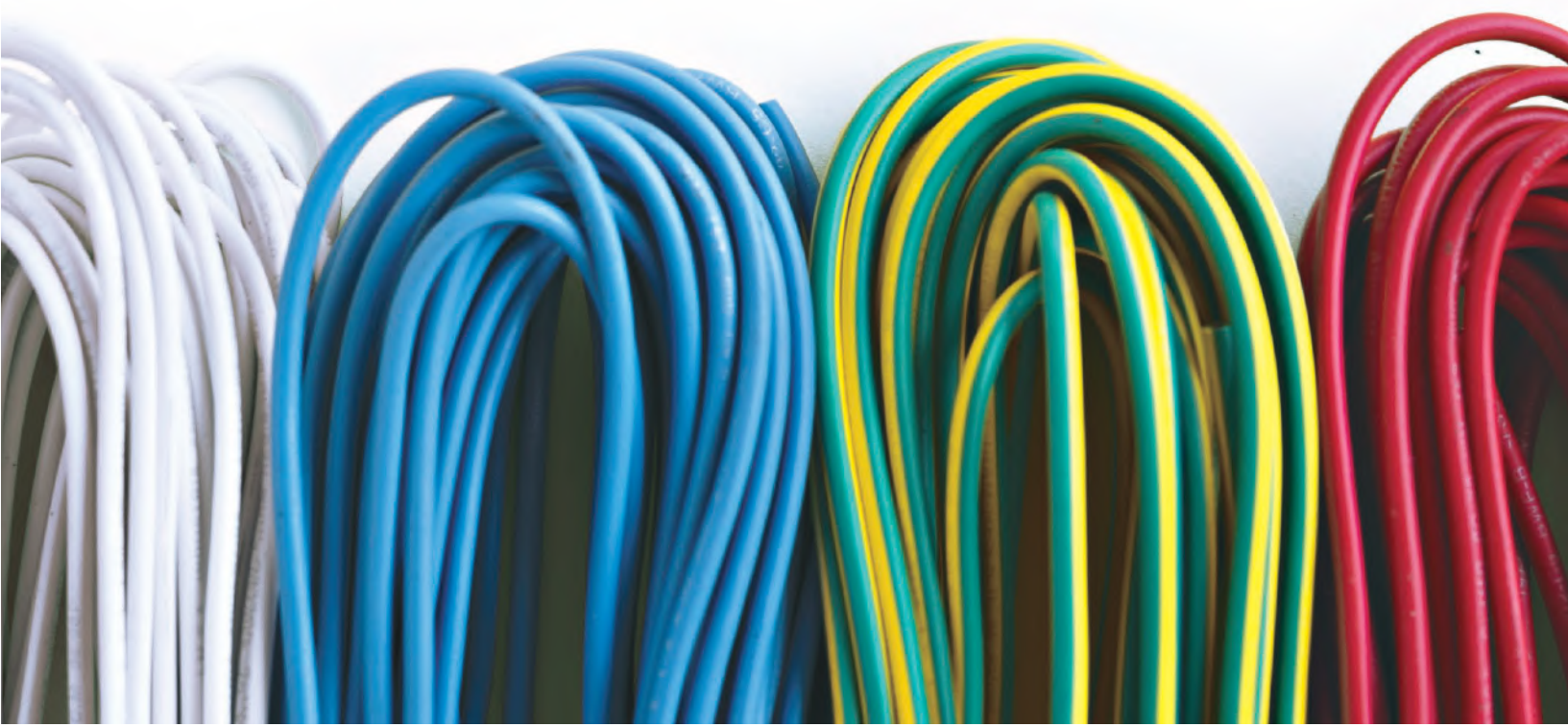




INTEGRATED  
ANNUAL REPORT

2019



# C o n t e n t s

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## Financial report

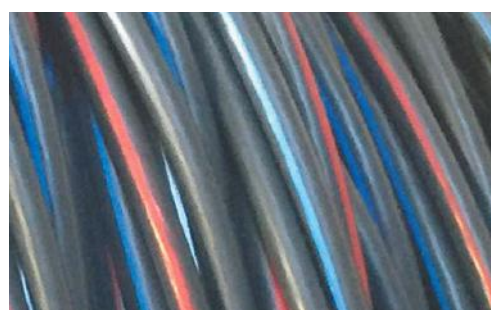
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This Integrated Annual Report covers the financial year from 1 October 2018 to 30 September 2019. The reporting period is annual with the last report having been published in January 2019. The financial statements are presented in Zimbabwe dollars ("ZWL\$").

## Corporate information

CAFCA Limited ("CAFCA" or the "Company") is quoted on the Zimbabwe Stock Exchange with a secondary listing on the Johannesburg Stock Exchange. Established in 1947, CAFCA is part of Reunert Electrical Engineering (Propriety) Limited incorporated in South Africa, which in turn is owned by Reunert Limited also incorporated in South Africa. It has been at the forefront of the cable industry in the region for more than 60 years, supplying large volumes of cable to power and telecommunication utilities as well as the mining, agricultural and industrial sectors.

### Directorate and administration

#### DIRECTORS

H.P. Mkushi (Chairman)  
R.N. Webster (Managing Director)  
E.T.Z. Chidzonga  
A. Mabena  
S.E. Mangwengwende  
T.A. Taylor  
P. De Villiers  
L. de Jager  
G.J.H. Steyn

#### SECRETARY

C. Kangara

#### INDEPENDENT AUDITOR

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)  
Building No. 4 Arundel Office Park  
Norfolk Road  
Mount Pleasant  
Harare

#### LEGAL ADVISORS

Coghlan, Welsh and Guest  
Legal Practitioners  
Cecil House  
2 Central Avenue  
P.O. Box 53  
Harare

#### BANKERS

African Banking Corporation of Zimbabwe Limited

First Capital Bank Limited

Nedbank Zimbabwe Limited

Stanbic Bank Limited

Central Africa Building Society

Steward Bank Limited

ZB Bank Limited

Ecobank Zimbabwe Limited

CBZ Limited

#### REGISTERED OFFICE

54 Lytton Road  
Workington  
Harare

#### POSTAL ADDRESS

P. O. Box 1651  
Harare  
Zimbabwe

### Company profile

CAFCA Limited manufactures and supplies cable and allied products for the transmission and distribution of electrical energy and information primarily in Southern and Central Africa. We manufacture over 900 cabling products including 11kV XLPE cables all to British, South African and Zimbabwean, quality standards.

CAFCA offers a toll manufacturing option to all its customers who can access key raw materials such as copper and aluminium, which are converted at the cost of value addition.

We also recover decommissioned cables for recycling that can be exchanged for other products within our manufacturing range.

## Mission statement

Our goal is to create long term shareholder value

Our business purpose is:

- to be a leading manufacturer and supplier of cable and allied products for the transmission and distribution of information and energy for the Central and Southern African markets; and
- to be recognised for excellence in providing quality products and services that give best value to all our customers and other stakeholders.

Our operating principles are:

- consistently delight customers;
- strive for continued improvement;
- achieve business excellence;
- recognise suppliers as active partners in our business;
- do it right;
- respect and value each other's contribution;
- work as a team;
- provide equal opportunities and encourage personal growth; and
- care for the environment and support the community.

The period in brief

Financial highlights

|                                | INFLATION<br>ADJUSTED | HISTORICAL<br>COST    |
|--------------------------------|-----------------------|-----------------------|
|                                | 30 Sept 2019<br>ZWL\$ | 30 Sept 2018<br>ZWL\$ |
| Revenue                        | 173 058 668           | 93 396 413            |
| Operating profit               | 76 751 127            | 54 190 381            |
| Profit before income tax       | 63 235 033            | 54 180 595            |
| Profit for the year            | 36 174 404            | 41 267 443            |
| Earnings per share (cents)     | 109.14                | 124.51                |
| Market price per share (cents) | 150.00                | 150.00                |

Milestones

CAFCA was the first company in Zimbabwe to achieve ISO 9002 accreditation, later upgraded to ISO 9001, which enables it to design as well as produce cabling to international standards.

In 1999 CAFCA became the first cable company in Sub-Saharan Africa to be awarded the environmental standard, ISO 14001.

Quality management standard

Accredited to ISO 9001  
(First company to gain accreditation in Zimbabwe:1994)

Occupational health and safety standard

Accredited to OHSAS 18001:2007

Environment management standard

Accredited to ISO 14001:2004  
(First cable company in Sub-Saharan Africa to achieve the international quality standard)

Zimbabwe Electricity Supply Authority annual supply contracts

- Low voltage armoured cables: 1985-98, 2000-03
- All aluminium conductor: 1988-99, 2001-03
- Aluminium conductor steel reinforced 1988-99, 2001-03

Anglo American Corporation annual supply contract

- 1985-2000

BHP annual supply contract

- 1996-1999

Botswana Power Corporation

- Split concentric annual supply contract 2000-2004

Botswana Ministry of Health

- Annual supply of low smoke and fume white stripe cables 2002-2004

African Cables (South Africa)

- Monthly delivery of 600/1000V red stripe to SANS 1507 2003 specifications to date

Confederation of Zimbabwe Industries (CZI)

- Industrial Exporter of the Year 1<sup>st</sup> Runner up 2005

Confederation of Zimbabwe Industries (CZI)

- Industrial Exporter of the Year 1<sup>st</sup> Runner up 2008

National Industrial Energy Efficiency Award

- 1<sup>st</sup> Runner up 2011

Zimbabwe Quoted Companies Survey 2012

- Manufacturing Winner

National Industrial Energy Efficiency Award

- Winner 2013 and 2014

Exporter of the year

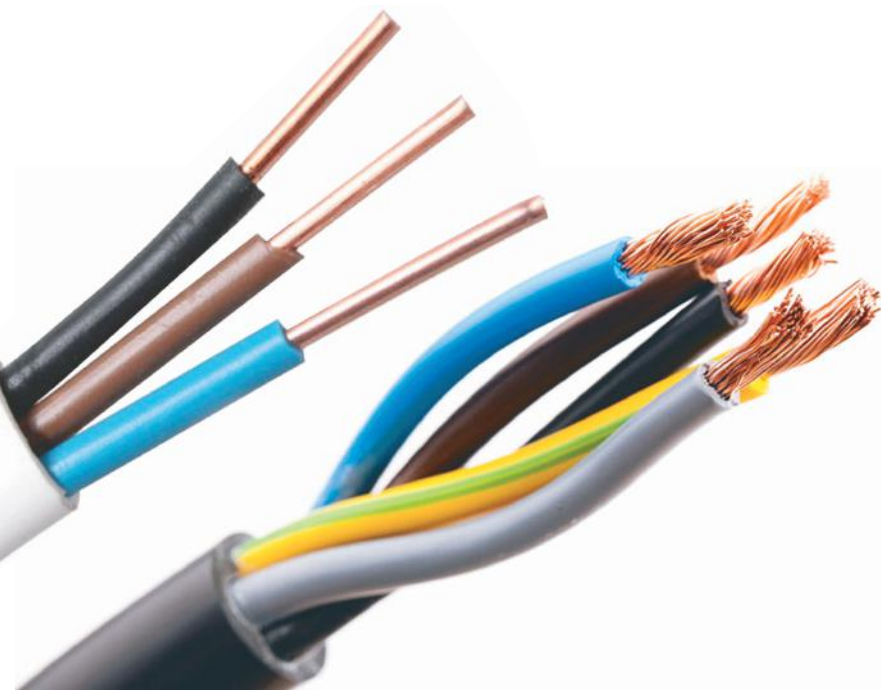
- Runner up 2012

Energy management system

- Accredited to ISO 50001

Best Stakeholder Practices and Sustainability Reporting

- 2018 second prize - Institute of Chartered Secretaries and Administrators





## Corporate governance

Corporate governance represents the means by which direction and control are applied to the stewardship of an organisation's assets, both tangible and intangible, financial and non-financial, in the pursuit and delivery of the primary objective of sustainable value creation.

### Ethics

Directors, management and staff are required to maintain the highest possible standards of business ethics and accountability, and appropriate disciplinary measures are in place in the event of non-conformity.

### Board of directors

The board of directors (the "board") of CAFCA Limited ("CAFCA" or the "Company") fully supports the highest standards of corporate governance and is committed to the principles of openness, integrity and accountability in dealings with all stakeholders. The board fully recognises its responsibilities for setting the Company's strategic direction, providing the leadership to put this into effect, supervising the management of the business and reporting to the shareholders on its stewardship.

The board meets at least four times a year. One third of the board retire by rotation at the Annual General Meeting and may offer themselves as eligible for re-election.

Following the appointment of new directors to the board, an induction programme is arranged in order to facilitate their understanding of CAFCA Limited.

### Audit committee

This committee was established to help the board discharge its responsibilities relating to the safeguarding of assets, the operating of adequate systems and controls and of adding assurance and credibility to the Company's financial reporting process.

The audit committee has the authority to conduct or authorise investigations into any matters within its scope of responsibilities. The audit committee comprises no less than three non-executive directors. The board appoints audit committee members and the chairman of the audit committee from among its directors. The audit committee meets no less than four times a year.

The audit committee assists the board in fulfilling its responsibilities by reviewing and making recommendations on the following:

- the financial reporting process,
- the systems of internal control,
- the process for the management of business risks,
- the audit process, and
- the Company's process for monitoring compliance with relevant laws and regulations.

### Executive committee

This committee consists of the executive team, which is responsible for implementing the board's strategies, plans and policies, identifying risk for the board and for safety, health, environment and other operational matters.

### Risk management

Effective risk management is a board responsibility and is integral to the Company's objective of consistently adding value to the business. Business risks have been identified and relevant strategies are in place to address them. The managing director is required to identify and present all risks for review by the audit committee.

### Management reporting

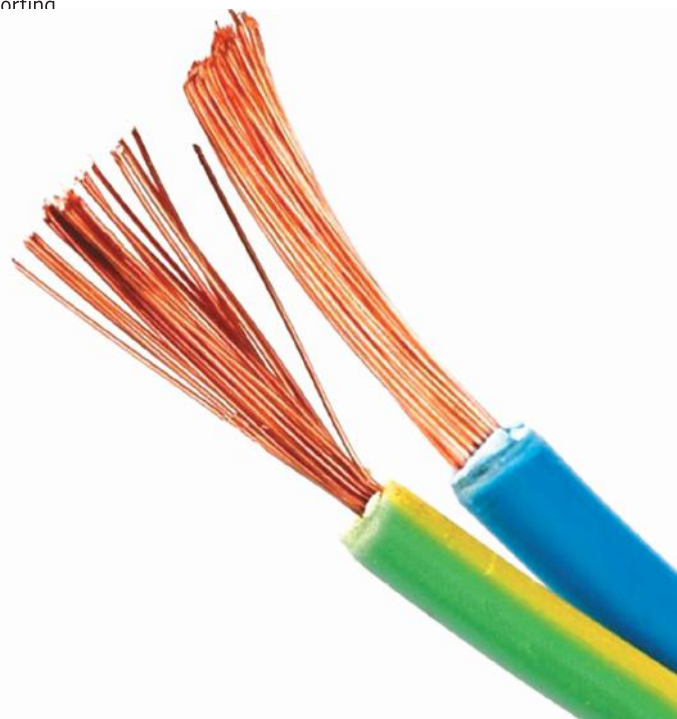
The Company's performance is monitored during weekly and monthly management meetings and is supported by management reporting disciplines that include the preparation of annual business plans and monthly results reported against budgets and other targets.

### Compensation committee

This committee consists of two non-executive directors who review and approve executive and staff remuneration, inclusive of bonuses and benefits as well as directors' fees, within the board's terms of reference.

### Operations controls

While operating risk can never be fully eliminated, the Company endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout its business. Key policies employed in managing operating risk involve the segregation of duties, transactions and authorisations, as well as monitoring financial and managerial reporting.



## Directors' report

The directors have pleasure in presenting their report together with the financial statements of CAFCA Limited for the twelve months ended 30 September 2019.

The financial reports have been prepared in ZWL\$.

### Capital

#### *Authorised share capital*

The authorised share capital remains unchanged at 50 000 000 ordinary shares of ZWL\$0.00001 each and 100 000 5.5% cumulative preference shares of ZWL\$0.00001 each.

#### *Issued share capital*

Issued share capital comprises 33 144 000 fully paid-up ordinary shares.

#### *Unissued share capital*

In terms of the Articles of Association of the Company, the unissued share capital is under the control of directors subject to the limitations of the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Regulations.

#### *Results for the year*

The results for the year are reported in the financial statements for the year ended 30 September 2019 which are set out on pages 16 to 52.

### Attention to quality

Attention to quality is one of the reasons for our continued success.

At all levels we put our best endeavours into achieving product performance, safety and reliability. We monitor, control, document and regularly review all Company activities from design through to production and inspection.

We hold quality systems' accreditation and product approvals from a number of authorities both local and international.

In terms of the Articles of Association of the Company, one third of the directors, excluding the managing director, will retire by rotation each year.

In accordance with the Articles of Association, Mr H.P. Mkushi, Mr G.J.H. Steyn retire by rotation.

The directors, being eligible, offer themselves for re-election.

None of the directors had an interest in any contract of significance with the Company during the year.

### Employment policies

CAFCA Limited does not discriminate on the basis of race, religion, sex or disability and is committed to providing opportunities, safe working conditions and attractive remuneration to staff.

The Company endeavours to attract and retain talented and suitably qualified and experienced staff through performance-based reward systems, including an incentive bonus scheme.

### Corporate governance

A statement on corporate governance is set out on page 4.

### Auditors

PricewaterhouseCoopers Chartered Accountants (Zimbabwe) have indicated their willingness to continue as the Company's auditors. A resolution to authorise their re-appointment will be proposed at the Annual General Meeting.



### Directors' report (continued)

#### Senior executives

Managing director  
Rob Webster

Finance executive  
Caroline Kangara

Chief engineer  
Phillip Tashayawedu

Sales and marketing executive  
Farai Mukumbira

Manufacturing executive  
Godfrey Mavera

#### Meetings of directors

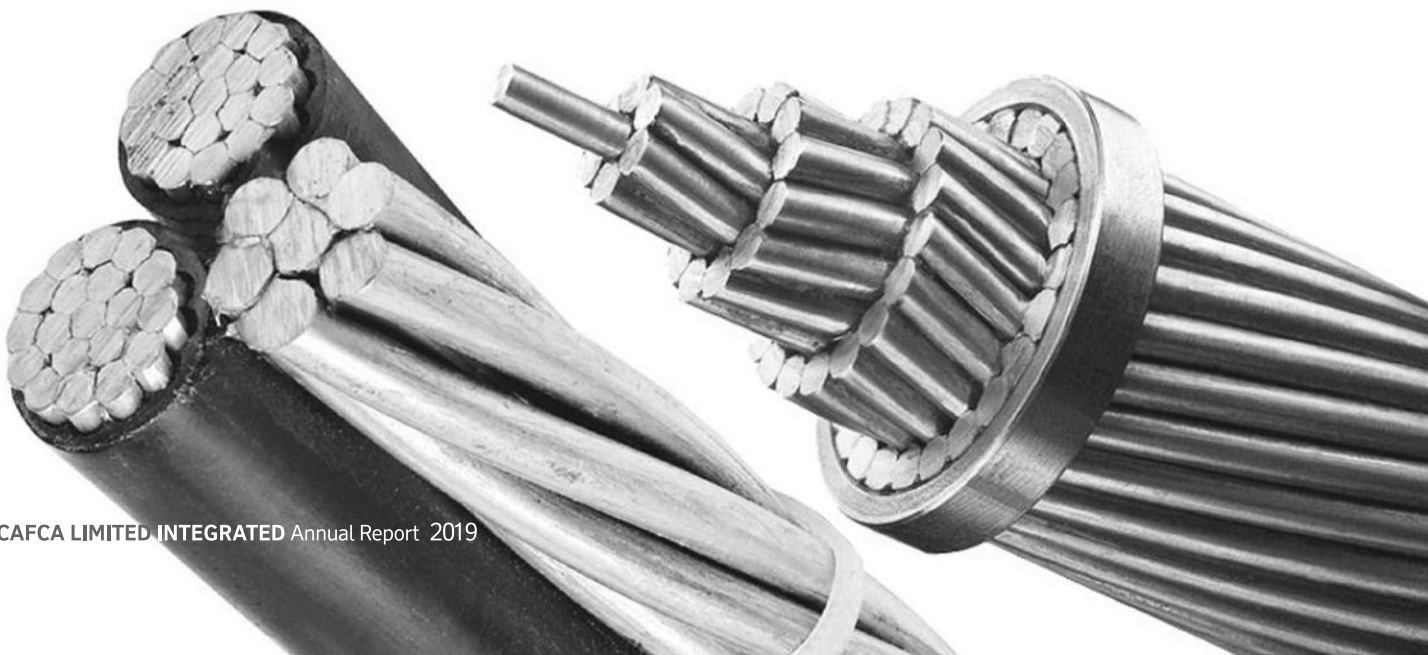
The following table sets out the number of board meetings held by CAFCA Limited during the period under review and those attended by each director.

|                    | Meetings held | Meetings attended |
|--------------------|---------------|-------------------|
| H.P. Mkushi        | 4             | 4                 |
| R.N. Webster       | 4             | 4                 |
| E.T.Z. Chidzonga   | 4             | 4                 |
| P. W. de Villiers  | 4             | 4                 |
| G.W. Eddey         | 4             | 1                 |
| A. Mabena          | 4             | 4                 |
| S.E. Mangwengwende | 4             | 4                 |
| G.J.H. Steyn       | 4             | 4                 |
| T.A. Taylor        | 4             | 4                 |
| L. de Jager        | 4             | 3                 |

#### Directors' interests

Details of directors' interests in the ordinary shares of the Company are shown below:

|                    | Number of shares     |                        |
|--------------------|----------------------|------------------------|
|                    | Shares held directly | Shares held indirectly |
| H.P. Mkushi        | -                    | 966 854                |
| R.N. Webster       | -                    | 417 320                |
| E.T.Z. Chidzonga   | 100                  | -                      |
| A. Mabena          | 100                  | -                      |
| S.E. Mangwengwende | 100                  | -                      |
| T.A. Taylor        | 200                  | -                      |
| G.W. Eddey         | 100                  | -                      |
| P. W. de Villiers  | 100                  | -                      |
| G.J.H. Steyn       | 100                  | -                      |





## Directors



### **Honour Piniel Mkushi – Chairman**

Non-executive director

L.L.B (Hons), (London)

Appointed to the board on 1 January 1986

Honour is an Advocate of the High Court of Zimbabwe. He is the senior partner of Sawyer & Mkushi. He has been in private practice since 1971 and has an immaculate professional record with the Law Society of Zimbabwe. He specialises in corporate commercial banking, financial and property law practice. He has experience in constitutional law making, including attending the Geneva and Lancaster House London negotiations for Zimbabwe's Independence. He was a Commissioner involved in the drafting of the new Constitution for Zimbabwe in 1999.

Honour has sat on various boards including the following:

Chairman of the Council of Great Zimbabwe University for 6 years.

Chairman of the Board of Zimpapers for 12 years.

Chairman of the Board of Zimbabwe Mass Media Trust for 14 years.

Chairman of the Board of Leyland Zimbabwe Motor Corporation for 10 years.

Chairman of the Board of Commercial Union Insurance Company for 8 years.

Chairman of the Board of Standard Chartered Bank Zimbabwe Limited for 27 years.

Board Member of Lonrho Zimbabwe Limited – Motor and Mining.

He is currently the Chairman of six other reputable companies in Zimbabwe namely, Windmill Fertilisers Limited, Marsh Insurance Brokers (Private) Limited, Nissan Clover Leaf Motors (Private) Limited, Zimbabwe Motor Investments (Private) Limited, Aptics ICT (Private) Limited, Automotive Distributor (Private) Limited.



### **Robert Neill Webster**

Managing director

B.Acc. (Natal), C.A. (Z)

Appointed to the board on 11 July 2006

Rob completed his articles of clerkship with Coopers and Lybrand and left as an audit manager to join 5T Holdings as financial director. He later joined Apex Corporation Limited as financial director and progressed to divisional executive of the foundry division. Rob was then approached by the CFI group to run Victoria Foods, which then led to promotion to divisional executive -poultry.

He joined CAFCA in 2006 as managing director.



### **Alvord Mabena**

Non-executive director

B.Sc. Mechanical Engineering

Appointed to the board on 19 February 1998

Alvord has 20 years experience in the railway industry as an engineer, the last ten of which he was chief executive of the National Railways of Zimbabwe. He spearheaded the turnaround of the organisation to become the second largest railway in the sub region, second only to South Africa.

A past president of the Zimbabwe Institution of Engineers, Alvord won the Zimbabwe Institute of Personnel Management, manager of the year award in 1992 in recognition of his service with distinction in the public utility category.

A businessman, Alvord is also a director of private and public sector companies quoted on the Zimbabwe Stock Exchange including banking institutions and universities, among others. He is also a former Chairman of the National Railways of Zimbabwe Board. He is one of the established livestock breeders in Matebeleland and is heavily involved in voluntary community service where he is a past president of the Rotary Club of Bulawayo South where he was conferred with a Paul Harris Fellow award, which award is accorded Rotarians who would have served the community with distinction.

He is married and has one daughter and one grand daughter.



### **Gideon Johannes Hendrik Steyn**

Non-executive director

BCompt Hons (University of South Africa)

Appointed to the Board 19 February 2015

Johan completed his articles with KPMG and left as an audit supervisor to join ATC (Proprietary) Limited. After working in various tasks and capacities, Johan was appointed as Divisional Director Finance of the company and subsequently appointed as the Head of Internal Audit of Reunert Limited.

