
Advances and deposits	28,916	45,780	39,09
Trade and other receivables	94,146	96,005	63,64
Taxation refundable	-		9,88
Restricted cash	9,186	13,559	12,84
ash and cash equivalents	80,032	80,550	60,72
Assets of disposal groups as held for sale	20,469	778,619	49,08
Total assets	1,834,688	2,533,229	1,840,80
Equity and Liabilities			
Equity	[471,678]	[316.804]	[467.054
Stated capital	906,196	906.196	906.19
Treasury shares	[29,616]	[29,616]	[29,616
Hyper inflationary reserve	132.540	26,886	158.92
Foreign currency translation reserve	[417,038]	[348,889]	[396,412
Retained loss	[962,574]	[799,568]	[1,006,538
Non controlling interests	[101,186]	[71,813]	(99,604
Non-current liabilities	958,489	1,019,731	984,59
Long term borrowings	334,688	476,282	355,66
Lease liabilities	600,813	514,966	599,86
Deferred taxation liabilites	22,988	28,483	29,06
Current liabilities	1,213,317	1,041,940	1,155,46
Trade and other payables	620,233	495,336	571,22
Amounts due to related entities	63,110	62,155	82,79
Current portion of long term borrowings	218,207	114,193	192,28
Current portion of lease liabilties	151,420	158,641	153,11
Current portion of straight lining lease obligation	-	14	-
Taxation Payable	10,353	16,384	7,24
Bank overdraft	149,994	195,217	148,78
Liabilities of disposal group classified as held for sale	134,559	788,362	167,79
Total liabilities	2,306,365	2,850,033	2,307,85
Total equity and liabilities	1,834,688	2,533,229	1,840,80

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated Capital& Treasury Shares	Foreign Currency translation & Hyperinflation	Retained loss	Attributable to equity holders	Non- Controlling Interest	Total equity	
	P'000	reserves P'000	P'000	P'000	P'000	P'000	
Balance as at July, 2019 (Audited)	876,580	[223,457]	[676,179]	[23,056]	[57,091]	[80,147]	
Total comprehensive (loss) for the period	-	[98,546]	[123,389]	[221,935]	[14,722]	[236,657]	
Loss for the year	-	-	[123,389]	[123,389]	[15,788]	[139,177]	
Other comprehensive (loss)/income	-	[98,546]	-	[98,546]	1,066	[97,480]	
Balance as at Dec, 2019 (Reviewed)	876,580	[322,003]	[799,568]	[244,991]	[71,813]	[316,804]	
Total comprehensive income/[loss]for the period	-	84,511	[206,970]	[122,459]	[27,791]	[150,250]	
Loss for the year	-	-	[206,970]	[206,970]	[24,487]	[231,457]	
Other comprehensive income/(loss)	-	84,511	-	84,511	[3,304]	81,207	
Balance as at 30 Jun, 2020 (Audited)	876,580	[237,492]	[1,006,538]	[367,450]	[99,604]	[467,054]	
Total comprehensive (loss)/income for the period	-	[47,006]	43,964	[3,042]	[1,582]	[4,624]	
Profit/(loss) for the year	-	-	43,964	43,964	[6,236]	37,728	
Other comprehensive (loss)/income	-	[47,006]	-	[47,006]	4,654	[42,352]	
Balance as at Dec, 2020 (Reviewed)	876,580	[284,498]	[962,574]	[370,492]	[101,186]	[471,678]	

