

CHOPPIES

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CHOPPIES ENTERPRISES LIMITED ABRIDGED UNAUDITED GROUP FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited) 6 months ended 31 December, 2017 P'000	(Unaudited) 6 months ended 31 December, 2016 P'000	(Audited) 12 months ended 30 June 2017 P'000
Revenue	5,761,505	4,713,772	8,852,397
Cost of sales	(4,639,137)	(3,798,231)	(6,979,223)
Gross profit	1,122,368	915,541	1,873,174
Other income	29,324	21,728	39,749
Operating income	1,151,692	937,269	1,912,923
Expenditure	(1,027,717)	(847,705)	(1,773,975)
Administrative expenses	(832,730)	(678,769)	(1,430,322)
Selling and distribution expenses	(24,095)	(29,952)	(56,416)
Other operating expenses	(170,892)	(138,984)	(287,237)
Operating profit before interest	123,975	89,564	138,948
Interest cost	(32,658)	(18,498)	(53,889)
Interest income	1,519	2,221	10,930
Profit before taxation	92,836	73,287	95,989
Taxation	(25,179)	(17,732)	(21,349)
Profit for the period	67,657	55,555	74,640
Attributable to:			
Owners of the company	71,522	58,383	83,923
Non-controlling interests	(3,865)	(2,828)	(9,283)
Other comprehensive income			
Foreign currency translation differences from foreign operations	4,853	13,529	3,186
Attributable to:			
Owners of the company	4,498	14,625	5,721
Non-controlling interests	355	(1,096)	(2,535)
Profit and total comprehensive income	72,510	69,084	77,826
Attributable to:			
Owners of the company	76,020	73,008	89,644
Non-controlling interest	(3,510)	(3,924)	(11,818)
Basic earnings per share - Thebe	5.49	4.52	6.50
Headline earnings per share - Thebe	5.36	4.52	6.68

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Particulars	Stated Capital P'000	Preference Shares P'000	Retained Earnings P'000	Treasury Shares P'000	Foreign Currency Translation Reserve P'000	Non Controlling Interest P'000	Total P'000
Balance at 30 June 2016 (Audited)	875,476	87	634,823	-	(35,400)	(1,393)	1,473,593
Total comprehensive income for the period (6 months)	-	-	58,383	-	14,625	(3,924)	69,084
Profit	-	-	58,383	-	-	(2,828)	55,555
Other comprehensive income	-	-	-	-	14,625	(1,096)	13,529
Transactions with Owners	-	-	(36,530)	-	-	-	(36,530)
Dividend declared	-	-	(36,530)	-	-	-	(36,530)
Balance as at 31 December 2016 (Unaudited)	875,476	87	656,676	-	(20,775)	(5,317)	1,506,147
Total comprehensive income for the period (6 months)	-	-	25,540	-	(8,904)	(7,894)	8,742
Profit	-	-	25,540	-	-	(6,455)	19,085
Other comprehensive income	-	-	-	-	(8,904)	(1,439)	(10,343)
Transactions with Owners	30,720	-	-	(30,720)	-	-	-
Issue of ordinary shares	30,720	-	-	-	-	-	30,720
Purchase of treasury shares	-	-	-	(30,720)	-	-	(30,720)
Balance as at 30 June 2017 (Audited)	906,196	87	682,216	(30,720)	(29,679)	(13,211)	1,514,889
Total comprehensive income for the period (6 months)	-	-	71,522	-	4,498	(3,510)	72,510
Profit	-	-	71,522	-	-	(3,865)	67,657
Other comprehensive income	-	-	-	-	4,498	355	4,853
Transactions with Owners	-	-	(27,975)	-	-	4,304	(23,671)
Equity contribution in subsidiary	-	-	-	-	-	4,304	4,304
Dividend declared	-	-	(27,975)	-	-	-	(27,975)
Balance as at 31 December 2017 (Unaudited)	906,196	87	725,763	(30,720)	(25,181)	(12,417)	1,563,728