At the end of 2008 Johan was appointed as Financial Director of CBI-Electric: African Cables, a division of ATC (Proprietary) Limited.



## Directors (continued)



### Thomas Alexander Taylor

Non-executive director  
B.Com. (Cape Town), C.A. (SA), C.A.(Z)  
Appointed to the board on 11 October 1995

Tom served his articles with Pricewaterhouse where he worked in their Bulawayo, Harare and London offices. He was admitted as a partner in July 1972. Until June 1985, he was an audit partner in Bulawayo and partner in charge of the Botswana office. He then transferred to Harare as senior partner of Pricewaterhouse Central Africa (Zimbabwe, Botswana, Malawi and Mozambique). Tom retired from the firm on 30 June 1995 after having completed 10 years as a senior partner.

Currently self-employed, Tom sits on the boards of various public and private companies.



### Simbarashe Emanuel Mangwengwende

Non-executive director  
B.Sc. (Eng.) (Hons.) (Electrical Engineering) (University of Zimbabwe),  
M.Sc. (Management of Technology) (Washington University. U.S.A).  
F.Z.W.E.I.E , Mem. I.E.E.E  
Appointed to the board on 1 October 2006

Simbarashe is an electrical power engineering and management specialist with extensive experience in the electricity supply industry including more than 14 years (1992 to 2006) as chief executive of the Zimbabwe Electricity Supply Authority (ZESA), the country's national utility, eight years (1981 to 1988) in electricity distribution engineering in various capacities of increasing responsibility and four years (1988 to 1992) in corporate planning.

Since retirement in 2006 he has been working as an independent consultant and sits on the boards of several public and private companies and non-profit organisations.



### Lood de Jager

Non-Executive director  
BCom Hons (CTA), CA (SA)  
Appointed to the board on 28 February 2019

Lood has fulfilled various financial and operational management roles, in both listed and unlisted company environments. He has 24 years' experience in the Manufacturing, ICT, Technology and Finance.

He is currently the Managing Director of CAFCA's sister company in South Africa CBI- Electric African Cables and a member of the executive committee of the Association of Electrical Cable Manufacturers of South Africa.



### Edwin Tavengwa Zinyoro Chidzonga

Non-executive director  
M.A. (Accounting & Finance) UK, F.C.C.A. (UK), F.C.M.A (UK), M.I.M. (UK)  
Appointed to the board on 17 February 2000

Edwin joined Minerals Marketing Corporation of Zimbabwe (MMCZ) as its first Financial Controller in 1983. In 1986, he was appointed Managing Director designate in the MMCZ first European office Zurich. In 1990, Edwin was appointed Managing Director of MMCZ Sales, Zurich. Between 1994 and 1995, Edwin worked as Managing Director of Standard Chartered Finance, Zimbabwe and between 1996 and 1997 worked in the bank's London Head Office. Between 1998 and 2000, Edwin worked mainly as a Consultant before joining Mining Industry Pension Fund where he was the Chief Executive and Principal Officer up to January 2009. In 2010 he joined Deloitte Zimbabwe as an Associate Director in the Human Capital Division specialising in Management Culture Change programme called Value Creation and Exponential Growth Transformation Methodology.

Edwin sits on the boards of ZB Life Assurance (Pvt) Ltd; FBC Building Society, Comarton Managed Pension Funds Investment Consortium among other directorships. Currently, he is the Managing Director of Colbrad Zimbabwe (Pvt) Limited - Exponential Growth Strategists



### Pieter Wouter de Villiers

Non-executive director  
B. Eng. (Electronic) University of Pretoria B.Comm. University of South Africa  
Appointed to the board on 19 February 2015

Pieter joined CBI Electric African Cables in 2000 as Production Manager. He is currently the Technical Director of that company. Before joining CBI, Pieter worked for USKO Limited and Morris Material Handling.

## Chairman's report

### Overview

CAFCA Limited sales volumes dropped by 24% as compared to the previous year's volumes. The drop had been anticipated by the Company due to the unstable economic fundamental conditions prevailing in the country. Mitigation strategies have been implemented during the year by focusing the Company around a 140 ton a month model and increasing exports. Exports were increased by 70% in volume terms over the previous year.

Historical cost revenue increased by 208% from \$30.3 million to \$93.3 million whilst profit before income tax increased from \$5.2 million to \$54.1 million.

### Sustainability

The world is facing a plethora of sustainability challenges and it is now widely acknowledged that all stakeholders have a role to play including business enterprises. CAFCA realises the importance of embedding sustainability into its business strategy and has anchored its operations on a sustainable development trajectory. The Board of Directors of CAFCA acknowledges that sustainability is essential to its performance and is committed to mainstreaming sustainability into the business. Our Executive Team has continued to show resilience in promoting sustainability throughout our operations on a day to day basis.

We achieved a 6% saving on energy consumption due to implementation of various opportunities for improvement. CAFCA continues to adopt energy efficiency programmes that help to reduce cost, emissions and carbon footprint. CAFCA seeks to minimize its impact on the environment through adoption of Green Industry initiatives anchored on a "Circular Economy". The Company demonstrates a circular economy by recycling copper. CAFCA maintained certification to all its management systems namely Quality (ISO 9001:2015), Environment (ISO 14001:2015), Energy (ISO 50001:2011) and Occupational health and safety (OHSAS 18001:2007). CAFCA manufactures cables to international standard specifications and hence maintained its product mark certification to Standards Association Zimbabwe and South African Bureau of Standards standards.

I am pleased to note the reduction in injuries from fifteen in financial year 2018 to four in financial year 2019 due to the successful implementation of initiatives such as the Behaviour Based Interventions (Sungano). Our business recorded zero fatalities in the organisation during the period under review. CAFCA Board and Management remain committed to zero harm in the workplace. Our Board takes sustainability issues seriously as they are strategic and profitable to the organisation.

### Dividend

The hyperinflation environment in which we find ourselves has resulted in the Company not only utilising its previously generated cash resources to fund working capital but also the need to finance working capital from banking facilities. Accordingly the Board has deemed it prudent to not declare a final dividend.

### Outlook

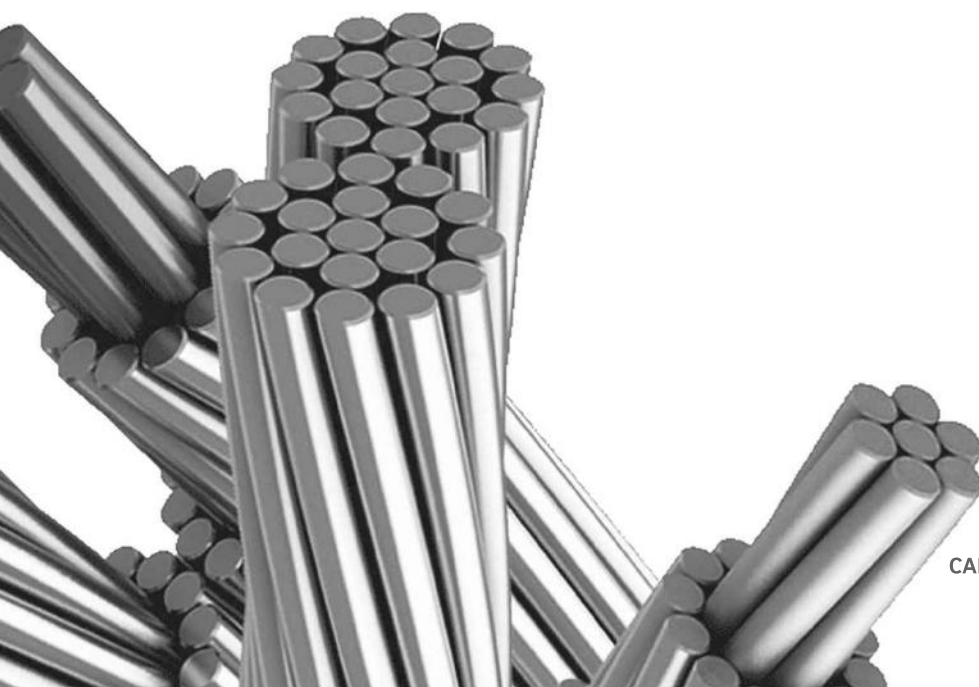
We believe hyperinflation will only be controlled with assistance in funding from external sources which would support the chosen transactional currency. In the interim CAFCA has adopted appropriate strategies to mitigate hyperinflation threats to CAFCA sustainability.

### Thanks

Management and staff are to be commended for a good set of results which were only achieved with the support of our stakeholders; Government for their strategic support of local manufacturers; all customers for their custom and loyalty; suppliers and service providers for their partnership and contribution; fellow directors for their guidance and wise counsel and shareholders for their long term support in the company.



H. P. Mkushi  
Board Chairman  
CAFCA LIMITED  
13 January 2020



## Managing director's report

### Operations

Strategically we have kept our numbers employed at 211 versus the prior year of 204. Despite a lower production model of 140 tonnes a month we have to cater for more line items and shorter production runs. Our competitive advantage remains being able to offer a wide range of products, within a very short lead time and no limits on quantity required.

Regrettably, the capital expenditure planned for this year did not happen as all the foreign exchange procured was prioritised towards raw materials.

The ZWL set aside for capital expenditure has subsequently been used to finance working capital due to the hyperinflation.

### Financial Results (based on historical figures)

The impact of a devaluing currency resulted in historical turnover in ZWL being \$93.4 million against the prior ZWL of 30.4 million. The impact of costs lagging behind the exchange rate movement resulted in a historical pre-tax profit in ZWL of 54.3 million against the prior ZWL 5.3 million.

The statement of financial position clearly reflects the strategic decision to carry increased finished goods as a hedge against inflation and to ensure the wide range of products we offer to customers are readily available. Finished goods stock is currently at 675 tonnes against a monthly sales model of 140 tonnes.

### Future

The volatile trading environment requires a strategy of risk mitigation. In order of risk exposure, the following are the CAFCA risks:-

- Foreign currency availability
- Power
- Local demand
- Bank facilities and interest rates
- Hyperinflation risks on assets and liabilities

We believe we have included adequate initiatives in our 2019/2020 strategic plan to adequately mitigate our exposure to these risks.



R. N. Webster  
Managing Director  
CAFCA LIMITED  
13 January 2020







## Directors' declaration

In the opinion of the directors of CAFCA Limited, the financial statements and notes set out on pages 16 to 52 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and:

- Give a true and fair view of the financial position of the Company as at 30 September 2019 and its financial performance as represented by the results of its operations and its cash flows for the year then ended, except for the effect of non-compliance with international Accounting Standards ("IAS") 21 as described in note 2.1.1 of the financial statements.
- Comply with International Financial Reporting Standards, except for non-compliance with IAS 21 as indicated above.

The directors confirm that the Company has adequate resources to operate for the foreseeable future and will remain a viable going concern in the year ahead.

These annual financial statements have been prepared under the supervision of the Finance Executive, Caroline Kangara, an Associate Member of the Institute of Chartered Secretaries and Administrators, registered with the Public Accountants and Auditors Board, Public Accountant Certificate Number 04293.

Signed in accordance with a resolution of the directors:

H. P. Mkushi  
Chairman  
Harare, Zimbabwe  
13 January 2020

R. N. Webster  
Managing Director  
Harare, Zimbabwe  
13 January 2020





## Independent auditor's report

### To the shareholders of CAFCA Limited

#### 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 16 to 52 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 at that time. The RTGS FCA would be held at the same value as the United States Dollar ("US\$"). Mobile money and bond notes and coins would be treated in the same way as the RTGS FCA.

As described in note 2.1.1, 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 restated. 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 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 (242) 338362-8, F: +263 (242) 338395, [www.pwc.com](http://www.pwc.com)*

**T I Rwodzi** – Senior Partner

The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.



Independent auditor’s report (continued)

Our audit approach

Overview

|                   |   |
|-------------------|---|
| Materiality       | Overall materiality: ZWL\$ 2 709 000 which represents 5% of historical cost profit before income tax. |
| Key audit matters | • Impairment assessment of plant and equipment.   |

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.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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                             | ZWL\$ 2 709 000  |
| How we determined it                            | 5% of historical cost 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.<br><br>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. |





### Independent auditor's report (continued)

#### 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. In addition to the matter described in the Basis for adverse opinion section, we determined the matter described below to be a key audit matter to be communicated in our report.

| Key audit matters  | How our audit addressed the key audit matters   |
|--|---|
| <b>Impairment assessment of plant and equipment</b>  |   |
| <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, based on historical costs repairs and maintenance costs for plant and equipment charged to the statement of comprehensive income in the current year are significant when compared to the carrying amount of the plant and equipment.</p> <p>These circumstances are indicators that plant and equipment may be impaired in terms of IAS 36, 'Impairment of assets'. 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>Management performs followed the following steps to determine the inflation adjusted carrying amount of the plant and equipment:</p> <ul style="list-style-type: none"> <li>• The original purchase cost of the plant and equipment is restated from the date of the purchase of each item to the statement of financial position date using the applicable general price index.</li> <li>• The depreciation charge for the current period is calculated on the basis of the restated plant and equipment.</li> <li>• Opening accumulated depreciation is also calculated on the basis of restated plant and equipment.</li> <li>• Additions to plant and equipment are restated using the relevant conversion factors from the date of the transaction to balance sheet date.</li> <li>• The restated plant and equipment is assessed for impairment in accordance with IAS 36.</li> </ul> <p>We considered the impairment assessment of property plant and equipment to be 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 notes 2.4 'property, plant and equipment', 4 a) 'inflation indices and adjustments' and 4 b) 'Carrying amount of plant and equipment' in the financial statement for the related disclosure.</p> | <p>We obtained management's impairment assessment and 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"> <li>- Testing the future cash flows by comparing these to the historical and current performance of the company and by considering our knowledge of the business;</li> <li>- 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.</li> <li>- Comparing budgeted production volumes used by management to the actual production volumes of the current year; and</li> <li>- Testing the reasonableness of the inflation rate applied to costs in the impairment model by comparing it to current inflation rates and market forecasts.</li> </ul> <p>We obtained the conversion factors derived from the Zimbabwe Consumer Price Index ("CPI") from independent sources and recalculated management's computation of the inflation adjusted carrying amount of plant and equipment using these conversion factors.</p> <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.</p> |

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "CAFCA Limited Integrated Annual Report 2019". The other information does not include the financial statements 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.



## Independent auditor's report (continued)

### Other information (continued)

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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for adverse opinion section above, the Company has not applied IAS 21 in preparing the financial statements. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items in the document titled "CAFCA Limited Integrated Annual Report 2019" affected by the failure to apply the requirements of IAS 21..

### 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, reading 'Tinashe I Rwodzi'.

**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

28 January 2020  
Harare  
Zimbabwe



## Statement of financial position

As at 30 September 2019

|  |       | INFLATION ADJUSTED |                             | HISTORICAL COST |               |
|--|-------|--------------------|-----------------------------|-----------------|---------------|
|  | Notes | 2019<br>ZWL\$      | 2018<br>Restated *<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| ASSETS                                       |       |                    |                             |                 |               |
| Non-current assets                           |       |                    |                             |                 |               |
| Property, plant and equipment                | 6     | 15 544 659         | 14 778 329                  | 4 119 488       | 2 990 638     |
| Current assets                               |       |                    |                             |                 |               |
| Inventories                                  | 7     | 95 021 323         | 39 072 283                  | 41 080 634      | 8 624 425     |
| Trade and other receivables                  | 9     | 12 223 941         | 9 250 183                   | 11 812 979      | 2 041 792     |
| Cash and cash equivalents                    | 10    | 14 528 403         | 40 114 504                  | 14 528 403      | 8 854 476     |
|  |       | 121 773 667        | 88 436 967                  | 67 422 016      | 19 520 693    |
| Total assets                                 |       | 137 318 326        | 103 215 296                 | 71 541 504      | 22 511 331    |
| EQUITY AND LIABILITIES                       |       |                    |                             |                 |               |
| EQUITY                                       |       |                    |                             |                 |               |
| Equity attributable to owners of the parent  |       |                    |                             |                 |               |
| Share capital                                | 11.2  | 1 500              | 1 500                       | 331             | 331           |
| Share premium                                | 11.2  | 1 416 470          | 1 153 903                   | 332 323         | 254 701       |
| Share option reserve                         | 11.3  | 1 085 741          | 877 090                     | 402 251         | 193 600       |
| Retained earnings                            |       | 102 551 710        | 72 124 713                  | 54 863 464      | 15 648 705    |
| Total equity                                 |       | 105 055 421        | 74 157 206                  | 55 598 369      | 16 097 337    |
| LIABILITIES                                  |       |                    |                             |                 |               |
| Non-current liabilities                      |       |                    |                             |                 |               |
| Deferred income tax liabilities              | 12    | 16 753 424         | 2 975 092                   | 433 656         | 656 692       |
| Current liabilities                          |       |                    |                             |                 |               |
| Trade and other payables                     | 13    | 7 939 610          | 7 885 794                   | 7 939 608       | 1 740 632     |
| Provisions for other liabilities and charges | 14    | 2 821 539          | 1 935 795                   | 2 821 539       | 427 288       |
| Dividend payable                             | 15    | -                  | 15 725 975                  | -               | 3 471 195     |
| Current income tax liability                 | 8     | 1 800 117          | 535 434                     | 1 800 116       | 118 187       |
| Borrowings                                   | 16    | 2 948 215          | -                           | 2 948 215       | -             |
|  |       | 15 509 481         | 26 082 998                  | 15 509 479      | 5 757 302     |
| Total liabilities                            |       | 32 262 905         | 29 058 090                  | 15 943 134      | 6 413 994     |
| Total equity and liabilities                 |       | 137 318 326        | 103 215 296                 | 71 541 503      | 22 511 331    |

\* Refer to note 2.1 for details regarding the restatement as a result of application of IAS 29.

The above statement of financial position should be read in conjunction with accompanying notes.

These financial statements were approved for issue by the board of directors on 7 November 2019 and signed on its behalf by:

P Mkushi  
Chairman

R.N Webster  
Managing Director





## Statement of comprehensive income

For the year ended 30 September 2019

|  | Notes | INFLATION ADJUSTED |                             | HISTORICAL COST |                |
|--|-------|--------------------|-----------------------------|-----------------|----------------|
|  |       | 2019<br>ZWL\$      | 2018<br>Restated *<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$  |
| Revenue  | 17    | 173 058 668        | 137 644 834                 | 93 396 413      | 30 382 348     |
| Cost of sales  | 18    | (84 280 565)       | (93 625 197)                | (34 298 688)    | (20 937 278)   |
| <b>Gross profit</b>  |       | 88 777 803         | 44 019 637                  | 59 097 725      | 9 445 070      |
| Distribution costs   | 18    | (511 151)          | (431 096)                   | (147 223)       | (95 156)       |
| Administrative expenses  | 18    | (23 564 678)       | (19 249 670)                | (16 122 237)    | (4 248 980)    |
| Other income   | 19    | 12 346 304         | 486 576                     | 11 540 569      | 107 402        |
| (Net allowance for impairment)/reversal of<br>allowance for impairment of financial assets |       | (162 223)          | 93 100                      | (162 223)       | 20 550         |
| Other (losses)/gains   | 20    | (134 928)          | 17 080                      | (16 230)        | 3 770          |
| <b>Operating profit</b>  |       | 76 751 127         | 24 935 627                  | 54 190 381      | 5 232 656      |
| Finance cost   | 21    | (25 120)           | -                           | (10 186)        | -              |
| Finance income   | 21    | 987                | 6 177                       | 400             | 1 364          |
| Monetary loss  |       | (13 491 961)       | -                           | -               | -              |
| <b>Profit before income tax</b>  |       | 63 235 033         | 24 941 804                  | 54 180 595      | 5 234 020      |
| Income tax expense   | 22    | (27 060 629)       | (6 227 469)                 | (12 913 152)    | (1 374 589)    |
| <b>Profit for the year</b>   |       | 36 174 404         | 18 714 335                  | 41 267 443      | 3 859 431      |
| <b>Other comprehensive income</b>  |       |                    |                             |                 |                |
| Items that will not be reclassified to profit or loss                                      |       | -                  | -                           | -               | -              |
| Items that may be reclassified to profit or loss   |       | -                  | -                           | -               | -              |
| Other comprehensive income for the year,<br>net of income tax                              |       | -                  | -                           | -               | -              |
| <b>Total comprehensive income for the year</b>   |       | 36 174 404         | 18 714 335                  | 41 267 443      | 3 859 431      |
| <b>Attributable to:</b>  |       |                    |                             |                 |                |
| - Owners of CAFCA Limited  |       | 36 174 404         | 18 714 335                  | 41 267 443      | 3 859 431      |
| - Non-controlling interests  |       | -                  | -                           | -               | -              |
|  |       | 36 174 404         | 18 714 335                  | 41 267 443      | 3 859 431      |
| <b>Basic earnings per share</b>  | 23.1  | Cents<br>109.14    | Cents<br>56.61              | Cents<br>124.51 | Cents<br>11.67 |
| <b>Diluted earnings per share</b>  | 23.2  | 108.12             | 55.93                       | 123.34          | 11.53          |

\* Refer to note 2.1 for details regarding the restatement as a result of application of IAS 29.

The above statement of comprehensive income should be read in conjunction with accompanying notes.



## Statement of changes in equity

For the year ended 30 September 2019

For the year ended 30 September 2019

|  |                        | INFLATION ADJUSTED     |                               |                            |                |  |
|--|------------------------|------------------------|-------------------------------|----------------------------|----------------|--|
| Notes  | Share capital<br>ZWL\$ | Share premium<br>ZWL\$ | Share option reserve<br>ZWL\$ | Retained earnings<br>ZWL\$ | Total<br>ZWL\$ |  |
| <b>Year ended 30 September 2018</b>                          |                        |                        |                               |                            |                |  |
| <b>Balance as at 1 October 2017</b>                          | 328                    | 177 948                | 20 056                        | 69 136 353                 | 69 334 685     |  |
| Total comprehensive income for the year                      | 1 169                  | 899 202                | 683 490                       | 18 714 336                 | 20 298 197     |  |
| Profit for the year  | -                      | -                      | -                             | 18 714 336                 | 18 714 336     |  |
| Restatement of owners equity on application of IAS 29        | 1 169                  | 899 202                | 683 490                       | -                          | 1 583 861      |  |
| Other comprehensive income for the year                      | -                      | -                      | -                             | -                          | -              |  |
| <b>Transactions with owners in their capacity as owners:</b> |                        |                        |                               |                            |                |  |
| Issue of shares  | -                      | 40 400                 | -                             | -                          | 40 400         |  |
| Share options  | 11                     | 36 353                 | 173 544                       | -                          | 209 900        |  |
| Dividends declared   | 15                     | -                      | -                             | (15 725 975)               | (15 725 975)   |  |
| <b>Balance as at 30 September 2018</b>                       | 1 500                  | 1 153 903              | 877 090                       | 72 124 714                 | 74 157 207     |  |
| <b>Year ended 30 September 2019</b>                          |                        |                        |                               |                            |                |  |
| <b>Balance as at 1 October 2018</b>                          | 1 500                  | 1 153 903              | 877 090                       | 72 124 713                 | 74 157 206     |  |
| <b>IFRS 9 adjustment</b>                                     | -                      | -                      | -                             | (97 300)                   | (97 300)       |  |
| Total comprehensive income for the year                      | -                      | -                      | -                             | 36 174 404                 | 36 174 404     |  |
| Profit for the year  | -                      | -                      | -                             | 36 174 404                 | 36 174 404     |  |
| Other comprehensive income for the year                      | -                      | -                      | -                             | -                          | -              |  |
| <b>Transactions with owners in their capacity as owners:</b> |                        |                        |                               |                            |                |  |
| Issue of shares  | 11                     | 71 956                 | -                             | -                          | 71 956         |  |
| Share options  | 11                     | 190 611                | 208 651                       | -                          | 399 262        |  |
| Dividends declared and paid                                  | -                      | -                      | -                             | (5 650 107)                | (5 650 107)    |  |
| <b>Balance as at 30 September 2019</b>                       | 1 500                  | 1 416 470              | 1 085 741                     | 102 551 710                | 105 055 421    |  |
| <b>HISTORICAL</b>  |                        |                        |                               |                            |                |  |
| <b>Year ended 30 September 2017</b>                          |                        |                        |                               |                            |                |  |
| <b>Balance as at 1 October 2017</b>                          | 328                    | 177 948                | 20 056                        | 15 260 469                 | 15 458 801     |  |
| Total comprehensive income for the year                      | -                      | -                      | -                             | 3 859 432                  | 3 859 432      |  |
| Profit for the year  | -                      | -                      | -                             | 3 859 432                  | 3 859 432      |  |
| Transaction with owners in                                   | -                      | -                      | -                             | -                          | -              |  |
| Other comprehensive income for the year                      | -                      | -                      | -                             | -                          | -              |  |
| <b>Transactions with owners</b>                              |                        |                        |                               |                            |                |  |
| Issue of shares  | -                      | 40 400                 | -                             | -                          | 40 400         |  |
| Share options  | 11                     | 36 353                 | 173 544                       | -                          | 209 900        |  |
| Dividends declared   | 15                     | -                      | -                             | (3 471 195)                | (3 471 195)    |  |
| <b>Balance as at 30 September 2018</b>                       | 331                    | 254 701                | 193 600                       | 15 648 706                 | 16 097 338     |  |
| <b>Balance as at 1 October 2018</b>                          | 331                    | 254 701                | 193 600                       | 15 648 706                 | 16 097 338     |  |
| <b>IFRS 9 adjustment</b>                                     | -                      | -                      | -                             | (21 447)                   | (21 447)       |  |
| Total comprehensive income for the year                      | -                      | -                      | -                             | 41 267 443                 | 41 267 443     |  |
| Profit for the year  | -                      | -                      | -                             | 41 267 443                 | 41 267 443     |  |
| Other comprehensive income for the year                      | -                      | -                      | -                             | -                          | -              |  |
| <b>Transactions with owners in</b>                           |                        |                        |                               |                            |                |  |
| Issue of shares  | 11                     | 21 250                 | -                             | -                          | 21 250         |  |
| Share options  | 11                     | 56 372                 | 208 651                       | -                          | 265 023        |  |
| Dividends declared and paid                                  | -                      | -                      | -                             | (2 031 238)                | (2 031 237)    |  |
| <b>Balance as at 30 September 2019</b>                       | 331                    | 332 323                | 402 251                       | 54 863 464                 | 55 598 370     |  |

The above statement of changes in equity should be read in conjunction with accompanying notes.