CONSOLIDATED STATEMENT OF CASH FLOWS

	Stated Capital& Treasury	Foreign Currency translation &	Retained loss	Attributable to equity holders	Non- Controlling Interest	Total equity		(Unaudited) Yearended 31-Dec-20	(Unaudited) Yearended 31-Dec-19	(Audited) Yearended 30-Jun-20
	Shares P'000	Hyperinflation reserves P'000	P'000	P'000	P'000	P'000		P'000	P'000	P'000
Balance as at July, 2019 (Audited)	876,580	[223,457]	[676,179]	[23,056]	[57,091]	[80,147]	Profit before taxation	89,143	94,229	105,005
Total comprehensive (loss) for the period	-	[98,546]	[123,389]	[221,935]	[14,722]	[236,657]	Non-cash & other adjustments	179,026	213,646	382,262
Loss for the year	-	-	[123,389]	[123,389]	[15,788]	[139,177]	Changes in working capital	[75,593]	[65,851]	130,508
Other comprehensive (loss)/income	-	[98,546]	-	[98,546]	1,066	[97,480]	Interest received	-	48	110
Balance as at Dec, 2019 (Reviewed)	876,580	[322,003]	[799,568]	[244,991]	[71,813]	[316,804]	Taxation paid/ (reclaimed)	[17,165]	1,667	1,263
Total comprehensive income/(loss) for the period	-	84,511	[206,970]	[122,459]	[27,791]	[150,250]	Cash flows of discontinued operations	[7,655]	[158,513]	[457,255]
Loss for the year	-	-	[206,970]	[206,970]	[24,487]	[231,457]	Net cash generated from operating activities	167,756	85,226	161,893
Other comprehensive income/(loss)	-	84,511	-	84,511	[3,304]	81,207	Net cash flows used in investing activities	[31,290]	[60,265]	22,468
Balance as at 30 Jun, 2020 (Audited)	876,580	[237,492]	[1,006,538]	[367,450]	[99,604]	[467,054]	Net cash flows generated from financing activities	[133,399]	[96,190]	[251,066]
Total comprehensive (loss)/income for the period	-	[47,006]	43,964	[3,042]	[1,582]	[4,624]	Net movement in cash and cash equivalents	3,067	[71,229]	[66,705]
Profit/(loss) for the year	-	-	43,964	43,964	[6,236]	37,728	Cash and cash equivalents at beginning of the period	[88,061]	[66,573]	[41,440]
Other comprehensive (loss)/income	-	[47,006]	-	[47,006]	4,654	[42,352]	Cash balances from discontinued operations	936	33,532	6,102
Balance as at Dec, 2020 (Reviewed)	876,580	[284,498]	[962,574]	[370,492]	[101,186]	[471,678]	Effect of translation of foreign entities	14,096	[10,397]	13,982
							Cash and cash equivalents at end of the period	[69,962]	[114,667]	[88,061]

NOTE: HEADLINE EARNINGS PER SHARE COMPUTATION	6 Months ended 31 December, 2020 P'000	6 Months ended 31 December, 2019 P'000	12 Months ended 30 June, 2020 P'000
Basic Earnings Profit/[loss] on disposal of asset Impairment losses on non-current assets Tax Impact Headline Earnings/[losses] Number of shares for basic earnings Weighted Average Number of Shares Basic HEPS Diluted HEPS	$43,964 \\ (3,060) \\ 13,311 \\ \hline 674 \\ \hline 54,889 \\ 1,303,628,341 \\ 1,303,628,341 \\ 4.21 \\ 4.21$	$ \begin{bmatrix} 123,389 \\ 810 \\ 2,101 \\ \hline (600) \\ \hline 121,078 \\ 1,303,628,341 \\ 1,303,628,341 \\ (9.29) \\ (9.29) \\ \end{bmatrix} $	[330,359] 50,994 101,935 [21,615] [199,045] 1,303,628,341 1,303,628,341 [15.27] [15.27]

