CFI HOLDINGS LIMITED

Reviewed Abridged Report To Shareholders For The Half-year Ended 31 March 2020

RETAIL DIVISION | FARMING DIVISION | MILLING DIVISION | PROPERTIES DIVISION

Directors' Responsibility
The Company's Directors are responsible for the preparation and fair presentation of the Group's financial statements, of which this press release represents an extract. These Abridged Group interim financial statements are presented in accordance with the disclosure requirements of the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019 for provisional interim financial statements (Preliminary Reports), and in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31). The principal accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous annual financial statements. No significant changes arise from new and revised IFRS which became effective for reporting periods commencing on or after 1 January 2020.

Cautionary Statement - Reliance on all Financial Statements prepared in Zimbabwe for 2019/2020 financial period
The Directors would like to advise users to exercise caution in their use of these interim financial statements due to the material and pervasive impact of the technicalities arising from functional currency changes in February 2019, its consequent impact on the usefulness of the financial statements for 2019/2020 financial periods and the adoption of International Accounting Standard (IAS) 29 (Financial Reporting in Hyper-inflationary Economies), effective 1 July 2019.

Whilst Directors have exercised due care and applied reasonable judgements they deem appropriate in the preparation and presentation of these interim financial statements, the Directors advise the need for interpretation caution and remind readers that there are significant challenges in ascertaining the underlying business performance in an environment of hyperinflation, multiple exchange rates and rapid changes in economic policies. The review conclusion on these interim financial statements has been modified by the independent auditors, Baker Tilly Zimbabwe Chartered Accountants as indicated in the review conclusion statement below.

Adoption of IAS 29 (Financial Reporting in hyper-inflationary economies)
Effective July 2019, the Public Accountants and Auditors Board (PAAB) advised that conditions for adopting IAS 29 were satisfied. IAS 29 requires that inflation-adjusted financial statements become the entity's primary financial statements. Historical cost financial statements have been presented only as complementary financial information.

External Auditor's Review Conclusion
These Abridged Group interim financial statements have been reviewed by the Group's external auditors, Baker Tilly Chartered Accountants (Zimbabwe), who have issued an adverse opinion given the pervasive technical issues afore-mentioned above. The auditor's review report on the Group's interim financial statements is available for inspection at the Company's registered office. The engagement partner on the review is Mr. Courage Matsa (PAAB Number 607).

Economic Environment
The trading environment has been marked by growing operational and economic challenges due to hyperinflation, an unstable exchange rate, limited availability of foreign currency in the formal banking channels and drought induced shortages of cereals used in the stockfeeds manufacturing processes. The supply of key utilities such as water, electricity and fuel were erratic, thereby disrupting production and distribution operations. The prevalence of multiple exchange rates distorted operating costs and product pricing. The inflationary environment generally impacted negatively on consumer disposable incomes thereby reducing discretionary household spending.

Subsidies were progressively reduced during the period, with roller meal being the only subsidised product by the end of the period. The Group, through Victoria Foods, has supported Government subsidised maize meal supplies, with over 1,900 tonnes having been milled for the program since it was launched in December 2019.

Financial Performance
During the period, Group revenue increased by 28% to $581million in inflation adjusted terms (735% historical), driven by replacement cost product pricing and the effect of consolidating Crest Poultry Group's revenues after it came out of judicial management on 31 January 2020. The historical growth compares to average official inflation of 522% for the period. Retail contributed 96% (98.5% - 2019-H1), whilst farming operations contributed 4% (1.5% - 2019-H1) of the total revenue.

The Group's operating profit before depreciation and financing cost declined by 16% to $25.0 million, against $29.6 million for the comparable period, which is broadly in line with volume declines registered in some key product lines during the period. The Group incurred higher depreciation expense at $11m against $4.3 million incurred in the prior period following the asset portfolio's revaluation at the end of prior year. Financing costs of $46.4 million weighted down on the Group's performance. Inflation adjusted profit for the period declined by 12% to $18 million against a 500% increase in historical profits to $44 million.

The Group invested $3.1 million (2019-H1 – $7.9 million) in maintenance capital expenditure, driven mainly by computer equipment, branch refurbishments and irrigation infrastructure development.

Entities under Judicial management
Victoria Foods posted a historical loss before tax of $22.8 million, $21.5 million of which was attributable to unrealised foreign exchange losses on legacy foreign creditors of US$2.3 million. All proved local creditors' claims were paid during the period.

Victoria Foods resumed mealie-meal production in Gweru during the quarter and is assisting in enhancing food security in the central and southern parts of the country.

Operations Review
During the period, Farm & City ('FCC') extended its operations by opening two branches, one in Harare and the second one in Bulawayo, bringing the total branch network to 44.The erratic grid power supply and escalating fuel costs significantly impacted running costs. In order to mitigate the effect of the energy crisis, FCC continues to deploy solar equipment and hybrid batteries across its retail network to mitigate the challenge.

Glenara cropped 450 hectares of maize and 265 hectares of soya beans during the season, against 450 hectares of soya beans in the prior year.