## Statement of cash flows

For the year ended 30 September 2019

| Notes   | INFLATION ADJUSTED  |                             | HISTORICAL COST    |                  |
|---|---------------------|-----------------------------|--------------------|------------------|
|   | 2019<br>ZWL\$       | 2018<br>Restated *<br>ZWL\$ | 2019<br>ZWL\$      | 2018<br>ZWL\$    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                     |                             |                    |                  |
| Profit before income tax  | 63 235 033          | 24 941 803                  | 54 180 595         | 5 234 020        |
| <b>Adjustments for:</b>   |                     |                             |                    |                  |
| Depreciation 6  | 2 023 571           | 1 652 759                   | 447 366            | 361 529          |
| Monetary loss   | 13 491 961          | -                           | -                  | -                |
| Loss/(profit) on disposal of property, plant and equipment 20     | 134 928             | (17 080)                    | 16 230             | (3 770)          |
| Non-cash employee benefit expense - share based payment 18.1      | 565 190             | 950 935                     | 265 028            | 209 900          |
| Finance cost 21   | 25 120              | -                           | 10 186             | -                |
| Finance income 21   | (987)               | (6 177)                     | (400)              | (1 364)          |
| Provision for slow moving and obsolete inventories 7              | 697 339             | 7 376                       | 304 080            | 1 628            |
| Allowance for impairment of trade and other receivables 9         | 162 223             | (93 100)                    | 162 223            | (20 550)         |
| <b>Working capital changes:</b>                                   |                     |                             |                    |                  |
| Increase in inventories   | (56 646 379)        | (1 674 543)                 | (32 760 289)       | (369 622)        |
| (Increase)/decrease in trade and other receivables 9              | (3 295 024)         | 1 696 326                   | (9 968 485)        | 374 430          |
| Increase/(decrease) in trade and other payables                   | 53 815              | 1 107 688                   | 6 199 277          | 244 500          |
| Increase in provision for other liabilities and charges           | 885 744             | 251 710                     | 2 394 633          | 55 560           |
| Net cash generated from operations                                | 21 332 535          | 28 817 697                  | 21 250 444         | 6 086 261        |
| Finance cost 21   | (25 120)            | -                           | (10 186)           | -                |
| Finance income 21   | 987                 | 6 177                       | 400                | 1 364            |
| Income taxes paid 8   | (11 864 745)        | (6 205 046)                 | (11 447 498)       | (1 369 641)      |
| <b>Net cash generated from operating activities</b>               | <b>9 443 656</b>    | <b>22 618 828</b>           | <b>9 793 160</b>   | <b>4 717 984</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |                     |                             |                    |                  |
| Acquisition of property, plant and equipment 6                    | (2 903 667)         | (369 739)                   | (1 599 945)        | (88 209)         |
| Proceeds from sale of property, plant and equipment               | 20 862              | 17 075                      | 7 500              | 3 769            |
| Treasury bills settlement 9.2                                     | 16 300              | 55 996                      | 6 180              | 12 360           |
| <b>Net cash utilised in investing activities</b>                  | <b>(2 866 505)</b>  | <b>(296 668)</b>            | <b>(1 586 265)</b> | <b>(72 080)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |                     |                             |                    |                  |
| Dividend paid   | (21 376 082)        | -                           | (5 502 432)        | -                |
| Proceeds from borrowings  | 2 948 215           | -                           | 2 948 215          | -                |
| Proceeds from issuance of shares - share options 11.2             | 71 956              | 183 029                     | 21 250             | 40 400           |
| <b>Net cash (utilised in)/generated from financing activities</b> | <b>(18 355 911)</b> | <b>183 029</b>              | <b>(2 533 067)</b> | <b>40 400</b>    |
| (Decrease)/increase in cash and cash equivalents                  | (11 778 760)        | 22 505 190                  | 5 673 928          | 4 686 304        |
| Cash and cash equivalents at the beginning of the year            | 40 114 504          | 19 914 185                  | 8 854 476          | 4 168 172        |
| Net foreign exchange differences on cash and cash equivalence     | (13 807 341)        | (2 304 871)                 | -                  | -                |
| Cash and cash equivalents at the end of the year 10               | <b>14 528 403</b>   | <b>40 114 504</b>           | <b>14 528 403</b>  | <b>8 854 476</b> |

\* Refer to note 2.1 for details regarding the restatement as a result of application of IAS 29.

The above statement of changes in equity should be read in conjunction with accompanying notes.



## Notes to the financial statements

For the year ended 30 September 2019

### 1 GENERAL INFORMATION

CAFCA Limited (the "Company") is a public limited liability company incorporated in Zimbabwe. The Company has a primary listing on the Zimbabwe Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. These financial statements were approved for issue by the Board of Directors on 7 November 2019.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements of CAFCA Limited (the "Company") 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 Standards ("IAS") 21, The effect of Changes in Foreign Exchange Rates explained in note 2.1.1.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Appropriate adjustments and reclassifications, including restatements for changes and general purchase power of the Zimbabwe Dollar and for the purposes of fair presentation in accordance with international accounting standard (IAS 29) "Financial reporting in Hyperinflationary economies" have been made in these financial statements to the historical cost financial information. (refer to note 4)

Accordingly, the inflation adjusted financial statements represent the primary financial statements of the company. The historical costs financial statements have been provided by way of supplementary information.

#### 2.1.1 Functional and presentation currency

Items included in the financial statements of the Company 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:ZWL\$2.5. 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 30 September 2018 and periods before
- 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.

The fiscal and monetary policy pronouncements made in October 2018, led to a reassessment of the functional currency and a justification to conclude that, under IAS 21 Effects of Foreign Exchange Rates, there was a change in functional currency. Based on the events described above, and the assessment done by the directors, the Company's functional and presentation currency changed from US\$ to RTGS\$ from the 2018 financial year onwards. However, this could not be effected because, at law, there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirements and International Financial Reporting Standards ("IFRS") from October 2018 to 22 February 2019 resulted in auditors expressing an adverse opinion on the financial statements.

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. The Company's transactions which were conducted in US\$ were recorded in the general ledger in RTGS\$ at a rate of 1:1 for the period 1 October 2018 to 22 February 2019.

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.





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1.2 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations effective for the first time for 30 September 2019 year ends that are relevant to the Company

| Standards/interpretation   | Effective date | Executive summary   |
|--|----------------|---|
| Amendments to IFRS 2, 'Share based payments'<br><br>Clarifying how to account for certain types of share-based payment transactions          | 1 January 2018 | This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.  |
| IFRS 9, 'Financial instruments' (2009 and 2010)<br>• Financial liabilities<br>• Derecognition of financial instruments<br>• Financial assets | 1 January 2018 | <p>This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model. The standard will be applied retrospectively except for the credit losses model.</p> <p>The current classification of financial assets as described in note 2.6 will be affected. The Company will classify its loans and receivables at amortised cost. The Company will apply the expected loss model when assessing for impairment of financial assets.</p> <p>The model includes some operational simplifications for trade receivables, contract assets and lease receivables, because they are often held by entities that do not have sophisticated credit risk management systems. These simplifications eliminate the need to calculate 12-month expected credit losses ("ECL") and to assess when a significant increase in credit risk has occurred. For trade receivables or contract assets that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL. As a practical expedient, a provision matrix may be used to estimate ECL for these financial instruments.</p> <p>The Company will apply the practical expedients on its impairment model and this is not expected to significantly increase the impairment of financial assets.</p> |
| IFRS 15, 'Revenue from contracts with customers'   | 1 January 2018 | <p>The Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued their long-awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of a good or service transfers to a customer.</p> <p>The standard is not expected to change the timing of revenue recognition as the Company's revenue streams are not complex, prices do not include a financing component, there is only one performance obligation per contract, there are no elements of variable consideration, no agent/principal relationships exists in its contracts and revenue is recognised at a point in time.</p>  |
| Amendment to IFRS 15, 'Revenue from contracts with customers'  | 1 January 2018 | The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.   |
| IFRIC 22, 'Foreign currency transactions and advance consideration'  | 1 January 2018 | This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.   |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

##### 2.1.2 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for 30 September 2019 year ends that are relevant to the Company but have not been early adopted

| Standards/interpretation  | Effective date   | Executive summary  |
|---|--|--|
| IFRS 16, 'Leases'   | 1 January 2019<br>- earlier application permitted if IFRS 15 is also applied | <p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.</p> <p>Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> |
| IFRS 16, 'Leases'   | 1 January 2019<br>- earlier application permitted if IFRS 15 is also applied | <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an arrangement contains a lease', SIC 15, 'Operating leases – Incentives' and SIC 27, 'Evaluating the substance of transactions involving the legal form of a lease'.</p> <p>The new standard provides a comprehensive model to identify lease arrangements and the treatment thereof in the financial statements of both lessees and lessors. The Company has non-material operating leases which will have to be brought onto the statement of financial position in terms of the new standard and additional disclosure will be required.</p>   |
| IFRIC 23, 'Uncertainty over income tax treatments'  | 1 January 2019   | <p>IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the interpretation and consider the impact on income tax accounting.</p>   |
| Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material | 1 January 2020   | <p>These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:</p> <ul style="list-style-type: none"> <li>- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;</li> <li>- clarify the explanation of the definition of material; and</li> <li>- incorporate some of the guidance in IAS 1 about immaterial information.</li> </ul> <p>The amended definition is:</p> <p>"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".</p>  |
| Annual improvements cycle 2015 - 2017   | 1 January 2019   | <p>These amendments include minor changes to four standards. Only one of the four annual improvements is relevant to the Company's financial statements as detailed below:</p> <ul style="list-style-type: none"> <li>• IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.</li> <li>• IAS 12, 'Income taxes' - The amendment clarifies that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.</li> </ul>  |

There are no other new standards, amendments or interpretations that are yet effective that would be expected to have a material impact on the Company



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Segment reporting

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

The Company operates within the cable manufacturing industry. The activities of the Company are entirely related to the manufacturing and selling of cable and allied products for the transmission and distribution of electrical energy and information, primarily in Zimbabwe.

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, has been identified as the executive management team.

#### 2.3 Foreign currency translation

##### a) Functional and presentation currency

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

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit or loss on a net basis, within 'other (losses)/gains – net'.

#### 2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the income statement during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|                     |                |
|---------------------|----------------|
| Buildings           | 40 years       |
| Plant and equipment | 10 to 15 years |
| Motor vehicles      | 3 to 10 years  |
| Office equipment    | 3 to 5 years   |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of assets are determined by comparing proceeds with the carrying amount. These are included in the income statement.

#### 2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 2.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.6.1 Accounting policies applied from 1 October 2018

##### Classification

From 1 October 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

##### Financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

The group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. These assets are subsequently measured at fair value. Net gains and losses including any interest on dividend income are recognised in profit and loss.

##### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

##### Impairment

From 1 October 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. This means that life time expected credit losses are measured. See note 2.20(ii) for further details.

#### 2.6.2 Accounting policies applied until 30 September 2018

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

##### Classification

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.6 Financial instruments (continued)

##### 2.6.2 Accounting policies applied until 30 September 2018 (continued)

###### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

###### Measurement

At initial recognition, the entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest on loans and receivables calculated using the effective interest method is recognised in the income statement.

###### Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company can measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

#### 2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### 2.8 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. Cost excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses.

Obsolete, redundant and slow moving consumable stocks are identified and written down to net realisable value.

#### 2.9 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of the amount is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Other receivables generally arise from transactions outside the usual operating activities of the Company. Collateral is not normally obtained.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for credit loss.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a certain period before 30 September 2019 or 1 October 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.9 Trade and other receivables (continued)

##### Accounting policy applied for impairment of trade and other receivables until 30 September 2018

In the prior year, the impairment of trade and other receivables was assessed based on the incurred loss model. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate allowance for impairment account. The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment allowance was recognised are written off against the allowance when there is no expectation of recovering additional cash. Impairment losses are recognised in the income statement within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

#### 2.10 Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

#### 2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in the equity as a deduction, net of tax, from the proceeds.

#### 2.12 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to

situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or liability is settled.

Deferred income tax assets are recognised only if it probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle the balance on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### 2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within two months of recognition. Trade and other payables are classified as current liabilities unless payment is not due within twelve months after the reporting date.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.14 Provisions (continued)

will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.15 Revenue recognition

The Company manufactures and supplies cable and allied products. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer. This is the point at which the performance obligation is satisfied and a receivable is recognised as the consideration is unconditional and only the passage of time is required before payment is due.

To determine whether to recognise revenue, the Company follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 13). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

##### (a) Sales of goods - wholesale

Revenue from the sale of goods is recognised when the products have been delivered to the customer. The performance obligation is satisfied when the products have been delivered to the specified location, the risk of obsolescence has been transferred to the customer and there are no unfulfilled obligations that could affect the customer's acceptance of the products.

##### (b) Sales of goods - retail

Revenue from the sales of goods is recognised when the Company sells a product to the customer.

##### (c) Consignment inventory

Revenue is recognised when goods have been consumed.

#### Accounting policy applied for revenue recognition until 30 September 2018

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied stated, net of value added tax, returns, rebates and discounts.

The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### (a) Sales of goods - wholesale

Revenue from the sale of goods is recognised when the products have been delivered to the customer. Delivery does not occur until the products have been delivered to the specified location, the risks of obsolescence has been transferred to the customer and there are no unfulfilled obligations that could affect the customer's acceptance of the products.

##### (b) Sales of goods - retail

Revenue from the sales of goods is recognised when the Company sells a product to the customer.

##### (c) Consignment

Revenue is recognised when goods have been consumed

#### 2.16 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### 2.17 Employee benefits

##### (a) Pension obligations

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions to a privately administered pension plan on a contractual basis. The Company has no further legal or constructive obligation to pay contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The pension plan is funded by payments from employees and by the Company and by taking account of the recommendations of independent actuaries. The contributions are recognised as employee benefit expenses when they are due.





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.17 Employee benefits (continued)

##### (b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the reporting date are discounted to present value.

##### (c) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

##### (d) Bonus plans

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (e) Share-based payments

Share based compensation benefits are provided to employees through an equity settled share-based compensation plan. The fair value of options granted under the share-based compensation plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period,

the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

#### 2.18 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### 2.19 Earnings per share

##### (a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### (b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

##### (c) Headline earnings per share

Headline earnings per share are calculated by dividing:

- the headline earnings of the Company, which is the profit attributable to owners of the Company, adjusted for goodwill impairments, capital profits and losses and other non-headline items,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.20 Changes in accounting policies

This note explains the adoption of IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' on the Company's financial statements.

##### Impact on the financial statements

As explained below, IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 30 September 2018, but are recognised in the opening statement of financial position on 1 October 2018.

Furthermore, the Company has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18, 'Revenue'. In accordance with the transition provisions in IFRS 15, the new rules were adopted with the effects of initially applying this standard, recognised at the date of initial application (i.e. 1 October 2018) and the impact of the adoption of IFRS 15 to opening retained earnings was ZWL\$nil.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

##### Statement of financial position extract-inflation adjusted

|                                     | 30 September 2018<br>As originally presented<br>ZWL\$ | IFRS 15<br>ZWL\$ | IFRS 9<br>ZWL\$ | 1 January 2018<br>Restated<br>ZWL\$ |
|-------------------------------------|---|------------------|-----------------|-------------------------------------|
| <b>Current assets</b>               |   |                  |                 |                                     |
| Trade and other receivables         | 9 250 181   | -                | (131 043)       | 9 119 138                           |
| <b>Total assets</b>                 | 9 250 181   | -                | (131 043)       | 9 119 138                           |
| <b>EQUITY AND LIABILITIES</b>       |   |                  |                 |                                     |
| <b>EQUITY</b>                       |   |                  |                 |                                     |
| <b>Share capital and reserves</b>   |   |                  |                 |                                     |
| Retained earnings                   | 72 124 713  | -                | (97 300)        | 72 027 414                          |
| <b>LIABILITIES</b>                  |   |                  |                 |                                     |
| <b>Non-current liabilities</b>      |   |                  |                 |                                     |
| Deferred tax liabilities            | 535 434   | -                | (33 744)        | 501 690                             |
| <b>Total equity and liabilities</b> | 72 660 147  | -                | (131 044)       | 72 529 104                          |

Adjustments made to line items in the statement of comprehensive income for the 2018 reporting period relate to:

|  |          |
|--|----------|
| Increase of administrative expenses                              | 20 550   |
| Decrease of net impairment losses on trade and other receivables | (20 550) |
| Decrease of income tax expense                                   | -        |

##### Impact on profit for the year

-

Impairment losses on financial assets were reclassified from administrative expenses to net allowance for impairment of financial assets as a result of consequential changes made to IAS 1, 'Presentation of financial statements'.

##### IFRS 9, 'Financial instruments'

IFRS 9, 'Financial instruments' replaces the provisions of IAS 39, 'Financial instruments : Recognition and measurement' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, 'Financial instruments' from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.20 Changes in accounting policies (continued)

##### (i) Classification and measurement

On 1 October 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

On the date of initial application, 1 October 2018, the financial instruments of the Company were as follows with any reclassification noted:

| Financial asset                   |                       | Measurement category | Carrying amount |            |            |
|-----------------------------------|-----------------------|----------------------|-----------------|------------|------------|
|                                   |                       |                      | Original        | New        | Difference |
|                                   | Original (IAS 39)     | New (IFRS 9)         | ZWL\$           | ZWL\$      | ZWL\$      |
| Trade receivables                 | loans and receivables | Amortised cost       | 2 889 457       | 2 747 884  | 141 573    |
| Letter of credit Security deposit | loans and receivables | Amortised cost       | 2 265 211       | 2 265 211  | -          |
| Treasury bills                    | loans and receivables | Amortised cost       | 27 998          | 26 934     | 1 064      |
| Other receivables                 | loans and receivables | Amortised cost       | 13 537          | 25 131     | (11 594)   |
| Cash and cash equivalents         | loans and receivables | Amortised cost       | 11 580 188      | 11 580 188 | -          |
|                                   |                       |                      | 16 776 391      | 16 645 348 | 131 043    |

##### (ii) Impairment of financial assets

The Company has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of inventory, and
- Other receivables
- Cash and cash equivalents

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed in the table above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

##### Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. This resulted in an increase of the loss allowance on 1 October 2018 by ZWL\$131 043 for trade and other receivables. Note 3.1(b) provides details about the calculation of the allowance.

##### IFRS 15, 'Revenue from contracts with customers'

The Company has adopted IFRS 15, 'Revenue from contracts with customers' from 1 October 2018 which resulted in changes in accounting policies. IFRS 15 was applied using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18, 'Revenue'. In accordance with the transition provisions in IFRS 15, the new rules were adopted with the effect of initially applying this standard, recognised at the date of initial application (i.e. 1 October 2018) and the effect of the adoption reflected in current year opening retained earnings. The financial impact of the application of the revenue recognition adjustments to opening retained earnings was ZWL\$nil.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's future financial performance. The primary objective of the financial risk management function is to establish risk limits and to ensure that risk stays within limits.

Risk management is carried out under policies approved by the Board of Directors (the "Board"). The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity.

#### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company's market risks arise from open positions in foreign currencies and interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

#### i) Foreign exchange risk

Foreign exchange risk is the risk arising from fluctuations in foreign exchange rates and their effect on future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures on purchases that are denominated in a currency other than the ZWL\$, primarily with respect to the South African Rand ("ZAR").

Foreign exchange risk is the risk arising from fluctuations in foreign exchange rates and their effect on future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Company's primary method of managing foreign exchange risk is to match the Company's principal cash outflows to the currency in which the principal cash inflows are denominated.

The Company holds foreign denominated receivables and is therefore exposed to foreign exchange risk. Included in the Company's financial assets are the following foreign denominated balances:

|                           | 30 September 2019       |               |                  | 30 September 2018       |               |                  |
|---------------------------|-------------------------|---------------|------------------|-------------------------|---------------|------------------|
|                           | Foreign currency amount | Exchange rate | ZWL\$ equivalent | Foreign currency amount | Exchange rate | ZWL\$ equivalent |
| Accounts receivables      | 317 383                 | 14.71         | 4 668 703        | -                       | -             | -                |
| Cash and Cash equivalents | 815 065                 | 14.71         | 11 989 613       | -                       | -             | -                |

#### 10% positive/negative change in exchange rate

|                           | 30 September 2019 |  |                        | 30 September 2018 |  |                        |
|---------------------------|-------------------|--|------------------------|-------------------|--|------------------------|
|                           | Value ZWL\$       | Effect on profit before income tax ZWL\$ | Effect on equity ZWL\$ | Value ZWL\$       | Effect on profit before income tax ZWL\$ | Effect on equity ZWL\$ |
| Accounts receivables      | 5 135 573         | 466 870                                  | -                      | -                 | -  | -                      |
| Cash and Cash equivalents | 13 188 574        | 1 198 961                                | -                      | -                 | -  | -                      |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### ii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk and currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market.

The Company is not exposed to equity securities or commodity price risk because it had no assets nor obligations that expose the Company to these risks at the reporting date (2018: \$nil).

##### iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant interest-bearing assets, the Company's income is substantially independent of changes in market interest rates (2018: \$nil).

The Company has borrowings amounting to ZWL\$2 948 215 and exposed to cash flow interest rate risk (2018: \$nil)

##### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge a contract. Credit risk potentially arises from cash and cash equivalents, deposits with banks and financial institutions, loans and receivables, investments, as well as credit exposures to wholesale and retail customers including outstanding trade receivables. The Company manages and analyses credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Only approved financial institutions with sound capital bases are utilised to invest surplus funds. For customers, credit control assesses the credit worthiness of the customers before credit is granted.

The executive management team meets regularly to manage the concentration of credit risk and set and assess limits for the individual customer. The executive management team assesses the credit risk quality of the customer, taking into account its financial position, past experience and other factors. Counterparty specific exposure is monitored against concentration of credit risk in relation to the total credit risk exposure to all counterparties. The Company has well established credit control procedures that monitor activity on a customer account and allow for remedial action should the customer not comply with payment terms. Payment terms and credit limits vary between customers.

Credit limits are monitored based on the financial position and history of the customer's ability to pay. In the view of management, the credit quality of trade receivables is considered sound.





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 3 FINANCIAL RISK MANAGEMENT) (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

The Company's maximum exposure to credit risk by class of financial asset on statement of financial position financial assets is as follows:

|  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--|--------------------|---------------|-----------------|---------------|
|  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Trade and other receivables<br>(excluding prepayments and statutory receivables)   | 5 115 538          | 5 227 612     | 5 115 538       | 1 153 891     |
| Cash at bank   | 2 408 699          | 38 325 174    | 2 408 699       | 8 459 517     |
|  | 7 524 237          | 43 552 786    | 7 524 237       | 9 613 408     |
| The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: |                    |               |                 |               |
| <b>Trade receivables (excluding amounts due from related parties)</b>  |                    |               |                 |               |
| Counterparties without external credit rating:   |                    |               |                 |               |
| Group 1 - Existing customers with no defaults in the past (stage 2)  | 5 018 518          | 2 906 818     | 5 018 518       | 641 622       |
| Group 2 - Existing customers with some defaults in the past (stage 2)  | -                  | -             | -               | -             |
| All defaults were fully recovered.   | -                  | -             | -               | -             |
| Group 3 - Existing customers with defaults not recovered (stage 3)   | -                  | -             | -               | -             |
|  | 5 018 518          | 2 906 818     | 5 018 518       | 641 622       |
| <b>Other receivables (excluding prepayments and statutory liabilities)</b>   |                    |               |                 |               |
| Other receivables from once off transactions with  | 39 914             | 2 327 807     | 39 914          | 513 817       |
|  | 39 914             | 2 327 807     | 39 914          | 513 817       |

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The impairment of trade receivables is carried out at each reporting date using the expected credit loss model. This model utilises a provision matrix in which the Company's receivables are stratified into groups with similar risk characteristics. Historical loss rates are calculated on a weighted average basis. These loss rates are then used as the baseline rates for determining the loss rate for each customer group. The loss rates are then adjusted for forward looking information and applied against each bucket of trade receivables outstanding at the reporting date to produce the expected credit loss in the period.

Trade receivables are all foreign (Malawi, Mozambique and Zambia). Expected average GDP growth rate, interest rates and exchange rates specific to the above mentioned countries were taken into account in developing the provision matrix. Apart from other factors specific to the individual debtors, the expected inflation rate of United States of America was also taken into account since the outstanding debts are all US\$ denominated.

