



Cash and cash equivalents at the end of the year	11 580 188	40 114 504	11 580 188	8 854 476
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1 500	1 416 470	1 085 741	102 551 710	105 055 421
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Directors: H.P. Mkushi (Chairman), R.N. Webster (Managing Director), E.T.Z. Chidzonga, P. de Villiers, L.de Jager, A. Mabena, S. Manqwengwende, G.J.H. Steyn, T.A. Taylor



AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2019

1 General Information

CAFCA Limited (the "Company") manufactures and supplies cables for transmission and distribution of energy and information. It is a public limited liability company incorporated in Zimbabwe. The Company has its primary listing on the Zimbabwe Stock Exchange and secondary listing on the Johannesburg Stock Exchange.

2 Basis of preparation

The Company's annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) except for the non compliance with International Accounting Standard ("IAS") 21, The Effect of Changes in Foreign Exchange Rate explained in note 2.3 .

The Company's financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and adjusted for the effects of applying IAS 29 'Financial Reporting in Hyperinflationary Economies refer to note 2.5 . The financial statements are presented in Zimbabwean Dollars (ZWL\$) and all values are rounded to the nearest dollar, except where otherwise indicated. The principal accounting policies of the Company have been consistently applied in all material respects with those of the previous year unless otherwise stated except for the adoption of the following standards effective for the current period.

- a) IFRS 9 Financial Instruments
- b) IFRS 15 Revenue from Contracts with Customers

2.1 Adoption of IFRS 9

The Company retrospectively adopted IFRS 9 on 1 October 2018 as a replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduced new requirements which include the classification and measurement of financial instruments and expected credit loss (ECL) models. As permitted by IFRS 9, the Company elected not to restate its comparative financial statements. Consequently, comparative information is reported on an IAS 39 basis and is not fully comparable to prior year information. Under IFRS 9 the provision has been calculated using the expected credit loss model compared to the incurred loss model under IAS 39.

2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations when it became effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company adopted IFRS 15 using the modified retrospective approach in the current financial period presented. The initial adoption of IFRS 15 did not result in changes to the manner in which the Company accounts for revenue and its contracts with customers.

2.3 Functional and presentation currency

Items included in the financial statements of the Company's are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Zimbabwe Dollars ("ZWL\$"), which is the Company's functional and presentation currency.

In February 2009, the Government of Zimbabwe introduced the multi-currency system which had the US\$ as its base currency. As a result of foreign currency shortages on the market, there was an increase in the use of electronic settlement platforms namely, Real Time Gross Settlement ("RTGS") platforms. A monetary policy measure was introduced in October 2018 directing the separation of foreign currency accounts ("FCAs") into two categories, namely RTGS FCA and Nostro FCA at a parity rate of 1:1.

In February 2019, the Government, through another policy measure, issued a Statutory Instrument (SI 33 of 2019) which introduced the electronic RTGS dollar (ZWL) with physical denomination in the bond notes and coins at a base rate of USD1:ZWL2.5. The introduction of the currency and its addition to the multi-currency basket brought about the interbank market which was to function on a willing buyer, willing seller basis. The enacting instrument gave a legal requirement for the accounting treatment of local assets and liabilities denominated in USD to be transferred to the ZWL\$ at parity. The above events triggered the need for Directors to assess:

- whether there was a change in the Company's functional currency as at 1 October 2018 and
- the appropriateness of rates of exchange used from that date onwards in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates".

IAS 21 requires that transactions and balances denominated in foreign currency should be presented at market exchange rates. A market rate is one which is legal, observable and accessible.

From October 2018 to February 2019, the Company maintained a rate of US\$1:ZWL\$1 as prescribed by the Government in compliance with the law (SI 33 of 2019) and as from March 2019, the Company utilised rates available from the Reserve Bank of Zimbabwe ("RBZ") Interbank market. The rate from the RBZ is the legal rate and management believes it is observable. However, the rate is not accessible to the market.

