

CHOPPIES

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CHOPPIES ENTERPRISES LIMITED ABRIDGED AUDITED GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017 AND CASH DIVIDEND DECLARATION



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 30 June, 2017 P'000	Year ended 30 June, 2016 P'000
Revenue	8 852 397	7 369 005
Cost of sales	(6 979 223)	(5 924 214)
Gross profit	1 873 174	1 444 791
Other income	39 749	52 265
Operating income	1 912 923	1 497 056
Expenditure	(1 773 975)	(1 348 442)
Administrative expenses	(1 430 322)	(1 086 843)
Selling and distribution expenses	(56 436)	(49 022)
Other operating expenses	(287 237)	(212 577)
Operating profit before interest	138 948	148 614
Interest cost	(53 889)	(26 664)
Interest income	10 930	5 450
Profit before taxation	95 989	127 400
Taxation	(21 349)	(22 495)
Profit for the year	74 640	104 905
Attributable to:		
Owners of the company	83 923	109 527
Non-controlling interests	(9 283)	(4 622)
Other comprehensive income		
Foreign currency translation differences from foreign operations (net of taxes)	3 186	(19 861)
Attributable to:		
Owners of the company	5 721	(21 055)
Non-controlling interests	(2 535)	1 194
Profit and total comprehensive income for the year	77 826	85 044
Attributable to:		
Owners of the company	89 644	88 472
Non-controlling interest	(11 818)	(3 428)
Basic earnings per share - Thebe	6.50	8.48
Diluted earnings per share - Thebe	6.50	8.48
Headline earnings per share - Thebe	6.68	7.25
Diluted headline earnings per share - Thebe	6.68	7.25

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 2015	875 476	86	588 286	-	(14 345)	2 035	1 451 538
Total comprehensive income for the year	-	-	109 527	-	(21 055)	(3 428)	85 044
Profit	-	-	109 527	-	-	(4 622)	104 905
Other comprehensive income	-	-	-	-	(21 055)	1 194	(19 861)
Transactions with owners	-	1	(62 990)	-	-	-	(62 989)
Dividend declared	-	-	(62 990)	-	-	-	(62 990)
Issue of preference shares	-	1	-	-	-	-	1
Balance at 30 June 2016	875 476	87	634 823	-	(35 400)	(1 393)	1 473 593
Total comprehensive income for the year	-	-	83 923	-	5 721	(11 818)	77 826
Profit	-	-	83 923	-	-	(9 283)	74 640
Other comprehensive income	-	-	-	-	5 721	(2 535)	3 186
Transactions with owners	30 720	-	(36 530)	(30 720)	-	-	(36 530)
Issue of ordinary shares	30 720	-	-	-	-	-	30 720
Purchase of treasury shares	-	-	-	(30 720)	-	-	(30 720)
Dividend declared	-	-	(36 530)	-	-	-	(36 530)
Balance at 30 June 2017	906 196	87	682 216	(30 720)	(29 679)	(13 211)	1 514 889

CONSOLIDATED STATEMENT OF CASH FLOWS

Particulars	Year ended 30 Jun-2017 P'000	Year ended 30 June, 2016 P'000
Net cash flows generated from operating activities	211 657	199 039
Net cash flows used in investment activities	(286 366)	(567 125)
Net cash flows generated from financing activities	99 392	138 917
Movement in cash and cash equivalents	24 683	(229 169)
Cash and cash equivalents at beginning of the year	52 086	281 255
Cash and cash equivalents at end of the year	76 769	52 086