SEGMENTAL RESULTS

	Botswana P'000	Zambia P'000	Zimbabwe P'000	Namibia P'000	Total for Continued operations	South Africa P'000	Kenya P'000	Tanzania P'000	Mozambique P'000	Total for Operations discontinued	Total Group
December 2020											
Statement of profit or loss and other comprehensive Income Revenue Other income Gross profit	2,185,209 22,724 486,945	243,279 207 45,982	211,426 337 50,922	71,427 134 13,779	2,711,341 23,402 597,628	:	:	:	-	:	2,711,341 23,402 597,628
EBITDA Impairments Loss Depreciation/Amortisation Operating profit/[poss] [EBIT] Profit/[loss] aftertaxation	243,744 - 99,270 144,474 81,705	8,018 - 20,035 [12,017] [18,915]	13,222 - 5,244 7,978 4,683	2,534 - 5,146 [2,612] [3,950]	267,518 - 129,695 137,823 63,523	[8,236] - [8,236] 8,236]	[1,537] 9,943 749 [12,229] [13,819]	[74] 3,368 - [3,442] 3,442]	312 - - 312 [298]	[9,536] 13,311 749 [23,595] [25,795]	257,982 13,311 130,444 114,224 37,728
Statement of financial position Assets Liabilities	1,331,447 1,848,959	179,780 186,243	206,906 76,823	96,086 59,781	1,814,219 2,171,806	:	3,667 115,348	2,626 9,556	14,176 9,656	20,469 38,959	1,834,688 2,306,365
December 2019 Statement of profit or loss and other comprehensive Income Revenue Other income Gross profit	2,291,144 25,072 562,345	340,019 3,071 56,137	268,593 453 49,171	69,211 105 12,373	2,968,967 28,700 680,027	1,516,277 6,466 275,722	35,645 [467] 2,813	1,350 [1,873] 169	4,928 487 [244]	1,558,200 4,613 278,460	4,527,167 33,314 958,485
EBITDA Impairments Loss Depreciation/Amortisation Operating profit/(loss) [EBIT] Profit/(loss) after taxation	263,959 [604] 106,633 157,929 90,174	1,935 14 19,884 [17,963] [24,817]	12,446 - 2,229 10,217 7,199	[175] - 5,354 [5,529] [7,018]	278,166 [590] 134,100 144,654 65,537	[105,614] - 40,196 [145,810] [147,243]	(32,534) - 7,134 (39,668) (43,036)	[6,496] - 862 [7,358] 7,358]	[4,632] 148 946 [5,726] [7,077]	[149,276] 148 49,139 [198,562] [204,714]	128,890 [442] 183,239 [53,908] [139,177]
Statement of financial position Assets Liabilities	1,280,703 1,747,239	258,614 195,894	109,720 51,073	105,573 67,465	1,754,610 2,061,670	650,457 605,790	94,743 151,438	14,549 14,034	18,870 17,099	778,619 788,362	2,533,229 2,850,033
June 2020 Statement of profit or loss and other comprehensive Income Revenue Other income Gross profit	4,260,178 47,010 1,041,266	604,147 4,118 106,559	414,143 576 78,845	142,128 257 26,077	5,420,596 51,961 1,252,746	2,355,498 13,478 428,020	34,871 [49,467] 1,633	1,385 (11,584) 173	4,891 1,439 (416)	2,396,644 [46,134] 429,410	7,817,240 5,827 1,682,156
EBITDA Impairments Loss Depreciation / Amortisation Operating profit/(poss) (EBIT) Profit/(loss) after taxation	468,079 10,965 197,666 259,450 172,299	[9,024] 70 37,282 [46,375] [61,229]	19,495 246 8,004 11,245 7,004	[5,697] - 10,640 [16,337] [19,148]	472,853 11,281 253,592 207,982 98,929	[175,633] 88,831 62,958 [327,422] [329,406]	[101,858] 28 10,143 [112,029] [117,581]	(15,769) - 884 (16,653) (16,660)	[3,677] - [3,677] [5,916]	(296,937) 88,859 73,985 (459,781) (469,563)	175,916 100,140 327,577 [251,799] [370,634]
Statement of financial position Assets Liabilities	1,281,997 1,847,703	213,435 202,244	210,781 37,039	85,507 53,070	1,791,720 2,140,056	:	26,664 143,377	4,703 12,342	17,713 12,079	49,081 167,799	1,840,801 2,307,855

COMMENTARY

1. Nature of business

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

2. Basis of preparation and accounting policies

The Reviewed Interim Financial Statements are for the six months ended 31 December 2020 and are presented in Botswana Pula, which is the functional currency of the parent company. The financials have been prepared in accordance with IAS 34 'Interim Financial Reporting' and in accordance with the JSE listing requirements, BSE listing requirements, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of Botswana. The financials do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2020 financial statements for the year ended 30 June 2020.

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

3. Director's Responsibility for the Condensed Financial Statements

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

4. Going concern

Despite the turnaround in profitability, the Group's negative equity increased from P467.1 million at June_2020 to P471.7 million as at December 2020 mainly due to further currency weaknesses in Zambia and in Zimbabwe.

In ensuring the ability of the Group being able to operate as a going concern for at least the following twelve months, the Board considered the detailed cash flow forecasts, stress checked, as prepared by management against the recently restructuring agreement of its debt with a consortium of banks, undertakings of financial support by the founding shareholders, the economic outlook of the countries in which it operates as well as the possible future impact of the Covid-19 pandemic. The Board, relying on the presentations by management, concluded that the Group will be a going concern for the foreseeable future.