Consequently, the Company has not fully complied with the requirements of IAS 21. However, for expediency, the Company chose to comply with the law as the Government issued SI 41 of 2019 [Public Accountants and Auditors (Prescription of International Standards) Regulations] which directs entities to give precedence to the law over reporting standards in circumstances where there are inconsistencies between the two.

While the Company prepares its Financial Statements to comply with International Financial Reporting Standards, full compliance with certain International Financial Reporting Standards was not possible due to the above factors. For the avoidance of doubt, the Company did not fully comply with IAS 21 to the extent that is described above and, instead, complied with the requirements of the law. In the light of this failure to fully comply with the requirements of IAS 21, the Company's Independent Auditors, Messrs PricewaterhouseCoopers Chartered Accountants (Zimbabwe) have issued an adverse opinion on the financial statements for the year ended 30 September 2019.

2.4 Hyperinflation

The Public Accountants and Auditors Board issued pronouncement 01/2019 on the application of International Accounting Standard ("IAS") 29 'Financial reporting in Hyperinflationary economies' in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 to apply requirements of IAS 29 'Financial reporting in Hyperinflationary economies.'

Appropriate adjustments and reclassifications, including restatements for changes and general purchasing power of the Zimbabwe dollar and for the purposes of fair presentation in accordance with IAS 29 have been made in these financial statements to the historical cost financial information.

Judgment has been used in the various assumptions used such as the consumer price indices for the various years due to limitation of data available.

The sources of the price indices used were :Zimbabwe Statistical office from 2009 to June 2019
Trade economics from June 2019 to 30 September 2019

	Indices	Conversion factor
CPI as at 30 September 2019	290.4	1.000
CPI as at 30 September 2018	64.1	4.530
CPI as at 30 September 2017	60.8	4.778

Average CPI 2019	161.7
Average CPI 2018	63.6
Average CPI 2017	60.8

3 Audit opinion

These financial results should be read in conjunction with the full set of financial statements for the year ended 30 September 2019, which have been audited by PricewaterhouseCoopers Chartered Accountants Zimbabwe. An adverse audit opinion has been issued the thereon in respect of non-compliance with the requirements of International Financial Reporting Standards (IAS) 21 , "The effects of Foreign Exchange Rates"

An adverse audit opinion issued also includes a section on key audit matters as defined by ISA 701,'Communicating key audit matters in the independent auditors report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit.

	INFLATION ADJUSTED		HISTORICAL	
	30 Sept 2019 ZWL\$	30 Sept 2018 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2018 ZWL\$
4 Related party transactions Reunert Engineering (Proprietary) Limited owns 69.83% of the company and the remaining 30.17% is widely held.				
i) Sale of goods Metal Fabricators of Zambia Plc (Zamefa)	-	83 115	-	18 346
ii) Purchases of goods CBI Electric African Cables - A Division of ATC (Proprietary) Limited CBI Electric Telecom Cables (Proprietary) Limited Metal Fabricators of Zambia Plc (Zamefa)	7 910 085 - 8 351 768	11 788 362 107 040 258 157	3 207 618 - 3 386 725	2 602 046 23 627 56 983
Year-end balances arising from transactions with related parties	16 261 853	12 153 560	6 594 343	2 682 656
a. Amounts due to related parties CBI Electric African Cables - A Division of ATC (Proprietary) Limited	-	36 017	-	7 950
iii) The amounts due to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest and are unsecured. Key management remuneration: Key management includes directors (executive and non-executive) and executive managers (members of the executive committee) Salaries and short term benefits Share options charge Directors' emoluments: - Fees	4 303 553 565 190 285 557	2 968 948 950 935 294 740	2 748 494 265 028 129 330	655 336 209 900 65 058
	5 154 300	4 214 624	3 142 852	3 142 852

5 Segment information

The executive management team is the Company's chief operating decision maker. Management has determined the operating segments based on reports reviewed by the executive team that are used to make strategic decisions. The Company has one product line, and operates in one industry sector.