Credit limits are established based on internal rating criteria. Management assesses the credit quality of the customer taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Outstanding customer receivables are regularly monitored. The Company however reduced its credit sales on local customers during the year because it perceived a value mis-match between credit offered and value received at the end of the credit term. The Company's foreign debtors are settled within the provided credit terms or where applicable the management deliberately extends credit terms in order to preserve value in US\$.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are granted short term credit terms.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

|   | Current<br>ZWL\$ | More than<br>30 days<br>outstanding<br>ZWL\$ | More than<br>60 days<br>outstanding<br>ZWL\$ | More than<br>120<br>outstanding<br>ZWL\$ | Total<br>ZWL\$ |
|---|------------------|--|--|--|----------------|
| <b>30 September 2019</b>                  |                  |  |  |  |                |
| Expected loss rate                        | 0.68%            | 4.09%  | 6.98%  | 32.67%                                   | -              |
| Gross carrying amount – trade receivables | 2 870 822        | 1 004 454                                    | 411 639                                      | 731 603                                  | 5 018 518      |
| Credit loss allowance                     | (19 522)         | (41 035)                                     | (28 732)                                     | (238 986)                                | (328 275)      |
| Net carrying amount                       | 2 851 300        | 963 419                                      | 382 907                                      | 492 617                                  | 4 690 243      |
| <b>1 January 2018</b>                     |                  |  |  |  |                |
| Expected loss rate                        | 4.02%            | 6.12%  | 12.69%                                       | 100.00%                                  | -              |
| Gross carrying amount – trade receivables | 2 121 027        | 432 456                                      | 342 474                                      | 10 862                                   | 2 906 819      |
| Credit loss allowance                     | (85 265)         | (26 466)                                     | (43 459)                                     | (10 862)                                 | (166 052)      |
| Carrying amount                           | 2 035 762        | 405 990                                      | 299 015                                      | -  | 2 740 767      |

##### Debt securities and other financial assets at amortised cost

All of the entity's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance for other financial assets at amortised cost as at 30 September 2019 reconciles to the opening loss allowances as follows:

|  | Trade<br>receivables<br>ZWL\$ | Treasury bills<br>ZWL\$ | Other<br>receivables<br>ZWL\$ | Total<br>ZWL\$ |
|--|-------------------------------|-------------------------|-------------------------------|----------------|
| 30 September – calculated under IAS 39   | 17 361                        | -                       | 17 651                        | 35 011         |
| Change in accounting policy – IFRS 9 adjustment (note 2.20)                                  | 141 573                       | 1 064                   | (11 594)                      | 131 043        |
| Opening loss allowance as at 1 October<br>2018 – calculated under IFRS 9                     | 158 934                       | 1 064                   | 6 057                         | 166 054        |
| Increase/(decrease) in credit loss allowance<br>recognised in profit or loss during the year | 156 232                       | (1 064)                 | 7 055                         | 162 223        |
| At 30 September 2019   | 315 166                       | -                       | 13 112                        | 328 277        |

The analysis of trade receivables is as follows:

##### Trade receivables not past due

|                                      |           |
|--------------------------------------|-----------|
| - Receivables from local customers   |           |
| - Receivables from foreign customers | 5 018 518 |

The company does not hold any security for amounts receivable from customers. None of the amounts due from related parties are past due or impaired and repayments have been received regularly and on time historically. The Company has procedures in place to assess whether to enter into once-off transactions with third parties, including mandatory credit checks.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### Cash and cash equivalents

The fair value of cash and cash equivalents at 30 September 2019 approximates the carrying amount because of their short term nature. The Company holds cash accounts with large financial institutions with sound financial and capital cover. The financial institutions holding the Company's cash and cash equivalents have the following credit ratings according to the Global Credit Rating Company ratings:

| Rating  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| A+  | 959 876            | 305 454       | 959 876         | 67 423        |
| A   | 77 060             | 6 235 376     | 77 060          | 1 376 335     |
| AA-   | 903 731            | 21 892 420    | 903 731         | 4 832 314     |
| BB+   | 201 091            | 2 173 085     | 201 091         | 479 665       |
| BBB   | 266 911            | 3 110 885     | 266 911         | 686 666       |
| BB-   | -                  | 2 155 887     | -               | 475 869       |
| BBB-  | -                  | 2 452 068     | -               | 541 245       |
|   | 2 408 669          | 38 325 175    | 2 408 669       | 8 459 517     |
| The balance of cash and cash equivalents comprises cash balances held by the entity amounting to ZWL\$ 12 119 704 (2018:ZWL\$ 1 789 330). |                    |               |                 |               |
| <b>Loans and receivables</b>  |                    |               |                 |               |
| Treasury bills  | -                  | 27 998        | -               | 6 180         |

These treasury bills were issued by the Government of Zimbabwe on account of the entity's foreign currency account balance transferred to the Reserve Bank of Zimbabwe as a way of settling indebtedness.

##### c) Liquidity risk

Liquidity risk is the risk that the Company may fail to meet its payment obligations when they fall due, the consequences of which may be the failure to meet the obligations to creditors. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The Company identifies this risk through periodic liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps.

Cash flow forecasting is performed by management. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal statement of financial position ratio targets.

The Company had access to the following borrowing facilities at the end of the reporting period.

|                  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|------------------|--------------------|---------------|-----------------|---------------|
|                  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Letter of credit | -                  | 2 265 211     | -               | 500 000       |
| Bank overdraft   | 4 000 000          | 4 530 421     | 4 000 000       | 1 000 000     |
|                  | 4 000 000          | 6 795 632     | 4 000 000       | 1 500 000     |

Surplus cash held by the Company over and above the balance required for working capital management, is invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### c) Liquidity risk (continued)

The table below analyses the Company's non-derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

|   | INFLATION ADJUSTED        |                                 |                                |                               |                |
|---|---------------------------|---------------------------------|--------------------------------|-------------------------------|----------------|
|   | Up to<br>1 month<br>ZWL\$ | 1 month to<br>6 months<br>ZWL\$ | 6 months to<br>1 year<br>ZWL\$ | 1 year to<br>5 years<br>ZWL\$ | Total<br>ZWL\$ |
| <b>At 30 September 2018</b>   |                           |                                 |                                |                               |                |
| <b>Assets</b>   |                           |                                 |                                |                               |                |
| Trade and other receivables (excluding prepayments and statutory receivables) | 2 934 404                 | 2 265 211                       | 27 998                         | -                             | 5 227 613      |
| Cash and cash equivalents   | 40 114 504                | -                               | -                              | -                             | 40 114 504     |
|   | 43 048 908                | 2 265 211                       | 27 998                         | -                             | 45 342 117     |
| <b>Liabilities</b>  |                           |                                 |                                |                               |                |
| Trade and other payables (excluding statutory liabilities)                    | 6 562 064                 | -                               | -                              | -                             | 6 562 064      |
| Dividend payable  | 3 471 195                 | -                               | -                              | -                             | 3 471 195      |
|   | 10 033 259                | -                               | -                              | -                             | 10 033 259     |
| <b>Liquidity gap</b>  | 33 015 649                | 2 265 211                       | 27 998                         | -                             | 35 308 858     |
| <b>Cumulative liquidity surplus</b>   | 33 015 649                | 35 280 860                      | 35 308 858                     | 35 308 858                    | -              |
| <b>At 30 September 2019</b>   |                           |                                 |                                |                               |                |
| <b>Assets</b>   |                           |                                 |                                |                               |                |
| Trade and other receivables (excluding prepayments and statutory receivables) | 5 115 538                 | -                               | -                              | -                             | 5 115 538      |
| Cash and cash equivalents   | 14 528 403                | -                               | -                              | -                             | 14 528 403     |
|   | 19 643 941                | -                               | -                              | -                             | 19 643 941     |
| <b>Liabilities</b>  |                           |                                 |                                |                               |                |
| Trade and other payables (excluding statutory liabilities)                    | 10 330 772                | -                               | -                              | -                             | 10 330 772     |
| <b>Liquidity gap</b>  | 9 313 169                 | -                               | -                              | -                             | 9 313 169      |
| <b>Cumulative liquidity surplus</b>   | 9 313 169                 | 9 313 169                       | 9 313 169                      | 9 313 169                     | -              |

The liquidity risk on foreign creditors and lenders has increased due to delay of foreign payments owing to the challenge of inadequate nostro funds that the country is grappling with. Refer note 10 for additional disclosures under cash and cash equivalents. The Company's mitigating measures in place to manage the increase in liquidity risk such as ongoing engagement with banks and participating on the forex interbank market.

The Company determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Maturing mismatches across the time buckets are managed through borrowings.





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 3 FINANCIAL RISK MANAGEMENT) (continued)

#### 3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company 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 less cash and cash equivalents. Total capital is calculated as 'equity' as shown on the statement of financial position plus net debt.

|   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| The gearing ratio at 30 September was as follows: |                    |               |                 |               |
| Total borrowings                                  | 2 948 215          | -             | -               | -             |
| Less: cash and cash equivalents                   | (14 528 403)       | (40 114 504)  | (11 580 188)    | (8 854 476)   |
| Net debt/(cash and cash equivalents)              | (11 580 188)       | (40 114 504)  | (11 580 188)    | (8 854 476)   |
| Total equity                                      | 105 055 421        | 74 157 206    | 55 598 369      | 16 097 337    |
| Total capital                                     | 93 475 233         | 34 042 702    | 44 018 181      | 7 242 861     |
| Gearing ratio                                     | -                  | -             | -               | -             |

#### 3.3 Fair value estimation

Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

**Level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities. The level includes listed equity securities traded on active markets.

**Level 2** - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

**Level 3** - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The Company had no financial assets or financial liabilities carried at fair value at 30 September 2019 (2018: \$nil).

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors (refer to note 2.1), including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (continued)

#### a) Inflation indices and adjustments

IAS 29 requires that the financial statements prepared in the currency of a hyper inflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be reinstated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by:

Zimbabwe Central Statistical Office from 2009 to June 2019.

Trade economics from June 2019 to 30 September 2019.

The indices and conversion factors used to restate the company financial statements at 30 September are provided below

The indices and conversion factors used to restate the accompanying financial statements are as follows:-

| Date                        | Indices | Conversion factor |
|-----------------------------|---------|-------------------|
| 30 September 2019           | 290     | 1.00              |
| 30 September 2018           | 64      | 4.53              |
| CPI as at 30 September 2017 | 61      | 4.78              |
| Average CPI 2019            | 162     |                   |
| Average CPI 2018            | 64      |                   |
| Average CPI 2017            | 61      |                   |

The main procedures applied for the above mentioned restatement are as follows:-

- Financial assets prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date. The corresponding figures for the previous period are restated in the same terms of the measuring unit current at the balance sheet date.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities were treated as below:

#### *Property, plant and equipment and accumulated depreciation*

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

Additions to property, plant and equipment are restated using the relevant conversion factors from the date of the transaction to balance sheet date.

For disposals, the original date of purchase and the historical cost is determined and the restated balance is deducted from the property, plant and equipment balance.

The restated property, plant and equipment is assessed for impairment in accordance with IAS 36.

#### *Raw materials*

Raw materials inventories are restated based on the ageing of the related items using the increase in the general price index for the period from the purchase dates to the balance sheet date.

#### *Semi-finished and finished goods*

Semi-finished goods are restated based on the ageing of the composition of cost elements included in inventories after deducting the historical depreciation expense of property, plant and equipment. The attributable depreciation calculated by reference to the restated property, plant and equipment balances is added back to the restated inventory balance. The restated inventory balance is reviewed for the purpose of determining the need for any net realisable value provisioning.

. All items in the statement of 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 of the period, or the dates on which the items arose, if later. Current-year restated net income is added to the balance of the restated opening retained earnings.

Dividends paid during the period are restated by applying a general price index from the date at which the shareholders' right to receive payment is established to the balance sheet date.

- Comparative financial statements are restated by applying general inflation indices in terms of the measuring unit current at the balance sheet date.
- All items in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses originated. The restatement of the income statement items is done on a monthly basis. The historical depreciation charges included in general administrative expenses, cost of goods sold and inventory balances are replaced with the depreciation expense calculated on the basis of the restated property, plant and equipment balances.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (continued)

#### a) Inflation indices and adjustments (continued)

- The effect of inflation on the net monetary position is included in the statement of comprehensive income as a monetary gain or loss on the monetary position.
- All items in the cash flow statement are expressed in terms of the measuring unit current at the statement of financial position date.

#### b) Carrying amount of plant and equipment

The Company carried out an impairment assessment of plant and equipment as at 30 September 2019. The cash generating unit ("CGU") specifically tested for impairment was plant and equipment, which is the smallest group of assets that generate cash inflows independently of other assets held by the Company. There has been no impairment loss recognised for the year ended 30 September 2019 (2018: ZWL\$ nil).

##### Indicators of impairment

In accordance with IAS 36, 'Impairment', an entity should assess at each reporting date whether there is any indication that an asset may be impaired. The following external and internal sources of information may be indications of impairment:

- The Company has been operating at below current expected monthly capacity level of 200 tonnes with production averaging 176 tonnes per month.
- Repairs and maintenance costs have continued to be significant and constitute approximately 42% of the carrying amount of plant and equipment.
- Prevailing foreign currency shortages adversely impact the Company's ability to import the required quantities of raw material which may impact production.

##### Impairment review

The recoverable amount of the CGU was determined based on value in use of the plant and equipment. The calculation was based on approved budgetary forecasts, internal forecasts of operating costs, capital expenditure production volumes, costs of production, future cash flows for the next three years, inflation and long term real discount rates. The estimated future cash flows were based on the approved 2019 budget inflated by constant gross profit margins and revenue growth rates, which is based on the Zimbabwe National Budget. Long-term growth rates are based on the Business Monitor International ("BMI") reports, which are specific to Zimbabwe. Also taken into account are the expectations about possible variations in the amount or timing of future cash flows and the time value of money. To address the time value of money, management determined the appropriateness of the applied discount rate. The discount rate applied is the country risk, which has been adjusted for foreign risk and specific risks relating to the Company.

All the above estimates are subject to risks and uncertainties including future availability or continued lack thereof of foreign currency. It is therefore possible that changes can occur which may affect the recoverability of the plant and equipment.

The key financial assumptions used in the impairment calculations are:

- Long-term real revenue per ton of cable sold of ZWL\$ 102 889 (2018: ZWL\$ 60 371)
- Inflation rate of 290% (2018:5%) per annum applied on costs after 30 September 2020

##### Sensitivity analysis:

- A change in the discount rate by an additional 5% would not result in impairment
- A change of 5% in the long-term real revenue per ton cable sold would not result in impairment

#### c) Useful lives and residual values of property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on projected life cycles of these assets. It could change significantly as a result of technological innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amount of property, plant and equipment would be an estimated ZWL\$15 544 659 (2018: ZWL\$ 14 778 329) lower or higher were the useful lives to differ from management's estimate by 10%.

#### d) Going concern

The Company's ability to continue operating as a going concern may be negatively impacted as the entity continues to operate in a difficult hyperinflationary macroeconomic environment characterised by liquidity constraints and foreign currency shortages. Foreign currency shortages which have persisted have led to growth in real time gross settlement ("RTGS") balances and the re-emergence of the parallel market since 2018 financial year. The Company's ability to acquire imported raw materials is dependent on its ability to obtain adequate and affordable foreign currency.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in existence for the foreseeable future.

Management has assessed that the Company will continue operating as a going concern, citing the following:

- The Company has no exposure to foreign liabilities.
- The Company has a stock cover of six months deliveries on its finished goods.
- Historical cost cash flows generated from operating activities have also improved and have increased from \$4.7 million for the year ended 30 September 2018 to \$9.8 million in the current year.
- Continued cost containment and reduction measures, capital expenditure rationalisation and optimising efficiencies on existing capital.
- The Company secured overdraft facilities amounting to ZWL\$4 000 000 with local financial institutions to facilitate payments to foreign suppliers of imported raw materials. This will alleviate the raw material challenges that the Company is facing.

Accordingly, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 5 SEGMENTAL INFORMATION

The executive management team is the Company's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the executive management team for the purposes of allocating resources and assessing performance.

The executive management team considers the business from both a geographic and product perspective. The Company has one product line, and operates in one industry sector.

Revenue is primarily from customers who are domiciled in Zimbabwe though other revenue is from external customers domiciled in, Mozambique, Malawi and Zambia. The amount of revenue from external customers is as follows:

|   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Revenue from customers domiciled in Zimbabwe  | 158 298 485        | 115 466 492   | 86 056 638      | 25 486 922    |
| Revenue from external customers   | 14 760 183         | 22 178 342    | 7 339 775       | 4 895 426     |
|   | 173 058 668        | 137 644 834   | 93 396 413      | 30 382 348    |
| Revenues from transactions with single local customers that amounted to 10% or more of the Company's revenues, amount to approximately ZWL\$30 290 456 (2018: ZWL\$29 823 912). These revenues are attributable to customers domiciled in Zimbabwe. The breakdown of the revenue from the major individual local customer with revenue of at least 10% is as follows: |                    |               |                 |               |
| Energy transmission   | 30 290 456         | 29 823 912    | 12 283 081      | 6 583 033     |

#### Entity-wide information

The Company only has one reportable segment. The total historical cost carrying amount of non-current assets located in Zimbabwe is \$ 4 119 188 (2018: \$2 990 638), and there are no non-current assets located in other countries.

As there is only discrete financial information available for the entire Company, the segment information provided to the executive team for the product reportable segments for the year ended 30 September is as follows:

|                                     | INFLATION ADJUSTED      |                        |                         |                        |
|-------------------------------------|-------------------------|------------------------|-------------------------|------------------------|
|                                     | 2019<br>Cables<br>ZWL\$ | 2018<br>Total<br>ZWL\$ | 2019<br>Cables<br>ZWL\$ | 2018<br>Total<br>ZWL\$ |
| Revenue from customers              | 173 058 668             | 173 058 668            | 137 644 834             | 137 644 834            |
| Depreciation                        | 2 023 571               | 2 023 571              | 1 652 759               | 1 652 759              |
| Share option charge                 | 565 190                 | 565 190                | 950 935                 | 950 935                |
| Profit before interest and taxation | 76 751 127              | 76 751 127             | 23 706 133              | 23 706 134             |
| Finance income                      | 987                     | 987                    | 6 177                   | 6 177                  |
| Finance cost                        | (25 120)                | (25 120)               | -                       | -                      |
| Income tax expense                  | 27 060 629              | 27 060 629             | 6 227 469               | 6 227 469              |
| Total assets                        | 137 318 326             | 137 318 326            | 103 215 296             | 103 215 296            |
| Total liabilities                   | 32 262 905              | 32 262 905             | 29 058 090              | 29 058 090             |

|                                     | HISTORICAL COST         |                        |                         |                        |
|-------------------------------------|-------------------------|------------------------|-------------------------|------------------------|
|                                     | 2019<br>Cables<br>ZWL\$ | 2019<br>Total<br>ZWL\$ | 2018<br>Cables<br>ZWL\$ | 2018<br>Total<br>ZWL\$ |
| Revenue from customers              | 93 396 413              | 93 396 413             | 30 382 348              | 30 382 348             |
| Depreciation                        | 447 366                 | 447 666                | 361 529                 | 361 528                |
| Share option charge                 | 265 028                 | 265 028                | 209 900                 | 209 900                |
| Profit before interest and taxation | 54 190 380              | 54 190 380             | 5 232 656               | 5 232 656              |
| Finance income                      | 400                     | 400                    | 1 364                   | 1 364                  |
| Finance cost                        | (10 186)                | (10 186)               | -                       | -                      |
| Income tax expense                  | 12 913 152              | 12 913 152             | 1 374 589               | 1 374 589              |
| Total assets                        | 71 541 504              | 71 541 504             | 22 511 331              | 22 511 331             |
| Total liabilities                   | 15 943 135              | 15 943 135             | 6 413 994               | 6 413 994              |





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 6 PROPERTY, PLANT AND EQUIPMENT

#### 30 September 2018

Opening net book amount  
Additions  
Depreciation charge

**Closing net book amount**

#### At 30 September 2018

Cost  
Disposals  
Accumulated depreciation on disposals  
Accumulated depreciation and impairment

**Net book amount**

#### Year ended 30 September 2019

Opening net book amount  
Additions  
Disposal  
Depreciation charge

**Closing net book amount**

#### At 30 September 2019

Cost  
Disposals  
Accumulated depreciation and impairment

**Net book amount**

#### HISTORICAL COST

#### Year ended 30 September 2018

Opening net book amount  
Additions  
Depreciation charge

**Closing net book amount**

#### At 30 September 2018

Cost  
Disposals  
Accumulated depreciation on disposals  
Accumulated depreciation and impairment

**Net book amount**

#### Year ended 30 September 2019

Opening net book amount  
Additions  
Disposal  
Depreciation charge

**Closing net book amount**

#### At 30 September 2019

Cost  
Disposals  
Accumulated depreciation and impairment

**Net book amount**

| INFLATION ADJUSTED |                    |                                 |                            |                              |                |
|--------------------|--------------------|---------------------------------|----------------------------|------------------------------|----------------|
| Land<br>ZWL\$      | Buildings<br>ZWL\$ | Plant and<br>equipment<br>ZWL\$ | Motor<br>vehicles<br>ZWL\$ | Office<br>equipment<br>ZWL\$ | Total<br>ZWL\$ |
| 528 708            | 3 202 814          | 9 864 617                       | 2 426 215                  | 38 993                       | 16 061 347     |
| -                  | -                  | 35 760                          | 333 980                    | -                            | 369 740        |
| -                  | (101 640)          | (855 684)                       | (675 841)                  | (19 594)                     | (1 652 759)    |
| 528 708            | 3 101 174          | 9 044 693                       | 2 084 354                  | 19 399                       | 14 778 328     |
|                    |                    |                                 |                            |                              |                |
| 528 708            | 4 054 312          | 15 155 748                      | 4 442 747                  | 248 833                      | 24 430 348     |
| -                  | -                  | -                               | (120 550)                  | -                            | (120 550)      |
| -                  | -                  | -                               | 120 550                    | -                            | 120 550        |
| -                  | (953 137)          | (6 111 055)                     | (2 358 393)                | (229 434)                    | (9 652 019)    |
| 528 708            | 3 101 175          | 9 044 693                       | 2 084 354                  | 19 399                       | 14 778 329     |
|                    |                    |                                 |                            |                              |                |
| 528 708            | 3 101 475          | 9 044 693                       | 2 084 354                  | 19 399                       | 14 778 629     |
| -                  | -                  | 462 953                         | 2 440 714                  | -                            | 2 903 667      |
| -                  | -                  | -                               | (114 066)                  | -                            | (114 066)      |
| -                  | (101 640)          | (869 064)                       | (1 033 468)                | (19 399)                     | (2 023 571)    |
| 528 708            | 2 999 835          | 8 638 582                       | 3 377 534                  | -                            | 15 544 659     |
|                    |                    |                                 |                            |                              |                |
| 528 708            | 4 054 312          | 15 618 701                      | 6 769 395                  | 54 925                       | 27 026 041     |
| -                  | -                  | -                               | -                          | -                            | -              |
| -                  | (1 054 477)        | (6 980 119)                     | (3 391 861)                | (54 925)                     | (11 481 382)   |
| 528 708            | 2 999 835          | 8 638 582                       | 3 377 534                  | -                            | 15 544 659     |
|                    |                    |                                 |                            |                              |                |
|                    |                    |                                 |                            |                              |                |
| 105 143            | 640 176            | 1 991 709                       | 518 322                    | 8 607                        | 3 263 957      |
| -                  | -                  | 7 600                           | 80 609                     | -                            | 88 209         |
| -                  | (20 307)           | (175 884)                       | (161 013)                  | (4 325)                      | (361 529)      |
| 105 143            | 619 869            | 1 823 425                       | 437 919                    | 4 282                        | 2 990 637      |
|                    |                    |                                 |                            |                              |                |
| 105 143            | 809 856            | 3 079 584                       | 1 036 504                  | 54 925                       | 5 086 012      |
| -                  | -                  | -                               | (26 609)                   | -                            | (26 609)       |
| -                  | -                  | -                               | 26 609                     | -                            | 26 609         |
| -                  | (189 987)          | (1 256 159)                     | (598 585)                  | (50 643)                     | (2 095 374)    |
| 105 143            | 619 869            | 1 823 425                       | 437 918                    | 4 282                        | 2 990 638      |
|                    |                    |                                 |                            |                              |                |
| 105 143            | 619 869            | 1 823 425                       | 437 920                    | 4 282                        | 2 990 639      |
| -                  | -                  | 340 047                         | 1 259 898                  | -                            | 1 599 945      |
| -                  | -                  | -                               | (23 730)                   | -                            | (23 730)       |
| -                  | (20 007)           | (182 108)                       | (240 969)                  | (4 282)                      | (447 366)      |
| 105 143            | 599 862            | 1 981 364                       | 1 433 119                  | -                            | 4 119 488      |
|                    |                    |                                 |                            |                              |                |
| 105 143            | 809 857            | 3 419 634                       | 2 192 793                  | 54 925                       | 6 582 352      |
| -                  | -                  | -                               | -                          | -                            | -              |
| -                  | (209 995)          | (1 438 267)                     | (759 677)                  | (54 925)                     | (2 462 864)    |
| 105 143            | 599 862            | 1 981 367                       | 1 433 119                  | -                            | 4 119 488      |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 7 INVENTORIES

|   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Raw materials and consumables   | 26 901 681         | 25 141 455    | 14 974 690      | 5 549 474     |
| Work in progress  | 12 740 457         | 3 647 363     | 5 166 382       | 805 082       |
| Finished goods  | 54 173 020         | 9 927 377     | 19 250 303      | 2 191 270     |
| Goods in transit  | 2 018 785          | 471 369       | 2 018 785       | 104 045       |
|   | 95 833 943         | 39 187 564    | 41 410 160      | 8 649 871     |
| Provision for slow moving and obsolete inventories  | (812 620)          | (115 281)     | (329 526)       | (25 446)      |
|   | 95 021 323         | 39 072 283    | 41 080 634      | 8 624 425     |
| There were no inventories written down to net realisable value during the year (2018: \$nil). |                    |               |                 |               |
| There were no inventories pledged as security during the year (2018: \$nil).                  |                    |               |                 |               |
| The analysis for the provision for slow moving and obsolete inventories is as follows:        |                    |               |                 |               |
| At 1 October  | 115 281            | 107 906       | 25 446          | 23 818        |
| Provision recognised during the year  | 697 339            | 7 376         | 304 080         | 1 628         |
|   | 812 620            | 115 282       | 329 526         | 25 446        |