SEGMENTAL RESULTS

Particulars	Botswana P'000	South Africa P'000	Zimbabwe P'000	Other regions P'000	Total P'000
Six months ended 31 December, 2017 (Unaudited)					
Statement of profit or loss and other comprehensive income					
Revenue:					
Trading income	2,299,262	2,126,611	869,084	466,548	5,761,505
Other income	17,813	9,221	603	1,687	29,324
Total segmental revenue	2,317,075	2,135,832	869,687	468,235	5,790,829
Reportable segment gross profit	517,053	395,312	143,264	66,739	1,122,368
Reportable segment profit/(loss) before taxation	113,908	4,567	16,490	(42,129)	92,836
Reportable segment Depreciation	56,199	43,632	13,929	(13,170)	126,930
Reportable segment EBITDA	184,748	58,798	33,399	(26,041)	250,904
Reportable segment profit/(loss) after taxation	87,669	3,004	12,403	(35,419)	67,657
Statement of financial position					
Reportable segment assets	1,478,033	1,428,491	553,202	473,137	3,932,863
Reportable segment liabilities	1,041,951	861,612	264,820	200,752	2,369,135
Six months ended 31 December, 2016 (Unaudited)					
Statement of profit or loss and other comprehensive income					
Revenue:					
Trading income	2,286,333	1,493,708	697,595	236,136	4,713,772
Other income	15,324	4,532	1,252	620	21,728
Total segmental revenue	2,301,657	1,498,240	698,847	236,756	4,735,500
Reportable segment gross profit	479,979	269,702	128,211	37,649	915,541
Reportable segment profit/(loss) before taxation	110,050	(23,323)	14,140	(27,580)	73,287
Reportable segment Depreciation	44,855	34,258	12,897	7,785	99,795
Reportable segment EBITDA	165,779	13,525	29,899	(19,843)	189,360
Reportable segment profit/(loss) after taxation	81,282	(16,536)	10,442	(19,633)	55,555
Statement of financial position					
Reportable segment assets	1,478,862	1,035,555	556,798	265,709	3,336,924
Reportable segment liabilities	843,075	608,072	263,579	116,051	1,830,777
Year ended 30 June 2017 (Audited)					
Statement of profit or loss and other comprehensive income					
Revenue:					
Trading income	4,044,027	2,864,087	1,366,116	578,167	8,852,397
Other income	26,446	10,077	1,592	1,634	39,749
Total segmental revenue	4,070,472	2,874,164	1,367,708	579,801	8,892,145
Reportable segment gross profit	967,047	582,455	241,635	82,037	1,873,174
Reportable segment profit/(loss) before taxation	212,002	(56,528)	11,124	(70,609)	95,989
Reportable segment Depreciation	92,294	72,008	20,668	18,239	203,209
Reportable segment EBITDA	321,064	33,386	39,228	(51,522)	342,156
Reportable segment profit/(loss) after taxation	164,557	(43,955)	6,038	(52,000)	74,640
Statement of financial position					
Reportable segment assets	1,478,828	1,067,879	508,902	365,955	3,421,564
Reportable segment liabilities	920,080	596,626	233,234	156,735	1,906,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 31 December 2017 P'000	(Unaudited) 31 December 2016 P'000	(Audited) 30 June 2017 P'000
Assets			
Non-current assets	2,009,010	1,835,754	1,874,559
Plant and equipment	1,248,729	1,182,159	1,206,087
Deferred taxation	125,950	68,043	105,267
Investments in new projects	119,813	79,022	46,651
Goodwill	514,518	506,530	516,554
Current assets	1,923,853	1,501,170	1,547,005
Inventories	1,305,735	947,306	1,006,479
Investments	3	3	3
Advances and deposits	100,266	67,276	93,638
Taxation refundable	1,875	-	2,045
Trade and other receivables	317,987	258,665	238,043
Amounts due from related entities	3,805	6,913	19,051
Cash and cash equivalents	194,182	221,007	187,746
Total assets	3,932,863	3,336,924	3,421,564
Equity and Liabilities			
Equity	1,563,728	1,506,147	1,514,889
Stated capital	906,196	875,476	906,196
Preference shares	87	87	87
Retained earnings	725,763	656,676	682,216
Treasury shares	(30,720)	-	(30,720)
Non controlling interests	(12,417)	(5,317)	(13,211)
Foreign currency translation reserve	(25,181)	(20,775)	(29,679)
Non-current liabilities	652,245	519,015	670,695
Long term borrowings	530,848	453,000	557,546
Deferred taxation	38,283	-	38,298
Deferred lease liabilities	83,114	66,015	74,851
Current liabilities	1,716,890	1,311,762	1,235,980
Current portion of deferred lease liabilities	8,845	2,882	5,988
Bank overdraft	36,849	51,307	110,977
Trade and other payables	1,474,065	1,102,510	994,055
Amounts due to related entities	12,609	15,182	1,499
Taxation payable	28,437	13,299	9,370
Current portion of long term borrowings	156,085	126,582	114,091
Total equity and liabilities	3,932,863	3,336,924	3,421,564

CONSOLIDATED STATEMENT OF CASH FLOWS

Particulars	(Unaudited) 6 months ended 31 December, 2017 P'000	(Unaudited) 6 months ended 31 December, 2016 P'000	(Audited) 12 months ended 30 June 2017 P'000
Net cash flows generated from operating activities	332,044	243,358	211,657
Net cash flows used in investment activities	(234,118)	(168,471)	(286,366)
Net cash flows (used in)/generated from financing activities	(17,362)	42,727	99,392
Net movement in cash and cash equivalents	80,564	117,614	24,683
Cash and cash equivalents at beginning of the period	76,769	52,086	52,086
Cash and cash equivalents at end of the period	157,333	169,700	76,769