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June, 2017 P'000	30 June, 2016 P'000
ASSETS		
Non-current assets	1 874 559	1 740 579
Plant and equipment	1 206 087	1 082 968
Deferred taxation	105 267	51 431
Investments in new projects	46 651	95 560
Goodwill	516 554	510 620
Current assets	1 547 005	1 115 556
Inventories	1 006 479	703 539
Investments	3	3
Advances and deposits	93 638	83 212
Taxation refundable	2 045	-
Trade and other receivables	238 043	191 444
Amounts due from related entities	19 051	4 901
Cash and cash equivalents	187 746	132 457
TOTAL ASSETS	3 421 564	2 856 135
Equity and Liabilities		
Equity	1 514 889	1 473 593
Stated capital	906 196	875 476
Preference shares	87	87
Retained earnings	682 216	634 823
Treasury shares	(30 720)	-
Non controlling interests	(13 211)	(1 393)
Foreign currency translation reserve	(29 679)	(35 400)
Non-current liabilities	670 695	468 072
Long term borrowings	557 546	412 897
Deferred taxation	38 298	-
Deferred lease liabilities	74 851	55 175
Current liabilities	1 235 980	914 470
Current portion of deferred lease liabilities	5 988	4 651
Bank overdraft	110 977	80 371
Trade and other payables	994 055	694 411
Amounts due to related entities	1 499	9 551
Taxation payable	9 370	20 027
Current portion of long term borrowings	114 091	105 459
TOTAL EQUITY AND LIABILITIES	3 421 564	2 856 135

SEGMENTAL RESULTS

2017	Botswana P'000	South Africa P'000	Zimbabwe P'000	Other regions P'000	Total P'000
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
2016	Botswana P'000	South Africa P'000	Zimbabwe P'000	Other regions P'000	Total P'000
Statement of profit or loss and other comprehensive income					
Revenue:					
Trading income	4 545 097	1 534 999	1 201 593	87 316	7 369 005
Other income	45 926	4 540	1 762	37	52 265
Total segmental revenue	4 591 023	1 539 539	1 203 355	87 353	7 421 270
Reportable segment gross profit	925 692	316 153	188 709	14 237	1 444 791
Reportable segment profit/(loss) before taxation	261 791	(93 630)	(16 225)	(24 536)	127 400
Reportable segment depreciation	77 517	49 911	17 433	3 243	148 104
Reportable segment EBITDA	353 134	(43 105)	7 679	(20 991)	296 717
Reportable segment profit/(loss) after taxation	203 202	(68 079)	(12 384)	(17 834)	104 905
Statement of financial position					
Reportable segment assets	1 384 022	745 168	531 327	195 618	2 856 135
Reportable segment liabilities	750 693	291 250	270 262	70 337	1 382 542

COMMENTARY

1. Basis of preparation and accounting policies

The abridged consolidated financial results and financial position of Choppies Enterprises Limited are extracted from the group annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies applied during the current year are consistent with those applied in the previous year.

2. Group Results

The Group operates predominantly in commodity dependent markets, and despite the difficult trading circumstances, Choppies performed well. Balanced growth in revenue and gross profit was achieved. The 2016 operating results benefited from the profit on sale of an aircraft of P20m and higher realised foreign exchange gains of P31m compared to the current financial year. Excluding these two items, group operating profit improved by 28%. Choppies strategy of creating a strong African supermarket business moved forward during the past year with the establishment of businesses in Tanzania and Mozambique.

The store footprint increased from 183 to 212 during the financial year.

3. Segmental reporting

The group operates in seven geographic areas: Botswana, South Africa, Zimbabwe, Zambia, Kenya, Tanzania and Mozambique. Due to its increased geographical spread, the company has changed its segmental reporting by disclosing matured markets separately.

BOTSWANA

Despite challenging economic conditions, the Botswana operations traded well and maintained market share. As noted above, the last year's operating profits were enhanced by an aircraft sale and higher realised foreign exchange gains. Excluding these two items, the segment's EBITDA grew by 6%.

SOUTH AFRICA

South African business achieved an EBITDA profit of 1.17% compared to a loss of 2.81% in the previous financial year and reduced net losses by 55%. North West region stores achieved a like for like growth of 31% and broke even in the last quarter of the year. The continuation of this trend will result in an improved performance for the region. KZN performed well under the prevailing difficult trading circumstances, showing a like for like stores growth of 18% compared to the same period operated in FY16.

ZIMBABWE AND OTHER REGIONS

Depressed economic conditions in Zimbabwe were exacerbated by a shortage of cash in circulation. Despite this revenue grew by 14%. Management focus has resulted in improved margins and profits. Operations commenced in Tanzania and Mozambique and we expanded our presence in Zambia and Kenya.