### 8 CURRENT INCOME TAX LIABILITY

|                                   |              |             |              |             |
|-----------------------------------|--------------|-------------|--------------|-------------|
| At 1 October                      | (535 434)    | 85 851      | (118 186)    | 18 950      |
| Tax paid during the year          | 11 864 745   | 6 205 051   | 11 447 498   | 1 369 641   |
| Tax charge for the year (note 21) | (13 129 428) | (6 826 336) | (13 129 428) | (1 506 777) |
| At 30 September                   | (1 800 117)  | (535 434)   | (1 800 117)  | (118 186)   |

### 9 TRADE AND OTHER RECEIVABLES

|   |            |           |            |           |
|---|------------|-----------|------------|-----------|
| Trade receivables - third parties                   | 5 018 518  | 2 906 819 | 5 018 518  | 641 622   |
| Trade receivables - related parties                 | -          | -         | -          | -         |
| Less: allowance for impairment of trade receivables | (328 275)  | (17 359)  | (198 846)  | (3 832)   |
| Trade receivables - net                             | 4 690 243  | 2 889 460 | 4 819 672  | 637 790   |
| Prepayments   | 7 436 680  | 4 022 567 | 6 896 287  | 887 901   |
| Letter of credit security deposit (note 9.1)        | -          | 2 265 211 | -          | 500 000   |
| Treasury bills (note 9.2)                           | -          | 27 998    | -          | 6 180     |
| Other receivables                                   | 97 020     | 62 599    | 97 020     | 13 817    |
| Less: allowance for impairment of other receivables | -          | (17 652)  | -          | (3 896)   |
|   | 12 223 941 | 9 250 183 | 11 812 979 | 2 041 792 |

#### Impairment and risk exposure

Note 3.1 sets out information about the impairment of trade and other receivables

The movements in the allowance for Financial instruments measured at amortised cost are as follows:

|  |         |           |         |          |
|--|---------|-----------|---------|----------|
| At 1 October   | 35 011  | 128 111   | 7 728   | 28 278   |
| Adoption of IFRS 9                                   | 131 042 | -         | 28 895  | -        |
| Reversal of previous allowance for impairment        | -       | (128 111) | -       | (28 278) |
| Allowance for impairment recognised during the year: |         |           |         |          |
| - trade receivables                                  | 162 223 | 17 361    | 162 223 | 3 832    |
| - other receivables                                  | -       | 17 650    | -       | 3 896    |
| At 30 September                                      | 328 276 | 35 011    | 198 846 | 7 728    |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 9 TRADE AND OTHER RECEIVABLES (continued)

|   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| <b>Amounts recognised in profit or loss</b>   |                    |               |                 |               |
| During the year, the following gains/(losses) were recognised in the income statement in relation to impaired receivables:  |                    |               |                 |               |
| Allowance for impairment losses   |                    |               |                 |               |
| trade receivables   | (162 223)          | (17 361)      | (162 223)       | (3 832)       |
| - other receivables   | -                  | (17 651)      | -               | (3 896)       |
| - movement in allowance for impairment  | -                  | -             | -               | -             |
| Reversal of previous allowance for impairment   | -                  | 128 110       | -               | 28 278        |
|   | (162 223)          | 93 098        | (162 223)       | 20 550        |
| The carrying amounts of the Company's trade and other receivables are denominated in ZWL\$.   |                    |               |                 |               |
| Due to their short term nature, the carrying amount of trade and other receivables is considered to be the same as their fair value.  |                    |               |                 |               |
| The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables. |                    |               |                 |               |
| In the statement of cash flow, decrease in trade and other receivables comprises:   |                    |               |                 |               |
| Statement of financial position movement  | (2 973 761)        | 1 659 221     | (9 771 187)     | 366 240       |
| (Allowance for)/reversal of impairment of trade and other receivables   | (162 223)          | 93 098        | (32 420)        | 20 550        |
| Treasury bills settlement disclosed separately  | (16 300)           | (55 996)      | (6 180)         | (12 360)      |
|   | (3 152 284)        | 1 696 323     | (9 809 787)     | 374 430       |
| <b>9.1 Letter of credit security deposit</b>  |                    |               |                 |               |
| Letter of credit security deposit   | -                  | 2 265 211     | -               | -             |
| <b>9.2 Treasury bills</b>   |                    |               |                 |               |
| Treasury bills  | -                  | 27 998        | -               | 6 180         |
| The maturity analysis of treasury bills is as follows:  |                    |               |                 |               |
| 10 April 2017   | -                  | -             | -               | -             |
| 10 April 2018   | -                  | -             | -               | -             |
| 10 April 2019   | -                  | 27 998        | -               | 6 180         |
|   | -                  | 27 998        | -               | 6 180         |

These treasury bills were issued by the Government of Zimbabwe on account of the entity's foreign currency account balance transferred to the Reserve Bank of Zimbabwe as a way of settling indebtedness, ZWL\$27 998 of the 2018 balance matured in 2019.



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 10 CASH AND CASH EQUIVALENTS

|              | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--------------|--------------------|---------------|-----------------|---------------|
|              | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Cash at bank | 2 408 699          | 38 325 174    | 2 408 699       | 8 459 517     |
| Cash in hand | 12 119 704         | 1 789 330     | 12 119 704      | 394 959       |
|              | 14 528 403         | 40 114 504    | 14 528 403      | 8 854 476     |

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. The Reserve Bank of Zimbabwe ("RBZ") through Exchange Control Operational Guide 8 (ECOGAD8) introduced a foreign payments priority list that has to be followed when making foreign payments. Any foreign payments made from the bank balances above are ranked based on the RBZ prioritisation criteria and paid subject to banks having adequate funds with their foreign correspondent banks.

### 11 RESERVES

#### 11.1 Authorised

50 000 000 ordinary shares of ZWL\$0.00001 each.  
100 000 5.5% cumulative preference shares of \$0.00001 each (before inflation adjusted)

|  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--|--------------------|---------------|-----------------|---------------|
|  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
|  | 2 265              | 2 265         | 500             | 500           |
|  | 1                  | 1             | 1               | 1             |

#### 11.2 Issued and fully paid

|   | Ordinary shares<br>in issue | INFLATION ADJUSTED       |                        |                | HISTORICAL COST          |                        |                |
|---|-----------------------------|--------------------------|------------------------|----------------|--------------------------|------------------------|----------------|
|   |                             | Ordinary shares<br>ZWL\$ | Share premium<br>ZWL\$ | Total<br>ZWL\$ | Ordinary shares<br>ZWL\$ | Share premium<br>ZWL\$ | Total<br>ZWL\$ |
| At 1 October 2017                                     | 32 874 000                  | 1 485                    | 177 948                | 179 433        | 328                      | 177 948                | 178 276        |
| Restatement of owners equity on application of IAS 29 | -                           | -                        | 899 202                | 899 202        | -                        | -                      | -              |
| Employee share option scheme:                         |                             |                          |                        |                |                          |                        |                |
| Shares issued   | 185 000                     | 15                       | 40 400                 | 40 415         | 3                        | 40 400                 | 40 003         |
| Share options   | -                           | -                        | 36 353                 | 36 353         | -                        | 36 353                 | 36 353         |
| At 30 September 2018                                  | 33 059 000                  | 1 500                    | 1 153 903              | 1 155 403      | 331                      | 254 701                | 255 032        |
| At 1 October 2018                                     | 33 059 000                  | 1 500                    | 1 153 903              | 1 155 403      | 331                      | 254 701                | 255 032        |
| Employee share option scheme:                         |                             |                          |                        |                |                          |                        |                |
| Shares issued   | 85 000                      | -                        | 71 956                 | 71 956         | -                        | 21 250                 | 21 250         |
| Share options   | -                           | -                        | 190 611                | 190 611        | -                        | 56 372                 | 56 372         |
| At 30 September 2019                                  | 33 144 000                  | 1 500                    | 1 416 470              | 1 417 970      | 331                      | 332 323                | 332 654        |

The unissued share capital is under the control of the directors subject to the limitations of the Zimbabwe Companies Act (Chapter 24:03).





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 11.3 Share option reserve

Share options are granted to directors and selected employees. The directors were empowered to allot 3 232 700 unissued ordinary shares to senior personnel for the purpose of fulfilling the requirements of the employee share option scheme. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Under the scheme, share options granted in 2010 are exercisable between 31 December 2013 and 31 December 2020 at a price of ZWL\$0.12 cents per share and share options granted in 2014 are exercisable between 31 December 2015 and 31 December 2020 at a price of ZWL\$0.25 cents per share. The Company has no legal or constructive obligation for repurchase or to settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

|  | 2019<br>Number of<br>share options<br>issued | 2019<br>Exercise<br>price per<br>share<br>ZWL\$ | 2018<br>Number of<br>share options<br>issued | 2018<br>Exercise<br>price per<br>share<br>ZWL\$ |
|--|--|---|--|---|
| Options authorised                       | 3 232 700                                    |   | 3 232 700                                    |   |
| Outstanding at the beginning of the year | -  |   | 45 000                                       | 0.12  |
| Outstanding at the beginning of the year | 400 000                                      | 0.25  | 540 000                                      | 0.25  |
|  | 400 000                                      |   | 585 000                                      |   |
| Exercised                                | -  |   | (45 000)                                     | 0.12  |
| Exercised                                | (85 000)                                     | 0.25  | (140 000)                                    | 0.25  |
|  | (85 000)                                     |   | (185 000)                                    |   |
| Total outstanding at the end of the year | 315 000                                      |   | 400 000                                      |   |

Share options outstanding at the end of the year have the following exercisable dates, expiry dates and exercise prices.

| Grant date        | Exercisable date | Expiry date      | Exercise price<br>per share<br>ZWL\$ | 2019<br>Number of<br>share options | 2018<br>Number of<br>share options |
|-------------------|------------------|------------------|--------------------------------------|------------------------------------|------------------------------------|
| 16 September 2010 | 1 October 2015   | 31 December 2020 | 0.12                                 | -                                  | -                                  |
| 22 September 2014 | 1 October 2017   | 31 December 2020 | 0.25                                 | -                                  | 40 000                             |
| 22 September 2014 | 1 October 2018   | 31 December 2020 | 0.25                                 | 135 000                            | 180 000                            |
| 22 September 2014 | 1 October 2019   | 31 December 2020 | 0.25                                 | 180 000                            | 180 000                            |
|                   |                  |                  |                                      | 315 000                            | 400 000                            |

Of the 315 000 (2018: 400 000) outstanding share options, 135 000 (2018: 40 000) are currently exercisable. The share-based transactions are valued using the intrinsic value method because the fair value of the instruments cannot be estimated reliably as there are no similar traded options. The intrinsic value is the difference between the market value of the share to which the employee has the right to subscribe or which the employee has the right to receive and the price the employee is required to pay.

|   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| The movement on the share option reserve is as follows: |                    |               |                 |               |
| At 1 October  | 877 090            | 90 854        | 193 600         | 20 056        |
| Charge to the income statement                          | 208 651            | 786 236       | 208 651         | 173 544       |
| At 30 September   | 1 085 741          | 877 090       | 402 251         | 193 600       |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 12 DEFERRED INCOME TAXES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

Deferred income tax assets:

Deferred income tax assets to be recovered after more than 12 months

Deferred income tax assets to be recovered within 12 months

Deferred income tax liabilities:

Deferred income tax liabilities to be settled after more than 12 months

Deferred income tax liabilities to be settled within 12 months

Deferred income tax liabilities (net)

The gross movement on the deferred income tax account is as follows:

At 1 October

IFRS 9 adjustment

Income statement (credit)/charge (note 21)

At 30 September

|  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--|--------------------|---------------|-----------------|---------------|
|  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
|  |                    |               |                 |               |
|  | -                  | (9 016)       | -               | (1 990)       |
|  | (439 269)          | (1 258 524)   | (466 102)       | (277 794)     |
|  | (439 269)          | (1 267 540)   | (466 102)       | (279 784)     |
|  | 17 192 693         | 3 206 818     | 899 758         | 707 841       |
|  | -                  | 1 035 813     | -               | 228 635       |
|  | 17 192 693         | 4 242 631     | 899 758         | 936 476       |
|  | 16 753 424         | 2 975 091     | 433 656         | 656 692       |
|  |                    |               |                 |               |
|  | 2 975 091          | 3 573 959     | 656 692         | 788 880       |
|  | (152 868)          | -             | (7 448)         | -             |
|  | 13 931 201         | (598 867)     | (215 589)       | (132 188)     |
|  | 16 753 424         | 2 975 092     | 433 655         | 656 692       |

#### Deferred income tax assets

At 1 October 2017

(Credit)/charge to the income statement

At 30 September 2018

At 1 October 2018

IFRS 9 Adoption

Charge to the income statement

At 30 September 2019

|  | Revenue<br>received in<br>advance<br>ZWL\$ | Allowance for<br>impairment of<br>trade and other<br>receivables<br>ZWL\$ | Provisions<br>ZWL\$ | Total<br>ZWL\$ |
|--|--|---|---------------------|----------------|
|  | (434 630)                                  | (32 991)  | -                   | (467 621)      |
|  | (823 893)                                  | 23 975  | -                   | (799 918)      |
|  | (1 258 523)                                | (9 016)   | -                   | (1 267 539)    |
|  | (1 258 524)                                | (9 016)   | -                   | (1 267 539)    |
|  | -  | (152 868)   | -                   | (152 868)      |
|  | 1 258 524                                  | 77 387  | (354 773)           | 981 138        |
|  | 0  | (84 497)  | (354 773)           | (439 269)      |

#### Deferred income tax liabilities

At 1 October 2017

Charge to the income statement

At 30 September 2018

At 1 October 2018

Charge to the income statement

At 30 September 2019

|  | Accelerated<br>depreciation<br>ZWL\$ | Inventory<br>ZWL\$ | Prepayments<br>ZWL\$ | Total<br>ZWL\$ |
|--|--------------------------------------|--------------------|----------------------|----------------|
|  | 3 294 762                            | -                  | 746 817              | 4 041 580      |
|  | (87 945)                             | -                  | 288 996              | 201 051        |
|  | 3 206 817                            | -                  | 1 035 813            | 4 242 630      |
|  | 3 206 817                            | -                  | 1 035 813            | 4 242 631      |
|  | 526 663                              | 13 459 212         | (1 035 813)          | 12 950 062     |
|  | 3 733 480                            | 13 459 212         | -                    | 17 192 692     |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 13 TRADE AND OTHER PAYABLES

|  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--|--------------------|---------------|-----------------|---------------|
|  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Trade payables                           | 5 069 154          | 5 821 060     | 5 069 153       | 1 284 883     |
| Amounts due to related parties (note 24) | -                  | 36 017        | -               | 7 950         |
| Social security expenses and other taxes | 460 724            | 514 833       | 460 724         | 113 639       |
| Value added tax ("VAT")                  | 96 328             | 808 896       | 96 328          | 178 548       |
| Accrued expenses                         | 2 313 403          | 704 988       | 2 313 403       | 155 612       |
|  | 7 939 609          | 7 885 794     | 7 939 608       | 1 740 632     |

Trade and other payables are due within twelve months of the reporting date.

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short term nature.

### 14 PROVISIONS FOR OTHER LIABILITIES AND CHARGES - INFLATION ADJUSTED AND HISTORICAL COST

Provisions for other liabilities and charges comprises provisions for bonuses and leave pay. The movements during the year are as follows:

|                                 | Leave pay<br>provision<br>ZWL\$ | Bonus<br>provision<br>ZWL\$ | Total<br>ZWL\$ |
|---------------------------------|---------------------------------|-----------------------------|----------------|
| At 1 October 2017               | 434 476                         | 1 249 608                   | 1 684 084      |
| Utilised in the current year    | (434 476)                       | (1 249 608)                 | (1 684 084)    |
| Charged to the income statement | 472 772                         | 1 463 023                   | 1 935 795      |
| At 30 September 2018            | 472 772                         | 1 463 023                   | 1 935 795      |
| At 1 October 2018               | 472 772                         | 1 463 023                   | 1 935 795      |
| Utilised in the current year    | (472 772)                       | (1 463 023)                 | (1 935 795)    |
| Charged to the income statement | 565 139                         | 2 256 400                   | 2 821 539      |
| At 30 September 2019            | 565 139                         | 2 256 400                   | 2 821 539      |

### 15 DIVIDEND PAYABLE

|                    | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--------------------|--------------------|---------------|-----------------|---------------|
|                    | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| At 1 October       | 15 725 975         | -             | 3 471 195       | -             |
| Dividends declared | 5 650 107          | 15 725 975    | 2 031 237       | 3 471 195     |
| Dividend paid      | (21 376 082)       | -             | (5 502 432)     | -             |
| At 30 September    | -                  | 15 725 975    | -               | 3 471 195     |

During the year, the board of directors declared and paid a dividend of ZWL\$ 5 650 107 (2018 :ZWL\$15 725 975) for the year ended 30 September 2019.

### 16 BORROWINGS

|   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Bank overdraft  | (2 948 215)        | -             | (2 948 215)     | -             |
| The Company has an overdraft facility limit of ZWL\$ 4 000 000, which is unsecured and bears interest at 35% per annum. The facility expires within a year. |                    |               |                 |               |
| The Company had the following undrawn facilities at 30 September:   |                    |               |                 |               |
| Letter of credit  | -                  | 2 265 211     | -               | 500 000       |
| Bank overdraft  | 1 051 785          | 4 530 421     | 1 051 785       | 1 000 000     |
|   | 1 051 785          | 6 795 632     | 1 051 785       | 1 500 000     |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 17 REVENUE FROM CONTRACTS WITH CUSTOMERS

|  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--|--------------------|---------------|-----------------|---------------|
|  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Revenue from customers domiciled in Zimbabwe | 158 298 485        | 115 466 492   | 86 056 638      | 25 486 922    |
| Revenue from external customers              | 14 760 183         | 22 178 342    | 7 339 775       | 4 895 426     |
|  | 173 058 668        | 137 644 834   | 93 396 413      | 30 382 348    |
| Timing of revenue recognition                |                    |               |                 |               |
| - at a point in time                         | 173 058 667        | 137 644 834   | 93 396 412      | 30 382 348    |
| - over time                                  | -                  | -             | -               | -             |
|  | 173 058 668        | 137 644 834   | 93 396 413      | 30 382 348    |

### 18 EXPENSES BY NATURE

|  |                    |                    |                   |                   |
|--|--------------------|--------------------|-------------------|-------------------|
| Raw materials and consumables used   | 65 432 092         | 78 716 125         | 26 612 609        | 17 646 398        |
| Employee benefit expense (note 18.1)                                       | 16 922 455         | 15 170 757         | 9 515 943         | 3 348 642         |
| Audit fees   | -                  | -                  | -                 | -                 |
| - Current year   | 543 244            | 85 820             | 398 533           | 18 943            |
| - Prior year   | -                  | 158 497            | -                 | 34 985            |
| Directors' emoluments  | -                  | -                  | -                 | -                 |
| - Fees   | 285 557            | 294 740            | 129 330           | 65 058            |
| Postage and telephone  | 127 743            | 140 069            | 60 724            | 30 917            |
| Canteen  | 646 821            | 360 150            | 380 108           | 79 496            |
| Trade promotion  | 127 917            | 32 671             | 50 927            | 7 211             |
| Advertising costs  | -                  | 1 078              | -                 | 238               |
| Plant repairs and maintenance  | 6 069 660          | 6 054 942          | 3 338 571         | 1 357 058         |
| Allowance for impairment of trade and other receivables                    | 162 223            | (93 100)           | 162 223           | (20 550)          |
| Building repairs and maintenance   | 1 858 303          | 855 862            | 841 952           | 188 915           |
| Vehicle repairs and maintenance  | 1 348 833          | 682 907            | 849 380           | 150 738           |
| Electricity and water  | 2 276 390          | 2 409 027          | 1 434 939         | 531 745           |
| Depreciation (note 6)  | 2 023 571          | 1 652 759          | 447 366           | 361 528           |
| Quality and ISO certifications   | 811 352            | 505 360            | 488 008           | 111 548           |
| Security   | 923 529            | 654 740            | 526 880           | 144 521           |
| Machine running expenses   | 1 904 473          | 1 537 327          | 810 443           | 339 334           |
| Insurance  | 524 108            | 375 159            | 233 556           | 82 809            |
| Secretarial and listing related costs                                      | 313 120            | 167 434            | 163 031           | 36 958            |
| Legal and professional fees  | 171 708            | 155 784            | 85 939            | 34 386            |
| Cleaning and laundry   | 187 074            | 185 640            | 96 932            | 40 976            |
| Subscriptions  | 185 899            | 202 818            | 105 637           | 44 768            |
| Computer expenses  | 314 009            | 286 488            | 167 837           | 63 237            |
| Bank charges   | 412 075            | 584 320            | 218 041           | 128 977           |
| Travel   | 253 329            | 345 922            | 327 851           | 76 355            |
| Freight outwards   | 402 937            | 431 096            | 236 183           | 95 156            |
| Forklifts hire   | 1 074 096          | 345 193            | 594 286           | 76 194            |
| Clinic expenses  | 63 357             | 31 936             | 43 340            | 7 049             |
| Protective clothing  | 168 383            | 101 461            | 61 500            | 22 395            |
| Printing and stationery  | 320 383            | 177 278            | 168 018           | 39 131            |
| 2% government levy   | 1 897 567          | -                  | 960 367           | -                 |
| Packaging  | 69 370             | 70 734             | 34 114            | 15 613            |
| Provision recognised for slow moving and obsolete inventories (note 7)     | 697 339            | 7 376              | 304 080           | 1 628             |
| Other expenses   | -                  | 524 495            | 881 723           | 98 507            |
| <b>Total cost of sales, distribution costs and administrative expenses</b> | <b>108 518 917</b> | <b>113 212 865</b> | <b>50 730 371</b> | <b>25 260 864</b> |





## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 18 EXPENSES BY NATURE (continued)

|  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--|--------------------|---------------|-----------------|---------------|
|  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| The cost of sales, distributions costs and administrative expenses have been disclosed as follows:   |                    |               |                 |               |
| Cost of sales  | 84 280 865         | 93 625 197    | 34 298 688      | 20 937 278    |
| Distribution costs   | 511 151            | 431 096       | 147 223         | 95 156        |
| Administrative expenses  | 23 564 678         | 19 249 670    | 16 122 237      | 4 248 980     |
| Allowance for impairment of trade and other receivables  | 162 223            | (93 100)      | 162 223         | (20 550)      |
|  | 108 518 917        | 113 212 863   | 50 730 371      | 25 260 864    |
| <b>18.1 Employee benefit expense</b>   |                    |               |                 |               |
| Salaries - executive management  | 4 303 553          | 2 968 948     | 2 748 494       | 655 336       |
| Salaries and wages - non executive employees   | 10 760 406         | 10 159 343    | 5 789 748       | 2 242 472     |
| Social security costs (note 23)  | 129 728            | 189 952       | 56 214          | 41 928        |
| Pension costs (note 23)  | 789 629            | 702 310       | 425 332         | 155 021       |
| Share options charge   | 565 190            | 950 935       | 265 028         | 209 900       |
| Recognition expenses   | 43 594             | 54 338        | 10 781          | 11 994        |
| Attendance hamper  | 330 355            | 144 931       | 220 346         | 31 991        |
|  | 16 922 455         | 15 170 757    | 9 515 943       | 3 348 642     |
| <b>19 OTHER INCOME</b>   |                    |               |                 |               |
| Scrap sales  | 183 930            | 113 269       | 74 585          | 25 002        |
| Export incentive   | 117 206            | 324 636       | 47 528          | 71 657        |
| Exchange gains/losses  | 11 948 010         | -             | 11 379 057      | -             |
| Other  | 97 158             | 48 671        | 39 399          | 10 743        |
|  | 12 346 304         | 486 576       | 11 540 569      | 107 402       |
| The exchange gain relates to translation of US\$ balances which are held by the Company as cash on hand the amount has no inflation adjustment impact.   |                    |               |                 |               |
| <b>19.1 Export incentive</b>   |                    |               |                 |               |
| In May 2016, the Reserve Bank of Zimbabwe ("RBZ") introduced an export incentive scheme to promote the export of goods and services to enhance inflows of foreign currency into the country. The Company is entitled to a 5% export incentive on the export proceeds received in Zimbabwe. During the year the Company received export incentives amounting to ZWL\$117 206 on the export proceeds received in Zimbabwe (2018:ZWL\$324 636). |                    |               |                 |               |
| <b>20 OTHER (LOSSES)/GAINS</b>   |                    |               |                 |               |
| (Loss)/profit on disposal of motor vehicles  | (134 928)          | 17 080        | (16 230)        | 3 770         |
| <b>21 FINANCE INCOME/COST</b>  |                    |               |                 |               |
| Finance cost   | (25 120)           | -             | (10 186)        | -             |
| Interest income on current accounts with banks   | 987                | 6 177         | 400             | 1 364         |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 22 INCOME TAX EXPENSE

|  | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|--|--------------------|---------------|-----------------|---------------|
|  | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Current income tax on profits for the year   | 13 129 428         | 6 826 336     | 13 129 428      | 1 506 777     |
| Deferred income tax (note 12)  | 13 931 201         | (598 867)     | (216 276)       | (132 188)     |
|  | 27 060 629         | 6 227 469     | 12 913 152      | 1 374 589     |
| The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of 25.75% (2017: 25.75%) as follows: |                    |               |                 |               |
| Profit before income tax   | 63 235 033         | 24 941 805    | 54 180 595      | 5 234 021     |
| Notional taxation on profit for the year at a statutory rate of 25.75%   | 16 283 021         | 6 422 515     | 13 951 503      | 1 347 760     |
| Tax effects of:  |                    |               |                 |               |
| Income not subject to tax  | (3 295 946)        | (558 075)     | (2 445 711)     | (123 184)     |
| Expenses not deductible for tax purposes at the statutory rate of 25.75% (note 21.1)   | 3 215 547          | 1 145 857     | 1 440 644       | 252 925       |
| Permanent differences on adoption of IAS 29  | 10 749 905         | -             | -               | -             |
| Permanent differences  | (145 931)          | (787 875)     | (34 663)        | (104 026)     |
| Other  | 254 887            | 5 047         | 1 379           | 1 114         |
|  | 27 060 629         | 6 227 469     | 12 913 152      | 1 374 589     |