Revenue is primarily from customers who are domiciled in Zimbabwe and revenue from external customers pertains mainly to customers domiciled in Zambia, Malawi and Mozambique.

	INFLATION ADJUSTED		HISTORICAL	
	30 Sept 2019 ZWL\$	30 Sept 2018 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2018 ZWL\$
Revenue from customers domiciled in Zimbabwe	165 718 893	115 466 492	80 056 638	18 256 550
Revenue from external customers	7 339 775	22 178 342	7 339 775	1 053 908
	173 058 668	137 644 834	87 396 413	19 310 458
Revenues from transactions with single local customers that amounted to 10% or more of the Company's revenues equals approximately(inflation adjusted) \$30 290 456 (2018:\$29 823 912), historical \$12 283 081 (2018:\$6 583 033). These revenues are attributable to customers domiciled in Zimbabwe. The breakdown of the major component of the total revenue from three majorcustomers of at least 10% is as follows:				
Energy transmission	30 290 456	29 823 912	12 283 081	6 583 033
The total of non current assets located in Zimbabwe is (inflation adjusted) \$15 544 649 (2018:\$14 778 329), (historical) \$4 119 488 (2018:\$2 990 638) and there are no non-current assets located in other countries.				
The segment information provided to the executive team for the product reportable segments for the year ended 30 September are as follows:				
Revenue from customers Profit before interest and taxation Finance income Finance cost Income tax expense	173 058 668 76 751 127 987 25 120 27 060 629	137 644 834 23 706 134 6 177 - 6 227 469	93 396 412 54 190 381 400 10 186 12 913 152	30 382 348 5 232 657 1 364 - 1 374 589
Total assets	134 370 111	103 215 296	68 593 289	22 511 330
Liabilities	25 714 455	29 058 090	12 994 920	6 413 994

6 Capital commitments

The company had no significant capital commitments authorised by the directors or contracted for at the reporting period (2018: \$nil)

7 Property plant and equipment

Capital expenditure	2 903 667	369 739	1 599 945	88 209
Depreciation charge	2 023 571	1 652 759	447 666	361 528

Commentary and overview of results (This commentary is based on the historical cost accounts)

Profitability

Turnover has increased from \$30.4 million in the previous year to \$93.4 million in the current year despite volumes dropping 24%. The increase is attributable to the movement in exchange rates which moved from a 1 to 1 exchange rate at the beginning of the year and closed 15 to 1 at the end of the year. In volume terms exports increased 70% and 54% in value terms.

Pretax profit for the year at \$54.1 million increased against the prior year of \$5.2 million at a greater rate than the turnover increase due to large holdings of finished goods at the old exchange rate and due to costs not increasing as quickly as the exchange rate movement.

Earnings per share has grown by a multiple of 11 from 11.67 cents per share to 124.51 cents per share.

Statement of Financial Position

Looking at the statement of financial position what is significant is the growth in stocks which represents a strategic intent to increase finished goods stock as a hedge against inflation and to ensure the market has ready access to the large range of CAFCA product lines. We are carrying 675 tonnes of finished product against a monthly sales model of 140 tonnes.

The increase in liabilities represents customer prepayments at the end of the period - significantly CAFCA has no foreign currency liability.

Outlook

Looking ahead the company is well placed to take advantage of any opportunities that may arise in either the local or export market and has adopted adequate mitigating strategies against the hyperinflation and challenging local economic environment.

Dividend

A final dividend has not been supported by the Board as all cash resources and new borrowings will be required to finance working capital owing to the effect of hyperinflation.