HEADLINE EARNINGS PER SHARE COMPUTATION

Basic Earnings	71,522
Remeasurements	-
Profit on disposal of asset	(2,272)
Tax Impact	594
Headline Earnings	69,844
Number of shares for basic earnings	1,303,628,341
Weighted Average Number of Shares	1,303,628,341
Basic EPS Thebe	5.49
HEPS Thebe	5.36

COMMENTARY

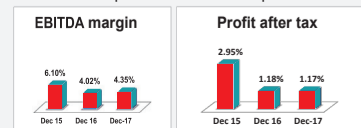
1. Basis of preparation and accounting policies

The abridged unaudited financial information for the six months ended 31 December 2017 is prepared in accordance with International Financial Reporting Standards ("IFRS") (which includes IAS 34 Interim Financial Reporting), to the extent applicable to Interim Financial Reporting, and in the manner required by the Companies Act, 2003 (No.32 of 2004) of Botswana.

The accounting policies have been applied consistently to all periods in the financial information presented. The financial information is presented in Botswana Pula, which is considered the functional currency.

2. Performance highlights compared to half year ended 31 December 2016

- Revenue up by 22% to P 5.8 billion
- Gross profit up by 23% to P 1.1 billion
- 33 new stores were added during the period; total number of stores now 235
- Total retail space up by 17% to 340,973 Sq. m
- Commenced operations in Mozambique and Namibia



3. Financial overview & review of operations

Botswana

Botswana contributed 40% to Group revenue. Despite the subdued economic environment in the country, we maintained our market share and continued to improve our efficiencies. Segmental revenue increased by 6% and EBITDA by 11% compared to the half year ended 31 Dec 16 (herein after referred to as corresponding period).

South Africa

Significant improvement in the North West stores resulted in like for like revenue growth of 43%. This growth has brought us to profitability in this region and we expect this trend to continue in the second half of FY 2018. Segmental revenue increased by 43% and EBITDA by 33% compared to the corresponding period. In KZN, Choppies acquired a further 8 stores effective from 1 November 2017. Increased benefits of scale and other efficiencies will improve further as we expand our footprint in this region.

Zimbabwe

We continue to perform better in this market, in spite of depressed economic conditions. Revenue grew by 25% and EBITDA by 12% compared to the corresponding period.

Other regions

The opening of new stores and distribution centres in other regions is in accordance with strategies adopted by the board. In the six month period 3 stores were added in Zambia.

Overall performance improved in other regions but we are yet to achieve profitability.

4. Dividend

The company has a policy of declaring dividends once a year based on the annual results.

5. Delay in publication of results for the six months ended 31 December 2017

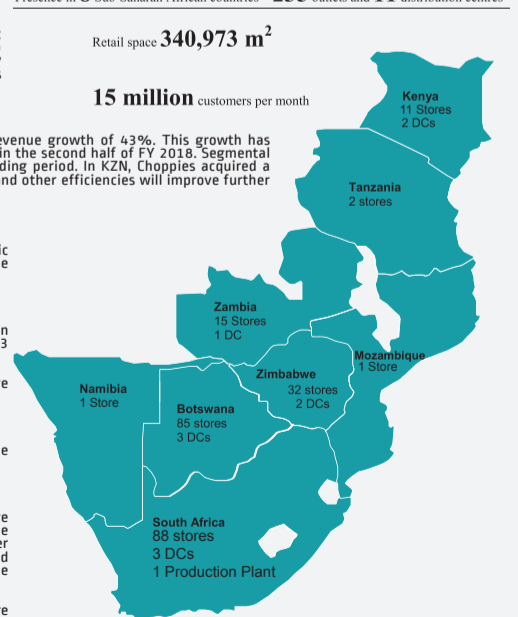
Shareholders are referred to the announcement released on the Stock Exchange News Service and X News on 23 March 2018. The release of the results for the period, which was originally scheduled for 21 March 2018, was delayed after the board of directors instructed management to perform more detailed procedures on verification and valuation of inventory in conjunction with the company's external auditor, PricewaterhouseCoopers.

This process was completed during April 2018. No material issues were identified and the additional procedures did not result in any changes to the financial results.

For and on behalf of the Board

E.G. Mogae
(Chairman)

Presence in 8 Sub-Saharan African countries 235 outlets and 11 distribution centres



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TRANSFER SECRETARIES
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AUDITORS
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