There is a significant increase in permanent differences as inflation adjusted assets do not have corresponding adjustment bases

#### 22.1 Expenses not deductible for tax purposes comprise the following:

|                                  |           |           |           |         |
|----------------------------------|-----------|-----------|-----------|---------|
| Leave pay provision              | 460 784   | 121 737   | 460 784   | 26 871  |
| Bonus provision                  | 1 933 468 | 376 727   | 1 933 468 | 83 155  |
| Share options                    | 565 190   | 244 865   | 265 028   | 54 049  |
| Tax on advance receipts          | 512 499   | 241 209   | 512 499   | 53 242  |
| Provision for obsolete inventory | 697 339   | 85 258    | 256 444   | 18 819  |
| Government levy                  | 1 897 567 | -         | 960 367   | -       |
| Canteen expenses                 | 646 821   | -         | 380 108   | -       |
| Other                            | 826 036   | 76 061    | 826 036   | 16 789  |
|                                  | 7 539 704 | 1 145 857 | 5 594 734 | 252 925 |

### 23 EARNINGS PER SHARE

#### 23.1 Basic earnings per share

|   | 2019<br>cents | 2018<br>cents | 2019<br>cents | 2018<br>cents |
|---|---------------|---------------|---------------|---------------|
| Profit attributable to the ordinary equity holders of the Company                   | 36 174 404    | 18 714 336    | 41 267 443    | 3 859 431     |
| Weighted average number of ordinary shares in issue (note 11)                       | 33 144 000    | 33 059 000    | 33 144 000    | 33 059 000    |
| Basic earnings per share attributable to the ordinary equity holders of the Company | 109.14        | 56.61         | 124.51        | 11.67         |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

| 23.2 Diluted earnings per share   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| Profit attributable to the ordinary equity holders of the Company                     | 36 174 404         | 18 714 336    | 41 267 443      | 3 859 431     |
| Weighted average number of shares in issue (note 11)                                  | 33 144 000         | 33 059 000    | 33 144 000      | 33 059 000    |
| Adjustment for:   |                    |               |                 |               |
| Share options outstanding at year end (note 11)                                       | 315 000            | 400 000       | 315 000         | 400 000       |
|   | 33 459 000         | 33 459 000    | 33 459 000      | 33 459 000    |
| Diluted earnings per share attributable to the ordinary equity holders of the Company | 108.12             | 55.93         | 123.34          | 11.53         |
| <b>23.3 Headline earnings per share</b>   |                    |               |                 |               |
| Profit attributable to the equity holders of the Company                              | 36 174 404         | 18 714 336    | 41 267 443      | 3 859 431     |
| Adjustments for:  |                    |               |                 |               |
| Profit on disposal of property, plant and equipment (note 19)                         | 134 928            | (17 080)      | 16 230          | (3 770)       |
| Tax effects on adjustments  | (34 744)           | 4 398         | (4 179)         | 971           |
| Headline earnings   | 36 274 588         | 18 701 654    | 41 279 494      | 3 856 632     |
| Weighted average number of shares in issue  | 33 144 000         | 33 059 000    | 33 144 000      | 33 059 000    |
| Headline earnings per share (cents)   | 109.45             | 56.57         | 124.55          | 11.67         |
| <b>24 PENSION BENEFITS</b>  |                    |               |                 |               |

### CAFCA Pension Fund

The Company provides for pensions on retirement of all employees by means of a defined contribution pension fund. The pension fund scheme is administered by Marsh Employee Benefits Zimbabwe (Private) Limited. Contributions are made by both the Company and the employees at a rate of 11.5% and 7% respectively. All employees including executive directors comprising full-time permanent staff of the employer are eligible to be members of the fund.

### National Social Security Authority Scheme

The Company and its employees contribute to the National Social Security Authority ("NSSA") Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Company's obligations under the scheme are limited to specific contributions as legislated from time to time.

|   | 2019<br>ZWL\$ | 2018<br>ZWL\$ | 2019<br>ZWL\$ | 2018<br>ZWL\$ |
|---|---------------|---------------|---------------|---------------|
| Contributions recognised as an expense for the year are as follows: |               |               |               |               |
| Social security costs (note 18)                                     | 129 728       | 189 952       | 56 214        | 41 928        |
| Pension costs (note 18)   | 789 629       | 702 310       | 425 332       | 155 021       |
|   | 919 357       | 892 262       | 481 546       | 196 949       |



## Notes to the financial statements

For the year ended 30 September 2019 (continued)

### 25 RELATED PARTY TRANSACTIONS

Reunert Electrical Engineering (Proprietary) Limited owns 70% of the Company's ordinary shares and the remaining 30% are widely held. The following transactions were carried out with related parties:

|   | INFLATION ADJUSTED |               | HISTORICAL COST |               |
|---|--------------------|---------------|-----------------|---------------|
|   | 2019<br>ZWL\$      | 2018<br>ZWL\$ | 2019<br>ZWL\$   | 2018<br>ZWL\$ |
| <b>i) Sale of goods</b>   |                    |               |                 |               |
| Metal Fabricators of Zambia plc (Zamefa)  | -                  | 83 115        | -               | 18 346        |
| <b>ii) Purchases of goods</b>   |                    |               |                 |               |
| CBI Electric African Cables - A division of ATC (Proprietary) Limited   | 7 910 085          | 11 788 362    | 3 207 618       | 2 602 046     |
| CBI Electric Telecoms Cables (Proprietary) Limited  | -                  | 107 040       | -               | 23 627        |
| Metal Fabricators of Zambia plc (Zamefa)  | 8 351 768          | 258 157       | 3 386 725       | 56 983        |
|   | 16 261 853         | 12 153 559    | 6 594 343       | 2 682 656     |
| <b>iii) Year-end balances arising from transactions with related parties</b>  |                    |               |                 |               |
| <b>Amounts due to related parties</b>   |                    |               |                 |               |
| CBI Electric African Cables - A division of ATC (Proprietary) Limited   | -                  | 36 017        | -               | 7 950         |
| CBI - Electric Aberdare/ATC Telecoms Cable (Proprietary) Limited  | -                  | -             | -               | -             |
|   | -                  | 36 017        | -               | 7 950         |
| 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.  |                    |               |                 |               |
| <b>Amounts due from related parties</b>   |                    |               |                 |               |
| Metal Fabricators of Zambia plc (Zamefa)  | -                  | -             | -               | -             |
| The amounts due from related parties arise mainly from sales transactions and are due one month after the date of purchase. The receivables bear no interest and are unsecured. |                    |               |                 |               |
| <b>iv) Key management compensation</b>  |                    |               |                 |               |
| Key management includes directors (executive and non-executive) and executive managers (members of the executive committee).  |                    |               |                 |               |
| Salaries and other short - term benefits  | 4 303 553          | 2 968 948     | 2 748 494       | 655 336       |
| Share options charge  | 565 190            | 950 935       | 265 028         | 209 900       |
| Directors' emoluments   | -                  | -             | -               | -             |
| - Fees  | 285 557            | 294 740       | 129 330         | 65 058        |
|   | 5 154 300          | 4 214 623     | 3 142 852       | 930 294       |

Outstanding share options granted to key management were 315 000 (2018:400 000).

There were no loans made to directors or key management of the Company during the year (2018: \$nil).

### 26 CAPITAL COMMITMENTS

The Company had no significant capital expenditure contracted for by the directors at the reporting date (2018: \$nil).

### 27 CONTINGENCIES

The Company did not have any contingent assets or liabilities at the reporting date (2018: \$nil).

### 28 EVENTS AFTER REPORTING DATE

There were no material events, after the statement of financial position date that have a bearing on the understanding of these financial statements.



| Analysis of shareholding |   |           | Number of shareholders | %          | Number of shares  | %          |
|--------------------------|---|-----------|------------------------|------------|-------------------|------------|
| 1                        | - | 500       | 194                    | 32.66      | 38 437            | 0.12       |
| 501                      | - | 1000      | 114                    | 19.19      | 79 004            | 0.24       |
| 1001                     | - | 5000      | 191                    | 32.15      | 418 683           | 1.26       |
| 5001                     | - | 10000     | 36                     | 6.06       | 241 545           | 0.73       |
| 10001                    | - | 50000     | 39                     | 6.57       | 803 956           | 2.43       |
| 50001                    | - | 100000    | 6                      | 1.01       | 466 721           | 1.41       |
| 100001                   | - | and above | 14                     | 2.36       | 31 095 654        | 93.82      |
| <b>Total</b>             |   |           | <b>594</b>             | <b>100</b> | <b>33 144 000</b> | <b>100</b> |

Non-public shareholders are defined in the Zimbabwe Stock Exchange Listing Requirements, which requires disclosure of public and non-public shareholders, as follows:

- The directors of the Company;
- An associate of the Company or any subsidiaries;
- The trustees of any employee share scheme or pension fund established for the benefit of any director or employees of the Company and its subsidiaries.
- Any person who, by virtue of any agreement, has the right to nominate a person to the board of the Company; or
- Any person who, is interested in more than 10% or more of the securities of the Company of the relevant class unless exempted by the committee.

Reunert Electrical Engineering (Proprietary) Limited and Messina Investments and the directors' interests in the ordinary shares of the Company disclosed on page 6 are categorised as non-public shareholders of the Company.

## Shareholders' calendar 2020 - 2021

|                                  |               |                             |          |
|----------------------------------|---------------|-----------------------------|----------|
| 2019 Annual report distributed   | January 2020  | 2019 Results announced      | Nov 2020 |
| 74th Annual General Meeting      | February 2020 | 2019 Annual report          | Jan 2021 |
| 2019 Half-year results announced | May 2020      | 75th Annual General Meeting | Feb 2021 |

## Notice to shareholders

Notice is hereby given that the 74th annual general meeting of the members of CAFCA Limited will be held in the boardroom at the Company's registered office at 54 Lytton Road, Workington, Harare, at 12.00 noon on Thursday 27 February 2020 for the following purposes:

1. To receive and consider the director's report, audited financial statements and the report of the auditors for the year ended 30 September 2019.
2. To appoint Messrs PricewaterhouseCoopers as auditors for the ensuing year.
3. To approve the audit fees for the year.
4. To approve the directors' fees for the year.
5. To sanction the dividend of ZWL\$ 6.13 cents per share declared on 9 May 2019.
6. To re-elect as directors Messrs Mr H.P. Mkushi, Mr G.J.H. Steyn.

By order of the Board

C.Kangara  
Company Secretary  
10 January 2020

### Notes

1. A member entitled to vote at the above meeting may appoint one or more proxies as alternate or alternatives to attend the meeting, to vote and speak in the member's stead. A proxy need not be a member.
2. Proxy forms must be lodged with the company secretary at least 48 hours before the commencement of the meeting.
3. For further information on voting procedures, see the notes on the proxy information sheet.

### Proxy information

1. A member of CAFCA Limited who is entitled to attend and cast a vote at a general meeting of the Company may:
  - Vote personally at the meeting or appoint:
    - not more than two proxies,
    - an attorney, or
    - in case of a body corporate, a corporate representative to attend the meeting.
2. A proxy need not be a member of CAFCA Limited.
3. When more than one proxy is appointed, each proxy must be appointed to represent a stated proportion of the member's voting rights. If no proportion is specified, the appointment is of no effect.
4. Unless the member specifically directs the proxy how to vote, the proxy may either vote as he/she thinks fit, or abstain from voting.
5. Where the member is a natural person, the proxy form must be signed either by the member personally or by a duly appointed attorney.
6. If an attorney signs the proxy form on behalf of a member, the relevant power of attorney or the authority under which it is signed, or a certified copy thereof must be deposited together with the proxy form at the Company's registered offices.
7. Where a member is a body corporate, the proxy must be executed in accordance with the laws of the country of incorporation and in terms of the Memorandum and Articles of Association of the Company.
8. Any person who is a joint holder of shares may appoint a proxy and, if more than one of the joint holders appoints a proxy or seeks to vote personally at the meeting, then the person whose name stands first on the register shall alone be entitled to vote.
9. In the case of joint holders of shares, all holders must sign the proxy form.
10. The proxy form must be received by the company secretary NOT LATER THAN forty-eight (48) hours before the scheduled time of the annual general meeting.

## Ratios and statistics (based on historical figures)

|   | 2019   | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   |
|---|--------|--------|--------|--------|--------|--------|--------|
| Number of shares (000)  | 33 144 | 33 059 | 32 874 | 32 831 | 32 771 | 32 667 | 32 609 |
| Attributable earnings per share (cents)                               | 124.51 | 11.67  | 2.21   | 1.28   | 5      | 6      | 4      |
| Diluted earnings per share (cents)                                    | 123.34 | 11.53  | 2.17   | 1.25   | 5      | 6      | 4      |
| Price to earnings ratio   | 1,20   | 7.31   | 13     | 14     | 8      | 5      | 8      |
| Market price per share (cents)  | 150,00 | 85,50  | 29     | 18     | 40     | 30     | 35     |
| <b>Profitability (%)</b>  |        |        |        |        |        |        |        |
| Operating margin  | 58     | 17     | 6      | 4      | 8      | 12     | 8      |
| Return on equity  | 74     | 24     | 5      | 3      | 10     | 17     | 15     |
| <b>Solvency</b>   |        |        |        |        |        |        |        |
| Financial gearing ratio (%)   | 5      | -      | -      | -      | 5      | -      | 16     |
| Interest cover (times)  | 53.20  | -      | -      | -      | -      | 52.00  | 13.09  |
| Shareholders' funds to turnover (%)                                   | 60     | 53     | 80     | 81     | 49     | 52     | 43     |
| <b>Liquidity</b>  |        |        |        |        |        |        |        |
| Current assets to interest-free liabilities and short term borrowings | 5,13   | 3,39   | 8      | 12     | 4      | 6      | 4      |
| <b>Other</b>  |        |        |        |        |        |        |        |
| Number of employees   | 212    | 204    | 181    | 183    | 202    | 169    | 159    |
| Number of shareholders  | 594    | 592    | 605    | 546    | 512    | 619    | 616    |

## Shareholders' information

**Top 20 shareholders**  
At 30 September 2019

| Shareholder  | Number of shares | % of total |
|--|------------------|------------|
| 1 REUNERT ELECTRICAL ENGINEERING (PROPRIETARY) LIMITED | 23 078 424       | 69.63      |
| 2 MESSINA INVESTMENTS                                  | 3 644 085        | 10.99      |
| 3 HONOUR MKUSHI FAMILY TRUST                           | 966 854          | 2.92       |
| 4 NATIONAL SOCIAL SECURITY (WCIF)                      | 712 224          | 2.15       |
| 5 DELTA ENFIELD CABLES                                 | 448 800          | 1.35       |
| 6 DELWARE TRADING (PRIVATE) LIMITED                    | 417 320          | 1.26       |
| 7 NATIONAL PENSION SCHEME                              | 413 461          | 1.25       |
| 8 RADIA PRAKASH  | 389 479          | 1.18       |
| 9 STANBIC NOMINEES (PRIVATE) LIMITED                   | 364 263          | 1.10       |
| 10 CAROLINE KANGARA                                    | 148 988          | 0.45       |
| 11 AVENELL INVESTMENTS (PRIVATE ) LIMITED              | 141 207          | 0.43       |
| 12 STEPHENSON P.H                                      | 130 000          | 0.39       |
| 13 GEZMARK INVESTMENTS (PRIVATE) LIMITED               | 120 549          | 0.36       |
| 14 WILSON ESQ, KENT RAYMOND                            | 120 000          | 0.36       |
| 15 DUMISANI MHLANGA                                    | 95 000           | 0.29       |
| 16 FERBOS NOMINEES (PRIVATE) LIMITED                   | 92 367           | 0.28       |
| 17 TFS NOMINEES (PRIVATE) LIMITED                      | 88 547           | 0.27       |
| 18 ZB LIFE ASSURANCE LIMITED                           | 84 243           | 0.25       |
| 19 ZWM NOMINEES (PRIVATE) LIMITED                      | 77 028           | 0.23       |
| 20 ZWM NOMINEES - CORP CLIENTS                         | 62 349           | 0.19       |
|  | 31 595 188       | 95.33      |
| OTHER  | 1 548 812        | 4.67       |
| TOTAL  | 33 144 000       | 100.00     |



To be competitive today, sustainability has become a core element of the business for leading organisations world over. It demonstrates the link between their strategy and their commitment to sustainable world economy.

## 1.0 Managing Director's overview

CAFCA continues to demonstrate commitment to sustainability by maintaining sustainable values in all its daily activities across the organisation. Sustainability reporting also helped CAFCA to measure, understand and communicate its economic, environmental, and social performance, and then set goals, and manage change more effectively. Sustainability reporting has been key to CAFCA Limited as it enhances transparency to stakeholders on all its business aspects by creating a platform for communicating sustainability performance and impacts – whether positive or negative. It also promotes a sustainability culture in the organisation as well as reducing waste in all its forms in the production processes.

It now is also a statutory requirement for all listed companies on The Zimbabwe Stock to report on sustainability (SI 134 of 2019). CAFCA continued on sustainability reporting by incorporating it into its annual financial report of 2019.

During the course of this financial year CAFCA went through the first stage of a transition from Occupational Health and Safety Management System (OHSAS 18001 of 2007) to the new standard (ISO 45001 of 2018). Clearance of second stage and certification from Standards Association of Zimbabwe (SAZ) is imminent in the first quarter of 2020. Recertification audit for the Environmental Management System (ISO 14001:2004) was conducted by South African Bureau of Standards (SABS) in 2019 financial year and the organisation managed to maintain its certification. The organisation also managed to maintain its certification to Energy Management System (ISO 50 001:2011) and Quality Management System (ISO 9001: 2015) requirements. It is the intention of the organisation to transition from Energy Management System ISO 50 001:2011 to the new version ISO 50 001:2018 and get certification in the 2020 financial year.

In its quest to strive to eliminate accidents in the work place to achieve vision zero goal, CAFCA successfully implemented Behavior Based Interventions (BBI) and continue to use the concept. It has seen the organisation significantly reduce the number of accidents from 15 to 4 within 12 months. The company continues to anchor its growth on sustainability and promoting principles of circular economy by recycling its major raw materials like copper, aluminium and polyvinylchloride compounds. Apart from undertaken initiatives to reduce, reuse, recycle and recover all forms of production waste, we have gone further to explore the symbiotic options with other industries for wastes we cannot avoid. The organisation also identified that landfill is major environment hazard and must avoid adding their waste to it and has started initiatives to eliminate wastes sent to the landfill.

CAFCA continues to survive in very harsh and unpredictable economic conditions coupled with foreign currency shortages for purchase of necessary raw materials. Hence, into the future the organisation has put in place strategies such as continued recycling of the main raw material copper, maximizing local content as well as maintaining the protection from the government among other strategies, please see action plans in page 59 and 60.

Further information on the organisation's performance, operations and out-look position is covered in the Managing Director's report refer to page 10.

GRI 102-14

R.N. Webster  
Managing Director



## 2.0 About this report

CAFCA continues to strive for business excellence. The organisation adopted sustainability reporting in 2015, making this report the fifth one in a row. This report covers the financial year October 2018 - September 2019 (FY19). Its sustainability reporting cycle continues to be on an annual basis making October 2017 - September 2018 (FY18) the most recent previous report. Data for the financial years FY15 and FY16 was maintained for the purposes of trending and comparison except only for its emissions where data is dating back to FY14 because of availability of the information and also that carbon footprint has been part of the annual report since tracking of emissions was started in FY11. All the other data for all the other material aspects dates back to FY16.

This report exclusively covers only CAFCA Limited business operations and all the information in this report has been gathered from internal records generated from day to day work processes

and activities. This report becomes the second report to be prepared in accordance with the GRI Standards: Core option as all previous reports were prepared based on G4 Guidelines. CAFCA has complied with all the disclosures that are required when preparing a report in accordance with the GRI Standards (Core option).

A copy of this report can be obtained upon request from CAFCA through its Management Representative. We greatly appreciate and value your feedback therefore questions regarding our sustainability report and its contents may be sent via email to: [marketing@cafca.co.zw](mailto:marketing@cafca.co.zw).

Contact person is Phillip Tashayawedu,  
Chief Engineer,  
CAFCA Ltd,  
P.O Box 1651,  
Harare.

GRI 102-50 to GRI 102-54

## 2.1 Changes in reporting

During the course of this financial year the Zimbabwe Stock Exchange (ZSE) gazetted a statutory instrument SI 134 entitled Stock Exchange Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019 and CAFCA Limited being listed on the ZSE is required to report and disclose sustainability information as required by PART XXI sustainability information and disclosure. Therefore, the annual report has been structured to meet the requirements of the legal requirement.

GRI 102-49

## 2.2 Stakeholders and materiality

### 2.2.1 Reporting principles

The report content and topic boundaries for this report was gathered by considering the organization's activities, impacts and the substantive expectations and interests of its stakeholders. The reporting principles that were used by the organisation are sustainability context, stakeholder inclusiveness, materiality and completeness as guided by GRI 101 standard.

A GRI standard Context Index is made part of this report to show the topics covered in the wider context of sustainability reporting.

### 2.2.2 CAFCA material topics

The process of identifying topics that are material to CAFCA and its stakeholders begins with gathering information from our internal processes through meetings, partnerships, collaborations, consultations, information/knowledge sharing and feedback from our customers. All the identified material topics were mapped to indicate their significance both to CAFCA's business and our stakeholders.

A matrix was developed showing importance of the issues to stakeholders and to our social, environmental and economic performance as a response to the feedback from the various stakeholders. The scoring criteria as applied previously was adopted and material aspects were plotted on a graph, separating those aspects that are material and those that are not material to CAFCA, see table below.

### 2.2.2 CAFCA material topics (continued)

From the Materiality Matrix, the prioritised material topics were according to the materiality principle which identifies material topics with high importance to economic, environmental and social impacts and high importance to stakeholders. The material topics are listed below:

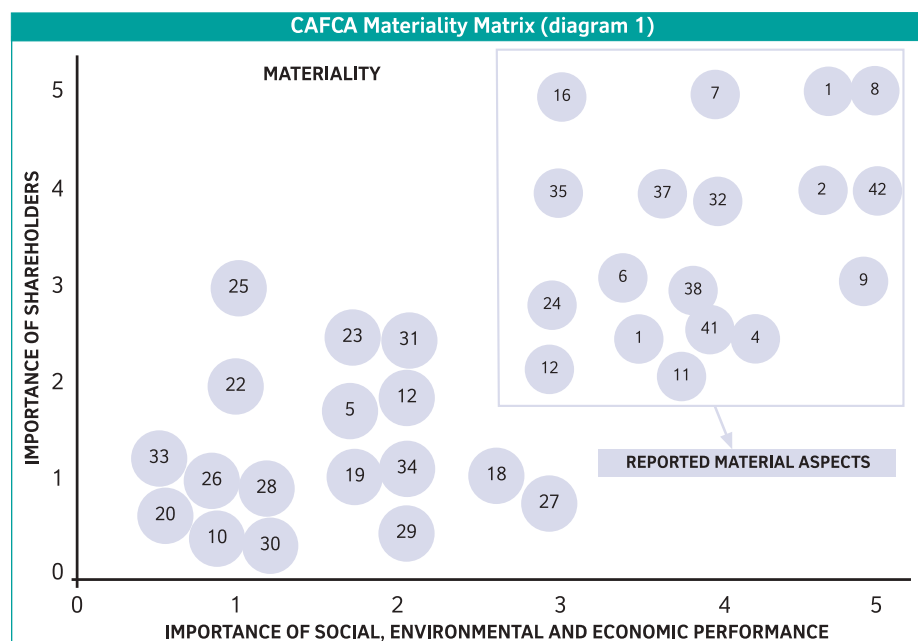
|                    |   |
|--------------------|---|
| <b>Economic</b>    | Economic performance, market presence   |
| <b>Environment</b> | Materials, Energy, Water, Emissions, Effluents and Waste.   |
| <b>Social</b>      | Employment, Labour-management relations, Occupational Health and Safety, Training and Education, Freedom of association and collective bargaining |

## 2.3 Boundary of material topics

The table below indicates the mapping of our significant material topics where some of the impacts are experienced at CAFCA but some occur outside CAFCA.

| Our material topics                              | Material within CAFCA | Material outside CAFCA |
|--|-----------------------|------------------------|
| <b>ECONOMIC</b>                                  |                       |                        |
| Economic performance                             | ✓                     | ✓                      |
| <b>ENVIRONMENT</b>                               |                       |                        |
| Materials  | ✓                     |                        |
| Energy   | ✓                     | ✓                      |
| Water  | ✓                     | ✓                      |
| Emissions  | ✓                     | ✓                      |
| Effluent and Waste                               | ✓                     | ✓                      |
| <b>SOCIAL</b>                                    |                       |                        |
| Employment                                       | ✓                     | ✓                      |
| Labour-management relations                      | ✓                     | ✓                      |
| Occupational health and safety                   | ✓                     |                        |
| Training and education                           | ✓                     |                        |
| Freedom of association and collective bargaining | ✓                     |                        |

GRI 102-47





## 2.4 External assurance

Our Sustainability Report is not externally assured. We have internal controls in place which include internal procedures (that are documented in our Business Management System Manual for continuity and repeatability) to ensure overall integrity of the report.