The Auditors have drawn attention to the Going Concern issue in their Review report but have not modified their opinion in this regard.

5. Group results

The Group reported its first profit since 2016 of P37.7 million (2019: Loss of P139.2 million), as the benefits from restructuring the business following the exit from underperforming

Group revenue decreased by 8.7% to P2 711 million (2019: P2 969 million). This decrease was a result of negative volume growth due to the impact of the Covid-19 pandemic and currency weaknesses in Zimbabwe and Zambia.

In spite of the lock downs implemented in the Group's largest operations, being Botswana and Zimbabwe, coupled with the currency depreciation in Zambia and Zimbabwe, the Group did well to reduce the possible huge revenue losses which resulted in a reduced impact on the gross profit. Consequently, gross profit margins reduced slightly to 22.0% (2019: 22.9%).

In response to lower volumes, the Group managed costs aggressively by reducing its total expenditure by 14.3% resulting in a 4.7% decline in EBIT as the drop in gross profit was offset by lower expenditure.

During FY2020, the Board decided to discontinue or dispose of its operations in South Africa, Kenya, Tanzania, and Mozambique. Accordingly, the results of these operations are disclosed with effect from 1 July 2019 in terms of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." As a result, total assets for the period under review are significantly lower than the December 2019 levels.

6. Operational overview

Botswana

The Botswana business continued to show strong resilience in an increasingly competitive

operating environment and poor trading conditions. Revenue declined by 4.6% despite volumes reducing by 6.4%. The gross profit margin, albeit lower at 22.3% [2019: 24.5%] remains relatively healthy despite the extremely challenging trading conditions.

Expenditure was well controlled with total expenditure reducing by 15.6% negating some of the decline in gross profit. One additional store was opened bringing the total number of stores in Botswana to 91 stores [2019: 90 stores].

Namibia

The Namibian operation continued to show improvement in gross profit even though it still has a very small footprint. Revenue for this segment increased by 3.2% with gross profit margins improving to 19.3% [2019: 17.9%].

EBIT losses reduced by 95% due to improved gross profit margins coupled with an 8.2% reduction in expenditure.

Zambia

The Zambia operation also showed an improvement in gross profit but the continued weakness of the Kwacha against the Pula had a very significant impact on the trading results and expenses. Even though the Pula revenue declined by 28.5%, revenue in Kwacha grew by 2.4% despite volumes reducing by 8.9%. Gross profit margins improved to 18.9% [2019: 16.5%] driven by price inflation. EBIT losses reduced by 33% due to effective cost control. The Zambian segment consists of 25 stores [2019: 21].

Zimbabwe

The changes and volatility of the Zimbabwean currency makes operating in this market extremely difficult, as gains obtained at country level gets eliminated when converted at group level due to the weak currency when compared to the Botswana Pula. Revenue declined by 21.3% to P211.4 million [2019: P268.6 million] resulting from a weakening of the local currency against the Pula during the previous 6 months. Gross profit margins improved to 24.1% [2019: 18.3%]. EBIT reduced to P7.9 million [2019: P10.2 million]. Even though this business remains self-sustaining without any cash flow constraints, repatriation of profits to Botswana will continue to be difficult until the economy undergoes a structural change. The segment consists of 32 stores (2019: 32).

8. Events after reporting date

The Group also finalised restructuring its debt with a consortium of banks [note 44.3 to the June 2020 audited annual financial statements]

9. Review Opinion

The Group's auditors, Mazars, issued a modified conclusion on the comparative interim period ended 31 December 2019 and for the year ended 30 June 2020. The statement of comprehensive income and the statement of cash flows for the six months ended 31 December 2020 have only been subject to modification as a result of it being presented against its comparative figures for 31 December 2019 which were subject to modification. Mazars' review report is published on XNews and SENS simultaneously with this condensed release of results and is also available on the Group's website: https://chonpiesgroup.com/investor-relations/ https://choppiesgroup.com/investor-relations/.

10. Dividend

The Board has considered it prudent not to declare a dividend for the period under review.

The Company's primary listing is on BSEL and its secondary listing is on JSE.

17th March 2021

For and on behalf of the Board







R. Ottapathu [Chief Executive Officer]

COMPANY SECRETARY
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