By order of Board
07 November 2019

C Kangara
Company Secretary

Independent auditor's report

To the shareholders of CAFCA Limited

Report on the audit of the financial statements

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion section of our report, the financial statements do not present fairly the financial position of CAFCA Limited (the "Company") as at 30 September 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03)

What we have audited

CAFCA Limited's financial statements set out on pages 4 to 34 comprise:

- the statement of financial position as at 30 September 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the RTGS FCA. The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy. The RTGS FCA would be held at the same value as the US\$. Mobile money and bond notes and coins would be treated in the same way as the RTGS FCA.

As described in note 2.21, during the year ended 30 September 2019, the Company transacted using a combination of the Nostro FCAs and the RTGS FCA, mobile money and bond notes and coins. In terms of International Accounting Standard ("IAS") 21 The effects of changes in foreign exchange rates (IAS 21), these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Company at an appropriate exchange rate. However, in order to comply with the monetary policy statement, the financial statements reflect these transactions and balances at parity during the period 1 October 2018 to 28 February 2019, before an interbank rate between the RTGS dollar and the US dollar was established by the Reserve Bank of Zimbabwe. Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially adjusted. It was not practicable to quantify the financial effects of this non compliance with IAS 21 on the Company's financial statements.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Independence

We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Zimbabwe.

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant.....

P O Box 453, Harare, Zimbabwe

T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

Our audit approach

Overview

Overall materiality Key audit matters	<i>ZWL 2,147,000 which represents 5% of profit before income tax.</i> <ul style="list-style-type: none"> • Impairment assessment of plant and equipment.
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality How we determined it	<i>ZWL 2,147,000</i> 5% of profit before income tax for the 2019 financial year.
Rationale for the materiality benchmark applied	We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matter
Impairment assessment of plant and equipment <p>The impairment of plant and equipment remains an area of focus as the prevailing economic environment in Zimbabwe adversely affects the importation of raw materials in sufficient quantities and when required to enable the Company to operate efficiently. This has resulted in the Company operating its manufacturing plant below current installed capacity. Furthermore, repairs and maintenance costs for plant and equipment charged to the statement of comprehensive income in the current year exceeded the carrying amount of the plant and equipment.</p> <p>These are indicators that plant and equipment may be impaired in terms of IAS 36, 'Impairment of assets'. In response, Management performed an impairment assessment for plant and equipment and determined the recoverable amount for plant and equipment based on value in use.</p> <p>We considered the impairment assessment as a matter of most significance to our current year audit due to the assumptions and estimates applied by management in determining the recoverable amount of the plant and equipment. These assumptions and estimates include future cash flows, the inflation rate, selling prices and long term pre-tax discount rates.</p> <p>Refer to note 4a) '<i>Carrying amount of plant and equipment</i>' in the financial statement for the related disclosure.</p>	<p>We obtained management's impairment computations for plant and equipment and tested the assumptions used by management. Our audit procedures to test these assumptions included the following:</p> <ul style="list-style-type: none">• Testing the future cash flows by comparing the forecast to current performance and our knowledge of the business. We found the estimate of future cash flows to be reasonable.• Independently calculating a reasonable range of long term pre-tax discount rates. Our range was based on the weighted average cost of capital ("WACC") calculation which is based on a capital asset pricing model. We found the long term pre-tax discount rate used by management to be within a reasonable range.• Comparing budgeted production volumes used by management to the actual production volumes of the current year. We did not identify any material differences.• Testing the reasonableness of the inflation rate applied to costs in the impairment model by comparing it to current inflation rates and market forecasts. We found the inflation rate used by management to be reasonable. <p>We performed an independent recalculation of the impairment charge recognised in the statement of comprehensive income and compared our results with those of management. There were no material differences.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the *CAFCA Limited financial statements 2019*, but does not include the financial statements on pages 4 to 34 and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 matter 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.

A handwritten signature in blue ink, appearing to read 'Tinashe I Rwodzi', is written over a faint, light blue circular stamp.

Tinashe I Rwodzi
Registered Public Auditor

Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Public Accountants and Auditors Board, Public Auditor Registration Number 100
Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253568

Harare
Zimbabwe