GRI 102-56

## 3.0 About CAFCA

Information covering the company profile, our mission statement, corporate information and operating principles (shared values), is on page 2 of this Integrated Annual Report.

## 3.1 CAFCA overview

We refer you to the "Overview" section of the Integrated Annual Report (pages 1 to 10).

GRI 102- 01 to 05

## 3.2 CAFCA supply chain

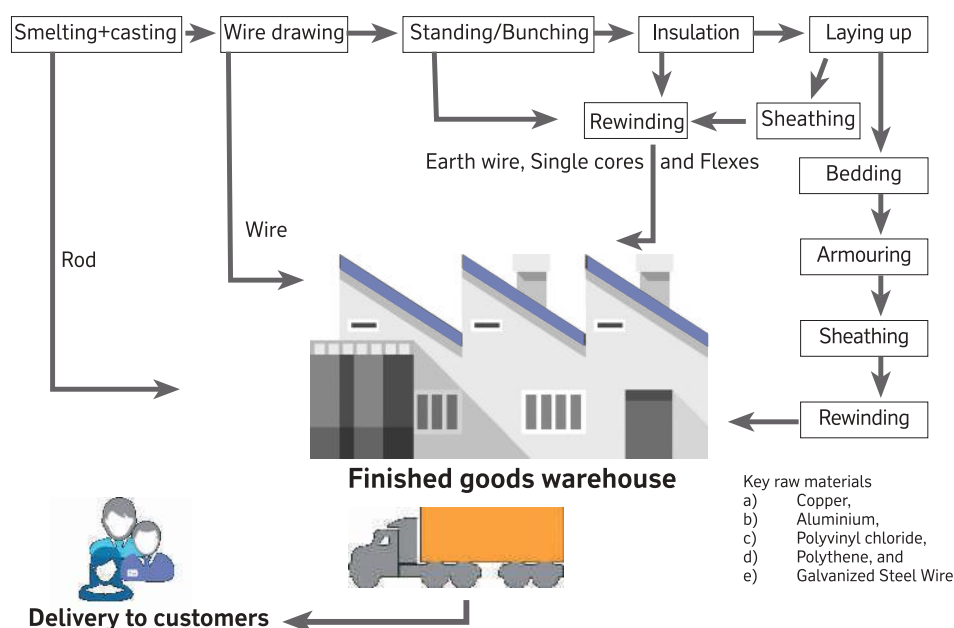
The key raw materials indicated above are mostly imported due to either the unavailability of local suppliers or more competitive import pricing. In the short term, the focus will be on increasing local procurement of major raw materials in light of shortages in foreign currency in the country.

Copper as the major raw material in the year under review FY 19, 62% of the total copper requirement was met from recycled redundant copper acquired through the barter deal which CAFCA has with the Zimbabwe Electricity Distribution Company (ZETDC). The balance of 38% was imported virgin copper. The organisation has a partnership with a local mining entity RioZim whereby CAFCA converts all its copper scrap into anodes which is then taken to RioBase for electrolysis process to make copper cathodes (virgin copper). This initiative contributed approx. 2% of the recycled copper throughput in FY19. Increased volumes are expected in FY20 as the organization is intensifying efforts to find sources of copper which it can extract and make anodes for further processing at RioBase. This has seen expansion of the cementation project to increase yields of copper recovered through the cementation process.

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GRI 102-09



## 3.3 Changes in supply chain

There were no significant changes to the organisation and its supply chain during the reporting period that can simultaneously contribute to significant economic, environmental and social impacts.

GRI 102-10

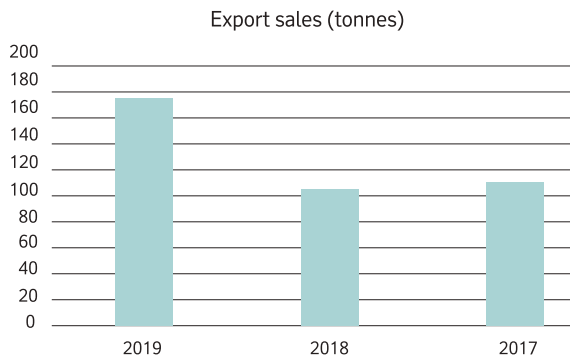
## 3.4 Markets

CAFCA's turnover is predominantly from the domestic market. Total sales volumes declined by 27 % but export volumes increased by 70% and in value terms 54%. The increase in export sales volume was driven by strategic decision to have consignment stocks in critical markets. The domestic market has been largely affected by inflation which has eroded buying power of customers. The export sales volume performance analysis is shown on the graph below.

The domestic market is comprised of Utilities, Distributors, Construction and Industry, Mines, and Cash customers. Cash Sales contributed approximately 30% of turnover being a shift from Utilities which contributed approximately 26% in FY18. This shift was due to depletion of redundant copper reserves under the barter deal with the utilities but they still remained our biggest revenue contributor.

Refer to "Statement of financial position" section on page 16 and group performance review section on page 54 of the Integrated Annual Report.

GRI 102-06 and 07 (iv &v)



## 3.5 Scale of organisation

The organisation's manpower status was as shown in the table below for the year 2016 to 2019.

| Type of employment     | 2019       | 2018       | 2017       | 2016       |
|------------------------|------------|------------|------------|------------|
| Permanent              | 189        | 174        | 169        | 154        |
| Learnership            | 4          | 19         | 0          | 19         |
| Contract               | 5          | 1          | 1          | 1          |
| Students on attachment | 8          | 6          | 9          | 9          |
| Internship             | 0          | 0          | 2          | 0          |
| Apprenticeship         | 4          | 4          | 0          | 0          |
| <b>Total</b>           | <b>212</b> | <b>204</b> | <b>181</b> | <b>183</b> |

CAFCA is the sole manufacturer of cables in Zimbabwe with a capability of producing approximately 1000 different types of cables for stock and as per customer requirement. The total head count of employees supporting production at CAFCA is 212 which increased by 3% compared to the last reporting period. The increase was due to the opening of a telesales office to improve on service to calling customers as the reception was continuously getting congested. Furthermore, the numbers for the dispatch increased when additional order processors were employed to improve service to walk in customers when there was a sudden jump in cash sales. The figures shown in the table above are inclusive of our Bulawayo Retail branch. 11% of the total employees are females mostly in administrative functions.

GRI 102-07 to 08

## 4.0 Managing our risks

Risk management is imperative and if not properly done will lead to malfunctioning of business systems. Various tools have been adopted within CAFCA and in other areas where we can influence to ensure adequate risk management. Refer to "Corporate Governance" section of the Integrated Annual Report page 4.

GRI 102- 18

### 4.1 Risk management system

CAFCA risk management system is designed to effectively identify, assess and mitigate sustainability and business risks. The key personnel/teams within this system, and their primary risk management responsibilities, are as follows:

| Teams/Personnel  | Risk management responsibilities   |
|--|--|
| <b>Board of directors and Audit committee</b>          | Identifying, monitoring and control of risk management efficiency, reviewing risk management strategies and reports. |
| <b>Managing director and the senior executive team</b> | Identifying, managing and mitigating business operational risks.   |
| <b>Operational managers</b>                            | Identifying, evaluating, mitigating and reporting everyday risks.  |
| <b>Employees</b>                                       | Implementation of the identified risk mitigation strategies.   |

### 4.2 Key sustainability risks and opportunities

The organisation holds strategic planning workshops annually at the start of a new financial year. The following major risks and opportunities were identified by analysing CAFCA's macro and micro environments during the strategic planning workshop held in September 2018 for FY19. Action plans have been put in place for implementation at different levels by relevant functional teams. The following is an outline of the risks, opportunities and mitigation measures in relation to the material aspects of CAFCA Limited. The senior executives review the above opportunities and risks every month end to ensure timely closure of action plans.

## 4.2 Key sustainability risks and opportunities (continued)

### 4.2i Key sustainability risks and opportunities

| ID  | OPPORTUNITIES   | ACTION/PLAN   |
|-----|---|---|
| 01  | Recurring non-conformities & issues identified in the strategic plan are not being incorporated into the annual training plan.  | The annual training plan must incorporate in the 'needs analysis' input from non-conformities & the strategic plan.   |
| 02  | We need to create an environment that identifies talent and matches it to needs.  | Create a database of all the needs & skills required by CAFCA and then using aptitude tests, C.V's, training etc. document those already available at CAFCA.  |
| 03  | Sustainable Energy production is a national issue that CAFCA must contribute to.  | CAFCA must move towards 100% sustainable energy options. Develop a plan and allocate annual resources to achieving this.  |
| 04  | Exports are strategic for the following reasons <ul style="list-style-type: none"> <li>- Support the monopoly argument</li> <li>- Generates foreign currency</li> <li>- Supports the argument for foreign currency supply or raw materials</li> </ul> Reduces reliance on local market  | Export strategy must guarantee monthly exports of \$210 000. Current Government expectation is 20% of turnover should be exports.   |
| 05  | The supplier database should be kept up to date and store the names of at least 2 suppliers for every product we keep.  | <ol style="list-style-type: none"> <li>1. Procedure required for the maintenance of the supplier database.</li> <li>2. Procedure required to ensure we maintain the relationship of all the suppliers in our database by balancing the purchases between them.</li> </ol>   |
| 06  | There is a niche opportunity to offer the market solar cable.   | <ol style="list-style-type: none"> <li>1. Obtain Afcab feedback on their R and D into this product.</li> <li>2. Establish market demand.</li> <li>3. Establish core competency.</li> </ol>  |
| 07  | <p>The 140 ton model is based on 40 tons aluminium and 100 tons copper.</p> <p>The 100 tons copper is made up as follows</p> <ul style="list-style-type: none"> <li>60 tons imports</li> <li>20 tons harvesting</li> <li>5 tons transformers</li> <li>2 tons Telone</li> <li>20 tons Rio Tinto</li> </ul> <p><b>107 tons</b></p>  | <ol style="list-style-type: none"> <li>1. Ensure foreign currency procured in time to have 1 truck in the last week of the month for next month and one truck in the first week.</li> <li>2. ZETDC harvesting plan a month in advance for both regions and transformers.</li> <li>3. Rio Tinto weekly target of 5 tons – Anodes quantity starter sheets quantity</li> </ol>   |
| 08  | <p>CAFCA long term must source all their copper requirements locally.</p> <p>The 100 ton target requires the following considerations</p> <ul style="list-style-type: none"> <li>- Sufficient inlet from copper dumps/mines for cementation process</li> <li>- Cementation process design to get to 100 tons per month</li> <li>- Anode capacity to be increased to 100 tons per month</li> <li>- Rio Tinto capacity to be increased to 25 tons per week</li> </ul> | <ol style="list-style-type: none"> <li>1. An analysis must be done of all the dumps &amp; mines to establish quantity and grade of copper ores available. The most suitable site must be identified and all efforts made to take control of the site.</li> <li>2. The cementation design must be an extrapolation</li> <li>3. Anode production capacity may be more efficient with a dedicated furnace as opposed to increasing the number of crucibles.</li> <li>4. 10 cells at Rio Zim = 5 tonnes per week. Either increase cells to 50 or increase output per cell.</li> </ol> |
| 09  | <p>New equipment must be identified and justified on the basis of resolving bottlenecks and improved efficiencies.</p> <p>3 machines are currently under consideration</p> <ol style="list-style-type: none"> <li>1. Coilers – Bottlenecks Quality</li> <li>2. DS130 – reliability/breakdowns</li> <li>3. Single twist – bottlenecks</li> </ol>   | <ol style="list-style-type: none"> <li>1. Get approval for coilers.</li> <li>2. Commit exports proceeds &amp; get loan/forex for purchase.</li> <li>3. Once repaid start the next machine.</li> </ol>   |
| 010 | Research and development must be restricted to identifying new niche markets and addressing quality and efficiency issues in the current product range.   | <ol style="list-style-type: none"> <li>1. Procedure for research and development must be well defined, trained &amp; signed off.</li> <li>2. The following products/processes have been identified for R and D <ul style="list-style-type: none"> <li>- Hazel</li> <li>- 15 kv MV product</li> <li>- Unilay</li> <li>- Solar cables</li> <li>- Alternative materials</li> <li>- Silicon for PVC</li> <li>- Masterbatch versus skin</li> <li>- Trolley wire</li> </ul> </li> </ol>   |

## 4.2 Key sustainability risks and opportunities (continued)

### 4.2ii Key sustainability risks

| ID            | RISKS  | ACTION/PLAN  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
|---------------|--|--|-----------|----|-----------|----|--------------|----|----------|---|-------|----|--------|----|---------------|----|-----|---|--|------------|
| R1            | Environmental responsibility requires being proactive. We need to create a culture of environmental caring.  | Environment awareness campaign to address <ul style="list-style-type: none"><li>- Litter</li><li>- Trees &amp; sustainability</li><li>- Waste</li></ul> Ensure action is rewarded.   |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| R2            | Staff morale and productivity may be affected by inadequate remuneration in a hyperinflation environment.<br><br>Extended family obligations in terms of bereavement & medical must also be considered in terms of hyperinflation. | Works Council awareness that salaries and wages based on <ul style="list-style-type: none"><li>- Perception of risk</li><li>- Market conditions</li><li>- Profitability sustainability</li></ul> Ensure service providers for funeral assurance and medical aid are keeping up with hyperinflation.  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| R3            | Midal is a strategic supplier who is putting us at risk as their supply time and quality are unreliable.   | <ol style="list-style-type: none"><li>1. Arrange a factory visit to assess their quality control systems &amp; to develop a relationship</li><li>2. Invite their production/ Quality Executive to CAFCA for a factory visit.</li></ol>   |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| R4            | The 140 ton model must be continuously monitored to ensure any drop in a sector is remedied or picked up in another sector.  | Discuss at monthly sales meeting the attainment of the following tonnage targets <table><tr><td>Utilities</td><td>40</td></tr><tr><td>Retailers</td><td>20</td></tr><tr><td>Construction</td><td>10</td></tr><tr><td>Industry</td><td>5</td></tr><tr><td>Mines</td><td>15</td></tr><tr><td>Export</td><td>15</td></tr><tr><td>Cash – Harare</td><td>30</td></tr><tr><td>Byo</td><td>5</td></tr><tr><td></td><td><u>140</u></td></tr></table>   | Utilities | 40 | Retailers | 20 | Construction | 10 | Industry | 5 | Mines | 15 | Export | 15 | Cash – Harare | 30 | Byo | 5 |  | <u>140</u> |
| Utilities     | 40   |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| Retailers     | 20   |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| Construction  | 10   |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| Industry      | 5  |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| Mines         | 15   |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| Export        | 15   |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| Cash – Harare | 30   |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| Byo           | 5  |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
|               | <u>140</u>   |  |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| R5            | CAFCA productivity is at risk from bad maintenance resulting from bad workmanship resulting from lack of incremental knowledge and experience.   | <ol style="list-style-type: none"><li>1. The ratio of 10 CAFCA artisans to 17 contract artisans is strategically an imbalance.</li><li>2. Once the structure is balanced then the CAFCA artisans must lead in terms of troubleshooting and complicated work assignment.</li><li>3. Contract employees must assist or be under the control of a CAFCA employee or be given routine work.</li><li>4. Service Level Agreements must be in place with all contracting companies.</li></ol> |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |
| R6            | Back up procedures are critical to ensure strategic company information is not lost.   | <ol style="list-style-type: none"><li>1. Have a clearly defined back up procedure for company information and private information. Ensure private information is adequately protected in terms of privacy.</li><li>2. Ensure information deemed private is also not company information.</li></ol>   |           |    |           |    |              |    |          |   |       |    |        |    |               |    |     |   |  |            |

Once the opportunities and risks have been identified and their impacts analyzed, the organisation then reviews its business goals to align them with the new strategic intent. The business goals cover the wider context of sustainability (i.e. economic, environmental and social performance targets). Business goals are also reviewed once a month by the executive team with special emphasis on trends. The business goals then become the source of formulation of objectives and targets at departmental level.

## 5.0 CAFCA's position on precautionary principle

CAFCA realises that the precautionary principle is essential in preventing unforeseen adverse environmental effects even if there is no scientific evidence to back this up. We believe that it is better to prevent the adverse environmental effects than manage their consequences. For instance, CAFCA disposes its e- waste via licensed waste disposal enterprises to prevent the perceived risks that arise due to disintegration of e-waste components. The organisation takes full responsibility of these potential effects within our business processes. In this light the organisation conducts comprehensive Environmental Aspect Assessments and a Hazard Identification and Risk Assessments prior to the inception of any project to at least identify potential risks to the environment and the people. Control measures are then put in place and implemented to eliminate or minimise the perceived risks. More recently CAFCA has taken on board the Behavior Based Interventions (BBI) concept and seeks to apply it across all facets of the business. This is so upon a realisation of a new dimension taking centre stage of the use of human behavior as an instrument for creating value for the business.

GRI 102 -11

## 6.0 Membership

GRI 102-15

CAFCA holds membership with various national organisations and it actively participates and contributes to activities organised by these organisations. These organisations enable us to realise opportunities, solutions to potential problem and provide us with information on changes to legal and other requirements that affect our business for the purposes of continual improvement. These organisations, through the various platforms, enable CAFCA to participate in issues that concern it as an industry and to make meaningful contributions on the issues that can affect its business. The organisations in which CAFCA holds membership are:

- a) Confederation of Zimbabwe Industries
- b) National Employment Council for Engineering, Iron and Steel Industries
- c) Employers Confederation of Zimbabwe
- d) Engineering, Iron and Steel Association of Zimbabwe
- e) Business Council of Sustainable Development Zimbabwe
- f) Zimbabwe Institute of Engineers
- g) Construction Industry Federation of Zimbabwe
- h) Southerton/Workington/Ardbennie Cluster

GRI 102-13



## 7.0 Awards

Refer to “Milestones” section on page 3 of the Integrated Annual Report 2019.

## 8.0 Stakeholder engagement

CAFCA values its stakeholders and as such engages them in order to manage their expectations and interests. The organisation uses a function based approach to identify its stakeholders and this is done during strategic planning workshops. Our stakeholders include customers, suppliers, shareholders and investors, government and regulators, financial institutions, employees, local communities, and trade and industry associations. The interests and expectations of each stakeholder are determined during the strategic planning workshops. Engagement of all our stakeholders to maintain and address arising relationship issues are done through meetings, partnerships, collaborations, consultations, information and knowledge sharing and customer feedback.

Engagement frequency with these stakeholders is dependent on various factors and is stated in our internal procedures. The various engagements done during the reporting period were not specifically undertaken as part of this report preparation process. Below is a summary of how we engage our key stakeholders.

### CAFCA Key stakeholders

| Stakeholder                           | Why they are important to us  | Who is responsible to engage them  | Channels of engagement  | Frequency of engagement   |
|---------------------------------------|---|--|---|---|
| Employees                             | Success of business depends on their skills, expertise and dedication                             | <ul style="list-style-type: none"> <li>Management team representatives</li> <li>Line managers</li> </ul>         | <ul style="list-style-type: none"> <li>Works Council meetings</li> <li>Management briefings</li> <li>SHEQ meetings</li> <li>NEC meetings</li> </ul>                                       | <ul style="list-style-type: none"> <li>Monthly and as agreed by both parties</li> </ul> |
| Senior executives and Management team | Success of business depends on their leadership skills and motivation                             | <ul style="list-style-type: none"> <li>Managing director</li> </ul>  | <ul style="list-style-type: none"> <li>Management systems review meetings</li> <li>Management meetings</li> </ul>   | <ul style="list-style-type: none"> <li>Weekly</li> <li>Monthly</li> </ul>               |
| Shareholders and investors            | Provide us with capital to develop and expand operations  | <ul style="list-style-type: none"> <li>Board of directors</li> </ul>   | <ul style="list-style-type: none"> <li>Board meetings</li> <li>Analyst briefings</li> <li>Annual general meetings</li> </ul>  | <ul style="list-style-type: none"> <li>Quarterly</li> <li>Annually</li> </ul>           |
| Lenders/Banks                         | Provide us with financial services and platforms for business transactions                        | <ul style="list-style-type: none"> <li>Finance management team</li> </ul>  | <ul style="list-style-type: none"> <li>Relationship meetings</li> </ul>   | <ul style="list-style-type: none"> <li>Monthly</li> </ul>                               |
| Customers                             | Buy our products to provide revenue and certainty to our business                                 | <ul style="list-style-type: none"> <li>Sales and marketing management team</li> <li>Senior executives</li> </ul> | <ul style="list-style-type: none"> <li>Meetings</li> <li>Telephone conversations</li> <li>Email correspondences</li> <li>Customer evaluations</li> </ul>                                  | <ul style="list-style-type: none"> <li>On-going</li> </ul>                              |
| Suppliers/Service providers           | Provide us with raw materials, spares and services which we need to create valuable products      | <ul style="list-style-type: none"> <li>Procurement management team</li> </ul>                                    | <ul style="list-style-type: none"> <li>Meetings</li> <li>Telephone conversations</li> <li>Email correspondences</li> <li>Customer evaluations</li> <li>Supplier correspondence</li> </ul> | <ul style="list-style-type: none"> <li>On-going</li> </ul>                              |
| Government and regulators             | Set the laws under which our business operates  | <ul style="list-style-type: none"> <li>Senior executives</li> </ul>  | <ul style="list-style-type: none"> <li>Meetings</li> <li>Written communications</li> <li>Telephone conversations</li> </ul>   | <ul style="list-style-type: none"> <li>As and when issues arise</li> </ul>              |
| Community                             | Recipients of the impact of our activities on the environment and source of intellectual property | <ul style="list-style-type: none"> <li>Management representative</li> <li>Management team</li> </ul>             | <ul style="list-style-type: none"> <li>Meetings</li> <li>Written communications</li> <li>Telephone conversations</li> </ul>   | <ul style="list-style-type: none"> <li>As and when issues arise</li> </ul>              |

GRI 102 t - 40 to 43

The following table gives the key topics and/or concerns raised by various stakeholders and how the organisation has responded to those key topics and concerns.

| Stakeholder                                       | Key topic raised   | Concerns raised              | CAFCA's response   | Status           |
|---|--|------------------------------|--|------------------|
| Employees   | Remuneration issues  |                              | Resolved with reference to our agreed economic model   | On-going         |
| Walk-in customers at factory shop                 |  | Long order processing time   | Implementation of various initiatives to reduce order processing time                          | Closed           |
| Customer – Local power utility                    |  | Supply of strategic products | Supply limited to credit available   | Closed           |
| Local regulator                                   |  | Alleged exclusive dealing    | All procurement formalities were adhered to  | Open             |
| Export customer                                   |  | Product quality issues       | Timeous investigations and root cause analysis resulting in manufacturing process improvements | Closed           |
| Local banks                                       | Critical shortage of forex                                     |                              | Lobbying Reserve Bank of Zimbabwe via customer and industry associations                       | On-going         |
| National OHS body                                 |  | High injury frequency        | Implementation of behaviour based interventions  | Work in progress |
| Community – local trade and industry associations | Technical assistance on energy and efficient water utilisation |                              | Technical assistance embraced  | Closed           |

GRI 102-44

## 9.0 Our economic performance

CAFCA ensures economic sustainability by delivering a strong financial performance which will ensure that the organisation operates into the future. Since the organisation is listed on the Zimbabwe Stock Exchange, it is legally required to disclose financial performance information to the public. CAFCA has religiously complied with this requirement since its listing on the bourse.