4. Prospects and events after balance sheet date

Expansion is continuing in accordance with the long term strategy. Five more stores have been added post year end increasing the store total to 217. The acquisition of a further eight stores in KZN is being negotiated, which, if concluded, will be complementary to our current business and will bring significant operating synergies. There were no significant events that occurred after the reporting date that require adjustment to or disclosure in the financial statements for the year ended 30 June 2017.

5. Employee share incentive scheme (Treasury shares)

On 22 May 2017, the Group issued 12 000 000 ordinary shares valued at P30 720 000 to the Choppies Group Share Incentive Trust. The fair value of the shares was based on the market price at the date of issue. The shares will be issued to employees as part of an employee share incentive scheme. The vesting of the shares will be dependent on conditions stipulated in the trust deed. Of the 12 000 000 shares, 1 475 000 shares were granted to selected employees on 30 June 2017 at the market price of the shares on that date. No shares had vested to these employees at the reporting date. The shares remain under the control of the trust, and ultimately the Group, until they have vested. As such, all the 12 000 000 shares issued to the trust were classified as treasury shares at the reporting date.

6. Dividends

Dividend per share of 2.83 thebe in respect of the year ended 30 June 2016 was declared and paid during the year compared to 1.88 thebe for the year ended 30 June 2015 declared and paid during 2015-16.

Final Distribution

Notice is hereby given that the gross final dividend of 2.1459 (2016: 2.8266) thebe (or ZAR equivalent) per share in respect of the year ended 30 June 2017 was declared on 20 September 2017, for payment to those ordinary shareholders registered in the books of the Company at the close of business on 20 October 2017. In line with our dividend policy, dividend was maintained at 1/3rd of the distributable profit.

Net dividend cheques will be dispatched or electronically paid by the transfer secretaries on or about Tuesday, 21 November 2017.

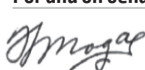
Notice is hereby given that, as approved by the Botswana Stock Exchange, dividend payments of less than P50 will be paid electronically to shareholders. We now request all shareholders to contact the transfer secretaries, Grant Thornton Business Services (Proprietary) Limited, by post/fax/hand delivery providing their bank account details to enable dividends to be paid electronically.

In respect of shareholders registered on the Johannesburg Stock Exchange:

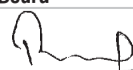
The last date to trade shall be Tuesday, 17 October 2017 and shall commence trading ex dividend on Wednesday, 18 October 2017. The record date to appear in the register to participate in the dividend will be Friday, 20 October 2017 and the dividend will be paid on Tuesday, 21 November 2017. The South African register will be closed for the purposes of dematerialisation, rematerialisation from Wednesday, 18 October 2017 to Friday, 20 October 2017, both dates inclusive, and for transfers between the South African register and the South African and Botswana registers between Tuesday, 10 October 2017 and Friday 20 October 2017 both dates inclusive. The exchange rate applicable for the conversion of Pula to ZAR and tax implications for payment to shareholders on the South African register will be confirmed in a separate announcement to be released on SENS on Tuesday 10 October 2017, being the finalisation date. The issued shares at the declaration date is 404 232 042. The dividend has been declared from income reserves.

Distributable reserves available for the final dividend are net of Botswana withholding taxes at 7.5% deducted from dividends received from group entities, and as such, can be distributed to shareholders registered on the Botswana Stock Exchange free of any further deduction. In respect of shareholders registered on the Johannesburg Stock Exchange, the dividends payable are subject to withholding tax as required under the South African Income Tax Act. This dividend is treated as a foreign dividend

For and on behalf of the Board



F.G. Mogae (Chairman)



R. Ottapathu (Chief Executive Officer)

REGISTERED OFFICE
Unit 5, Plot 115, Kgale Mews.
P.O. Box 406,
Gaborone, Botswana.

TRANSFER SECRETARIES
Grant Thornton Business Services (Pty) Ltd.
Acumen Park, Plot 50370, Fairgrounds Office Park.
P.O. Box 1157, Gaborone, Botswana.

AUDITOR
KPMG, Plot 67977, Off Tlokeng Road,
Fairgrounds Office Park.
P.O. Box 1519, Gaborone, Botswana.