In line with the GRI Standards disclosure requirements, we are providing our economic performance summary below.

|                                     | 2019<br>ZWL\$ | 2018<br>ZWL\$ | 2017<br>US\$ | 2016<br>US\$ |
|-------------------------------------|---------------|---------------|--------------|--------------|
| Turnover                            | 93 396 413    | 30 382 348    | 19 310 457   | 18 148 818   |
| Domestic                            | 86 057 140    | 25 486 922    | 18 256 550   | 16 257 021   |
| Export                              | 7 339 275     | 4 895 426     | 1 053 907    | 1 891 797    |
| Profit before income tax            | 54 180 595    | 5 234 021     | 1 226 227    | 678 028      |
| Profit attributable to shareholders | 41 267 443    | 3 859 431     | 726 213      | 418 604      |
| Capital expenditure                 | 1 599 945     | 88 209        | 376 455      | 173 684      |
| Shareholders equity                 | 55 598 369    | 16 097 337    | 15 458 801   | 14 709 165   |
| Operating expenses                  | 39 215 817    | 25 260 864    | 18 236 628   | 17 443 103   |
| Payments to government (income tax) | 11 447 498    | 1 369 640     | 328 410      | 312 205      |

GRI 201-1

For more information, refer to the following Integrated Annual Report 2019 sections:

- “Statement of Financial Position” section on page 16
- “Consolidated statement of comprehensive income” section on page 17
- “Consolidated statement of changes in equity” section on page 18
- “Consolidated statement of cash flows” section on page 19
- “Ratios and statistics” section on page 48

## 10.0 Our environmental performance

Whilst maintaining certification on ISO 14001 (Environmental Management System) and ISO 50001 (Energy Management System), CAFCA continues to enhance its commitment to environmental protection which encompasses balancing business demands and environmental stewardship. Our environmental performance is measured through the various material issues identified, our compliance obligations, maintenance of our management system standards, commitment to efficient resource use and implementation of the 4R's (Reduce, Reuse, Recover and Recycle).

According to GRI standards, our material topics as obtained from section 2.2 of this report are:

- Materials
- Energy
- Water
- Emissions
- Effluent and Waste



## 10.1 Materials

### Non-renewable materials used

| Material          | 2019<br>(metric tonnes) | 2018<br>(metric tonnes) | 2017<br>(metric tonnes) | 2016<br>(metric tonnes) |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Copper (recycled) | 1 111                   | 1 083                   | 1 170                   | 1 539                   |
| Copper cathode    | 534                     | 692                     | 355                     | 0                       |
| Copper rod        | 154                     | 49                      | 95                      | 0                       |
| Aluminium         | 942                     | 512                     | 1 140                   | 1 232                   |
| <b>Total</b>      | <b>2 741</b>            | <b>2 336</b>            | <b>2 724</b>            | <b>2 771</b>            |

To make sustainable development a reality, industrial symbiosis is indispensable. Industrial symbiosis refers to an association between two or more companies in which the wastes or by products of one become the raw materials for another. CAFCA continues to harvest redundant copper which is being regarded as redundant and converting it into useful product. This concept has a double benefit in that as it reduces the extraction of virgin copper from the depleted natural resources and reduces the copper waste into the environment. Recycled/redundant copper to virgin copper throughput in the year under review (FY18) remained constant at 70% and 30% respectively as compared to FY17.

GRI 301-1 & 2

## 10.2 Energy- non-renewable fuel consumptions

Production facilities at CAFCA are 90 % powered by electricity which is used for the furnace, machines, administration and the canteen. The remaining 10% is distributed amongst Liquefied Petroleum Gas- LPG (for geysers and the incinerator), diesel and petrol (for company vehicles, forklifts and standby generators). Consumption of these energy sources is dependent on production.

**Note:** Conversion factors obtained from International Energy Agency.

| ID           | Energy source              | Consumption (GJ)<br>2019 | Energy<br>Intensity<br>(GJ/ton)<br>2019 | Consumption (GJ)<br>2018 | Energy<br>Intensity<br>(GJ/ton)<br>2018 | Consumption (GJ)<br>2017 | Energy<br>Intensity<br>(GJ/ton)<br>2017 | Consumption (GJ)<br>2016 | Energy<br>Intensity<br>(GJ/ton)<br>2016 |
|--------------|----------------------------|--------------------------|---|--------------------------|---|--------------------------|---|--------------------------|---|
| 1            | Electricity                | 16 896                   | 8.06                                    | 17 900                   | 8.2                                     | 18 023                   | 8.6                                     | 19 199                   | 9.7                                     |
| 2            | Charcoal                   | 5.5                      | 0.003                                   | 51                       | 0.02                                    | 22.36                    | 0.01                                    | 29                       | 0.01                                    |
| 3            | Liquified<br>Petroleum Gas | 485                      | 0.23                                    | 656                      | 0.3                                     | 734                      | 0.4                                     | 794                      | 0.4                                     |
| 4            | Diesel                     | 3 276                    | 1.56                                    | 2 514                    | 1.15                                    | 2 393                    | 1.15                                    | 1 886                    | 0.9                                     |
| 5            | Petrol                     | 432                      | 0.21                                    | 334                      | 0.52                                    | 400                      | 1.19                                    | 612                      | 0.39                                    |
| <b>Total</b> |                            | <b>21 094</b>            | <b>10.06</b>                            | <b>21 455</b>            | <b>21 572</b>                           | <b>21 572</b>            | <b>10.34</b>                            | <b>22 520</b>            | <b>11.1</b>                             |

The total energy intensity decreased by appropriately, 2% compared to the last reporting period. During this reporting period there was a 3% decrease in production output and used 3% more energy compared to the last reporting period. This was mainly caused by serious electricity load shed resulting in inefficiencies at the OTK as copper produced from stand-by power had to go through the furnace twice causing inefficiencies. CAFCA negotiated for electricity ring fencing to avoid load shed.

The opportunities for improvement implemented by the organisation under the Energy Management system enhanced energy efficiency. The major initiatives that yielded energy savings were retrofitting of variable speed drives on water pumps and running the two boreholes on solar.

**GRI 302-2 , GRI 302-3, GRI 302-4**

## 10.3 Water

CAFCA processes rely on water a precious but scarce resource. The extrusion process, the cooling system for the furnace, wire drawing processes and day to day activities including cooking and the ablutions depend on water supply from the CAFCA borehole. The demand of water per month is not directly linked to our production patterns as most of our operations have a closed loop water reticulation system. The organization relies on 2 underground boreholes for water supply. These boreholes operate at capacities of 1.2m<sup>3</sup>/hr. and 4.2m<sup>3</sup>/hr. to meet our production demands during all seasons.

There was a 12% increase in water consumption in FY19 as compared to FY18. This increase in water consumption was due to old, leaking pipes which were due for replacement. An exercise was done to identify these old installations and they were replaced.

**GRI 303-1, GRI 303-3**

| Source               | 2019(m <sup>3</sup> ) | 2018 (m <sup>3</sup> ) | 2017 (m <sup>3</sup> ) | 2016 (m <sup>3</sup> ) |
|----------------------|-----------------------|------------------------|------------------------|------------------------|
| Municipal            | 0                     | 0                      | 0                      | 0                      |
| Underground borehole | 12 174                | 10 845                 | 11 801                 | 12 690                 |

## 10.4 Emissions – CAFCA carbon footprint

In response to the Warsaw decision and the Lima call for action, the Government of Zimbabwe presented

Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on

Climate Change (UNFCCC) seeking to contribute to an ambitious goal of limiting temperature rise to below 1.5<sup>0</sup>C. The country currently generates about 1200MW of electricity, of which approximately 40% is from thermal sources while about 60% is from hydro power plants particularly for industrial and domestic supply. The country's total GHGs emissions contribute less than 0.05% of global emissions, making it a low emitter. Despite its low emissions and high carbon sequestration potential, Zimbabwe is already working towards universal access to cleaner energy by 2030 adopting cleaner energy initiatives such as replacing more than a million incandescent bulbs with compact fluorescent lamps and solar energy, which has a huge potential of reducing emissions. The energy sector has been reported to be contributing 49% to Zimbabwe Emissions, therefore CAFCA as part of industry and a consumer of the product of the energy sector is mandated to collaborate with other players towards achievement of the INDCs.

CAFCA continues to monitor its GHG emissions with reference to the six GHGs emissions listed in the Kyoto Protocol namely

carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. CAFCA emissions reporting has been organized in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard which is used as a guideline and reference document to facilitate emissions reporting in line with international standards. The operational boundary has been defined as scope 1 (direct emissions) and scope 2 (indirect emissions) only. Scope 3 (other indirect emissions from reporting company's upstream and downstream activities) emissions have not been reported due to lack of reliable data from third parties.

Energy sources at CAFCA that produce direct emissions are liquefied petroleum gas (LPG), diesel, petrol, acetylene, charcoal and emissions from copper smelting and extrusion processes. Indirect emissions (indirect) at CAFCA come from the use of purchased grid electricity. CAFCA uses the carbon footprint data to track its facilities' GHG emissions and to identify opportunities to cut pollution, minimize wasted energy, and save money since what can be measured can be improved. Emission factors used to calculate carbon dioxide equivalent emissions were derived from the Department of Environment Food and Rural Affairs (DEFRA), United Kingdom.

**GRI 305-04, GRI 305-05**

## 10.4 Emissions – CAFCA carbon footprint (Continued)

The table below shows the GHG emission figures for financial year 2019. GHG emission figures for 2014 to 2019 financial years are also shown for comparative purposes.

### CAFCA GHG Emission inventories

| TABLE 1: CAFCA GHG emissions inventories  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|
| Emission sources  | 2019<br>total emissions<br>(tonnes CO <sub>2e</sub> ) -<br>12 month period | 2018<br>total emissions<br>(tonnes CO <sub>2e</sub> ) -<br>12 month period | 2017<br>total emissions<br>(tonnes CO <sub>2e</sub> ) -<br>12 month period | 2016<br>total emissions<br>(tonnes CO <sub>2e</sub> ) -<br>12 month period | 2015<br>total emissions<br>(tonnes CO <sub>2e</sub> ) -<br>12 month period | 2014<br>total emissions<br>(tonnes CO <sub>2e</sub> ) -<br>12 month period |
| <b>SCOPE 1:</b>   |  |  |  |  |  |  |
| <b>PETROL</b>   |  |  |  |  |  |  |
| Forklifts   | 0  | 0.33   | 1.55   | 0  | 0  | 0  |
| Company vehicles  | 2.17   | 1.92   | 2.31   | 2.85   | 2.41   | 2.39   |
| <b>DIESEL</b>   |  |  |  |  |  |  |
| Forklifts   | 45.14  | 40.55  | 35.36  | 29.66  | 36.03  | 24.48  |
| Company vehicles  | 12.20  | 11.59  | 11.72  | 9.77   | 10.69  | 10.85  |
| Generators  | 51.19  | 4.79   | 8.29   | 5.94   | 27.94  | 10.23  |
| <b>LPG</b>  |  |  |  |  |  |  |
| LPG cylinders   | 13.99  | 18.9   | 21.21  | 22.87  | 31.70  | 29.30  |
| <b>CHARCOAL</b>   |  |  |  |  |  |  |
| Furnace   | 0.01   | 1.75   | 1.87   | 0.99   | 97   | 1.22   |
| <b>HFC's</b>  |  |  |  |  |  |  |
| Refrigerators   | 0.000765   | 0.000765   | 0.000765   | 0.000765   | 0.000765   | 0.000765   |
| Air conditioners  | 0.005  | 0.005  | 0.005  | 0.005  | 0.005  | 0.005  |
| <b>ACETYLENE</b>  | 0.40   | 0.39   | 0.58   | 0.04   | 0.69   | 0.75   |
| <b>GRAPHITE</b>   | 41.34  | 65.32  | 28.4   | 27.79  | 33.23  | 32.88  |
| <b>EXTRUDERS</b>  | 9.97   | 8.37   | 6.78   | 5.14   | 3.96   | 2.39   |
| <b>SCOPE 2:</b>   |  |  |  |  |  |  |
| <b>ELECTRICITY</b>  |  |  |  |  |  |  |
| Plant and Administration  | 2,816  | 2,984  | 3,004  | 3,200  | 3,776  | 2,930  |
| <b>TOTAL GHG EMISSIONS<br/>(tons CO<sub>2e</sub>)</b>                           | <b>2,992</b>   | <b>3,138</b>   | <b>3,122</b>   | <b>3,305</b>   | <b>4,020</b>   | <b>3,044</b>   |
| <b>TOTAL PRODUCTION<br/>METAL TONNES</b>  | <b>2,096</b>   | <b>2,161</b>   | <b>2,105</b>   | <b>1,989</b>   | <b>3,337</b>   | <b>2,152</b>   |
| <b>GHG EMISSIONS<br/>INTENSITY (tonnes<br/>CO<sub>2e</sub> per metal tonne)</b> | <b>1.43</b>  | <b>1.45</b>  | <b>1.48</b>  | <b>1.66</b>  | <b>1.20</b>  | <b>1.41</b>  |

GRI 305-01  
GRI 305-02

There were a total of 2992 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2e</sub>) in financial year 2019 (FY19). This is a 5% decrease from 3138 tCO<sub>2e</sub> in FY18. Purchased grid electricity contributed to 94% of the total greenhouse gas emissions (GHG) in the year under review. Electricity consumption decreased by 6% in FY19 as compared to FY18. This is attributed to opportunities for improvement implemented under Energy Management system. These initiatives include replacement of asbestos with translucent sheets at the smelting area, improvement of the rod quality at the OTK, replacement of the cooling water circulation pump at the smelter with energy efficient pump, installation of electronic drives on the mv cooling tower water fans, replacing non-energy saving lighting with LED's, installation of solar on the borehole and sales and marketing aircon and reduction of power factor by addition of a 542 kVA capacitor banks

The overall GHG intensity decreased from 1.45 tCO<sub>2e</sub> per metal tonne in FY18 to 1.43 tCO<sub>2e</sub> per metal tonne in FY19 – a 1% decrease. Opportunities for improvement implemented under the energy management system in place resulted in reduction of the energy consumed per metal tonne produced.

Going into FY19, the organisation intends to continue implementing energy management opportunities for improvement that were identified with the technical assistance of PWC India in partnership with the BCSDZ. Sustainable Energy production is a national issue that CAFCA must contribute to and CAFCA intends to move towards 100% sustainable energy options hence during the course of the year a plan will be developed and resources allocated to achieve this.

GRI 305- 04  
GRI 305-05



## 10.4.1 Air quality monitoring

CAFCA monitors its emissions through independent consultants every quarter to measure its air emissions as per S.I 72. Licenses are applied to the Environmental Management Agency annually, and the licences that were applied for in 2018 were within the permissible ranges as listed below:

| Air emission source          | License band |
|------------------------------|--------------|
| Furnace (Copper smelting)    | Blue         |
| BM 80 1 ( Extrusion machine) | Blue         |
| BM 80 11 (Extrusion machine) | Blue         |
| DS130 ( Extrusion machine)   | Blue         |
| Burn out oven (Incinerator)  | Blue         |
| Standby Generator            | Green        |

GRI 305-01

## 10.5 Waste

CAFCA appreciates that the world is moving towards the **cradle to cradle** concept which is a framework that seeks to create production techniques that are not just efficient but are essentially waste free. In cradle-to-cradle production, all material inputs and outputs are seen either as technical or biological nutrients. Technical nutrients can be recycled or reused with no loss of quality and biological nutrients composted or consumed. In contrast to, **cradle-to-grave** which refers to a company taking responsibility for the disposal of goods it has produced, but not necessarily putting products' constituent components back into service. Our organisation has a strategy to minimize waste at source, reuse, recycle and we have a waste management plan which quantifies our waste and have action plans for each waste stream. We also encourage waste segregation at source.

CAFCA also recognises that City of Harare landfill is a major environmental hazard and CAFCA must avoid adding their waste to it. Initiatives were identified and implementation is in progress for completion in the 2020 financial year.

### 10.5.1 Hazardous waste

| Type of waste    | Quantity (tonnes) | Method of disposal                                 |
|------------------|-------------------|--|
| <b>2019</b>      |                   |  |
| Solid waste      | 35.2              | Implement QIP to eliminate waste sent to landfills |
| Electrical waste | 2                 | Implement QIP to eliminate waste sent to landfills |
| <b>2018</b>      |                   |  |
| Solid waste      | 65                | Landfill   |
| Electrical waste | 0                 | Landfill   |
| <b>2017</b>      |                   |  |
| Solid waste      | 25                | Landfill   |
| Electrical waste | 0                 | Landfill   |
| <b>2016</b>      |                   |  |
| Solid waste      | 105               | Landfill   |
| Electrical waste | 8                 | Landfill   |

There was a decrease in hazardous waste in FY19 compared to FY 18 by 30 tonnes. This is due to the implementation of some of the initiatives under the "NO WASTE TO LANDFILL".

### 10.5.2 Non-hazardous waste

| Type of waste   | Quantity (tonnes) | Method of disposal                                 |
|-----------------|-------------------|--|
| <b>2019</b>     |                   |  |
| General waste   | 103.8             | Implement QIP to eliminate waste sent to landfills |
| * Plastic waste | 7.4               | Recycling by third parties                         |
| * Paper waste   | 0                 | Recycling by third parties                         |
| <b>2018</b>     |                   |  |
| General waste   | 190               | Landfill   |
| * Plastic waste | 7                 | Recycling by third parties                         |
| * Paper waste   | 1                 | Recycling by third parties                         |
| <b>2017</b>     |                   |  |
| General waste   | 326               | Landfill   |
| * Plastic waste | 25                | Recycling by third parties                         |
| * Paper waste   | 0                 | Recycling by third parties                         |
| <b>2016</b>     |                   |  |
| General waste   | 251               | Landfill   |
| * Plastic waste | 12                | Recycling by third parties                         |
| * Paper waste   | 0.6               | Recycling by third parties                         |

There was a decrease in general waste in FY19 compared to FY 18 by 86 tonnes. This is due to the implementation of some of the initiatives under the "NO WASTE TO LANDFILL".

GRI 306-2

### 10.5.3 Significant spills

During the reporting period there were no significant spills.

GRI 306-3

## 10.6 Environmental compliance

CAFCA uses Optima Legal Software and government gazettes for updates on all applicable environmental laws and regulations. The organisation did not receive any fines and/or sanctions for non-compliance with environmental laws and regulations during the reporting period. The organisation shall continue to use its internal business management systems to comply with legal obligations.

GRI 307-1

## 10.7 Environmental management expenses

CAFCA recognizes the existence of the legal framework and to comply the organisation subscribes to Optima Legal software and government gazettes for updates on all applicable environmental laws and regulations. The organisation did not receive any fines and/or sanctions for non-compliance with environmental laws and regulations during the reporting period. The organisation shall continue to use its internal business management systems to comply with legal obligations.

| 2019 ZWL\$ | 2018 ZWL\$ | 2017 US\$ | 2016 US\$ |
|------------|------------|-----------|-----------|
| 57 280     | 35 365     | 33 297    | 41 738    |

Environmental management expenses increased by 62% from the previous reporting period. The increase is due to the high inflation environment.

## 11. Our social performance

### 11.1 Our people

CAFCA values its employees they are the team behind the success stories of CAFCA year in year out. The organization provides equal opportunities, without discriminating against gender, race, physical ability or HIV/AIDS status. We value our employees' contributions and commit to treat our employees in a respectable, fair and professional manner.

We recognize and respect employees' right to freedom of association and collective bargaining. 100% of our employees are covered by Collective Bargaining Agreements. Our management has an ongoing and constructive engagement with employees at all levels to address any issues or concerns they might have. Examples of consultative forums at CAFCA are Works Council, Health & Safety sub-committee, Business Excellence team meetings, and Management briefings. We have a policy that caters for necessary advance notice in the case of significant operational changes that could substantially affect our employees.

During the course of the year the organisation transitioned to ISO 45001 from OHSAS 18001 to show solid commitment to continual improvement in safety, health and environmental performance to achieve zero work related accidents and diseases. All employees and contractors are represented in the health and safety subcommittee which holds meetings once every month. CAFCA also has a sound and solid Pension Fund to cater for employee life in retirement.

In support of employees' professional growth and for CAFCA to attain its vision to be recognized for excellence in providing quality products and services that give the best value to customers and other stakeholders various training were done during the course of the year. These included stress management, defensive driving and internal auditing upgrade to suit the new standard requirements.

GRI 402-1 to GRI 407-1  
GRI 201-3

### 11.2 New employee hires by gender

| Year | Category  | Male | Female | Total | % rate of new female to total new hires |
|------|-----------|------|--------|-------|---|
| 2019 | New hires | 34   | 9      | 43    | 21                                      |
| 2018 | New hires | 50   | 4      | 54    | 7                                       |
| 2017 | New hires | 23   | 2      | 25    | 8                                       |
| 2016 | New hires | 14   | 3      | 17    | 18                                      |

### 11.3 New hires by age group

| Year   | 18-20 | 21-30 | 31-40 | 41-50 | 51-63 |
|--------|-------|-------|-------|-------|-------|
| 2019   | 1     | 29    | 8     | 5     | 0     |
| % rate | 2     | 67    | 19    | 12    | 0     |
| 2018   | 0     | 45    | 8     | 1     | 0     |
| % rate | 0     | 83    | 15    | 2     | 0     |
| 2017   | 1     | 18    | 2     | 3     | 1     |
| % rate | 4     | 72    | 8     | 12    | 4     |
| 2016   | 2     | 15    | 0     | 0     | 0     |
| % rate | 12    | 44    | 0     | 0     | 0     |

### 11.4 Employee turnover by gender

| Year | Category | Male | Female | Total | % rate of female to total employee turnover |
|------|----------|------|--------|-------|---|
| 2019 | Turnover | 21   | 7      | 28    | 25  |
| 2018 | Turnover | 23   | 3      | 26    | 12  |
| 2017 | Turnover | 22   | 3      | 25    | 12  |
| 2016 | Turnover | 28   | 3      | 31    | 10  |

### 11.5 Employee turnover by age group

| Year   | 18-20 | 21-30 | 31-40 | 41-50 | 51-63 |
|--------|-------|-------|-------|-------|-------|
| 2019   | 0     | 15    | 9     | 2     | 2     |
| % rate | 0     | 54    | 32    | 7     | 7     |
| 2018   | 0     | 20    | 5     | 1     | 0     |
| % rate | 0     | 77    | 19    | 4     | 0     |
| 2017   | 1     | 13    | 9     | 2     | 0     |
| % rate | 4     | 52    | 36    | 8     | 0     |
| 2016   | 0     | 22    | 4     | 4     | 1     |
| % rate | 0     | 71    | 13    | 13    | 3     |

GRI 401-1

### 11.5 Health and safety performance

100% of our employees are represented in joint management-worker health and safety committee. The organisation believes that workplace safety is anchored on three dimensions "safety, health and wellbeing". During the year a wellness program was conducted by our medical aid service provider where healthy living lifestyles were encouraged and free advice on medical conditions was given to our employees. CAFCA Limited has adopted the Behavior Based Interventions (BBI) concept as an instrument to create value for the business as human behavior is the common denominator in cultural/business transformation, SHE Excellence, business improvement, motivation, self-drive and best practice. The Health and Safety statistics for 2016, 2017, 2018 and 2019 are shown in table below.

| Performance indicator         | 2019 | 2018 | 2017 | 2016 |
|-------------------------------|------|------|------|------|
| Injuries                      | 4    | 15   | 8    | 4    |
| Fatalities                    | 0    | 0    | 0    | 0    |
| Contractor related injuries   | 2    | 3    | 3    | 0    |
| CAFCA injuries                | 2    | 12   | 5    | 4    |
| Lost time injuries            | 2    | 8    | 5    | 3    |
| First aid injuries            | 2    | 8    | 5    | 1    |
| Total number of accidents     | 4    | 15   | 8    | 4    |
| Lost man-days due to injuries | 66   | 79   | 30   | 17   |

The number of accidents occurring has increased from the previous year by 100%. It is against this background that the organisation got health and safety training for all employees from National Social Security (NSSA) and thereafter embraced Behavior Based Interventions (BBI). BBI aims to improve safety behaviour in the organisation by eliminating at-risk behaviors.

GRI 401-3

## 11.6 Occupational health surveillance

CAFCA is committed to providing a safe environment and promoting social well-being of its employees and all the people working on behalf of CAFCA. Our operation has the potential to expose employees to hazards such as noise, dust, glare and heat. Measures are in place to reduce exposure to these hazards include Engineering controls to reduce noise levels, planned maintenance of machinery, provision of Personal Protective Equipment (PPE) and job rotations. During the reporting period there were no outbreaks of communicable diseases that were reported amongst our employees. Employees are sent for medical assessments annually and the statistics are listed in the table below. No anomalies were recorded during the assessments in 2019.

| Health assessment parameter | Number of employees sent for assessment |      |      |      |
|-----------------------------|---|------|------|------|
|                             | 2019                                    | 2018 | 2017 | 2016 |
| Audiometric                 | 30                                      | 50   | 52   | 50   |
| Pneumoconiosis              | 35                                      | 0    | 35   | 42   |
| Site screening              | 59                                      | 59   | 56   | 47   |
| Thermal heat assessment     | 45                                      | 39   | 50   | 30   |

GRI 403-3

## 11.7 Training and education

CAFCA is committed to train its workforce to continuously improve their skills. We have a training program that is reviewed annually. During the year under review, CAFCA recorded the highest number of training ever to be recorded as employees were training on the following:

- Behavior Based Interventions,
- Stress management
- Defensive driving
- Internal auditing.

The training statistics for 2016, 2017, 2018 and 2019 are shown in table below,

|                             | 2019 | 2018 | 2017 | 2016 |
|-----------------------------|------|------|------|------|
| Number of employees trained | 1057 | 361  | 196  | 118  |
| Number of man days trained  | 1250 | 400  | 270  | 342  |
| % Female                    | 4    | 7    | 7    | 15   |
| % Male                      | 96   | 93   | 93   | 85   |

GRI 404

This document meets the criteria of being in accordance with the GRI Standards for sustainability reporting on the core level.

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# SUSTAINABILITY REPORT 2019

This document meets the criteria of being in accordance with the GRI Standards for sustainability reporting on the core level.

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