The Group is pleased with the market acceptance of the Agrifoods stockfeeds range, with stockfeed volumes having increased by 26% against the previous year. The removal of subsidies on the maize component of stockfeeds caused a substantial increase in the price of stockfeeds relative to inflation. Whilst painful in the short term, the move is positive in assisting with improving consistent availability of stockfeeds and a generally more sustainable trading model for the poultry and beef breeding value chain in the longer term.

The Group continues with the process of finalising layout plans, regularisations and development preliminaries at both Saturday Retreat and Lot A of the Rest in order to give impetus to the development stage of the project.

Legal proceedings to reverse the illegal Langford Estates transaction are underway, and the market will be updated with progress in due course.

Future Prospects
In response to the advent of the novel coronavirus (COVID-19) pandemic, the Government declared a state of national disaster in Zimbabwe on 17 March 2020, which was later scaled up to a lockdown from 30 March 2020. Global and regional supply chains, which the country relies on, have been disrupted by the pandemic. This is expected to negatively impact on economic activity levels going forward. Consequently, we project that the third quarter for the Group will be severely impacted by the restrictions on human and economic activity arising. However, we hope this will ease in the event that lockdown restrictions are either softened or lifted altogether in the last quarter of the financial year.

CFI Holdings Limited will continue to play a key role in complimenting Government's efforts in underpinning food security in the country. The 2019/2020 agricultural season was not encouraging, with plantings having been significantly reduced and yields likely to be impacted by the poor weather. This will force the country to augment cereal shortages through imports.

The Group will focus on ensuring consistent raw material supply pipelines are maintained despite poor liquidity obtaining in the market and continued currency devaluation, which will continue to be closely managed. The Group's focus on consolidating recovery efforts whilst preserving shareholders' capital amidst rising cost-push inflationary pressures and continued pricing distortions will be continued.

UPDATE ON COMPANY LISTING SUSPENSION
The Company has maintained efforts to engage the Zimbabwe Stock Exchange (ZSE) to resolve the outstanding issues pertaining to the suspension placed on trading the Company's shares. Your Board is hopeful that the same will be resolved in due course.

Acknowledgment and Appreciation
In spite of the challenging circumstances, the past half-year has been a period of continued progress for the Group, driven by the dedicated team at CFI Holdings Limited. I would like to extend my sincere gratitude to our staff for their on-going commitment to seeing through the turnaround and consolidation of the Group's fortunes witnessed in the last few years. Lastly, I would also like to record my thanks to my fellow Board members for their wise counsel and stewardship.

Ms. I V Pasi
Chairperson

DIVIDEND DECLARATION
Given the need to fully recapitalise the Group and recover from COVID-19 induced shocks, your Board did not declare a dividend for the half-year ended 31 March 2020.

P. Hare
COMPANY SECRETARY
BY ORDER OF THE BOARD
26 June 2020

ABRIDGED GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	INFLATION ADJUSTED Half-Year to 31 Mar. 2020 ZWL	INFLATION ADJUSTED Half-Year to 31 Mar. 2019 ZWL	HISTORICAL Half-Year to 31 Mar. 2020 ZWL	HISTORICAL Half-Year to 31 Mar. 2019 ZWL
Turnover		574,670,318	453,973,758	380,768,747	47,178,943
Change in fair value of biological assets		5,919,275	-	13,039,788	-
Revenue		**580,589,593**	**453,973,758**	**393,808,535**	**47,178,943**
Operating income before depreciation, impairment and financing (costs) income		**24,962,231**	**29,606,484**	**111,320,747**	**11,052,416**
Depreciation expense		(10,839,612)	(4,368,109)	(4,931,629)	(453,953)
Share of profits from joint ventures		1,966,785	148,618	(18,558)	15,445
Finance (costs) income		(46,390,150)	790,286	(42,609,211)	82,130
Monetary gain		56,772,377	-	-	-
Profit before tax	4.1	**26,471,631**	**26,177,279**	**63,761,349**	**10,696,038**
Income tax expense	4.2	(8,458,058)	(5,622,880)	(19,979,693)	(3,401,359)
Profit for the period		**18,013,573**	**20,554,399**	**43,781,656**	**7,294,679**
Other comprehensive income					
Effects of changes in tax rates		5,738,603	-	563,544	-
Gain on property revaluation		-	(6,813)	-	(708)
Total other comprehensive income (loss)		**5,738,603**	**(6,813)**	**563,544**	**(708)**
Total comprehensive income		**23,752,176**	**20,547,586**	**44,345,200**	**7,293,971**
Profit attributable to:					
Equity holders of the parent		18,013,573	20,554,399	43,781,656	7,294,679
Total comprehensive income attributable to:					
Equity holders of the parent		23,752,176	20,547,586	44,345,200	7,293,971
Basic earnings per share (Cents)		16.86	19.24	40.99	3.00
Diluted earnings per share (Cents)		16.86	19.24	40.99	3.00
Headline earnings per share (Cents)		16.86	19.24	40.99	3.00
Net asset value per share (Cents)		657.69	641.89	169.58	43.94
Shares in issue		106,820,875	106,820,875	106,820,875	106,820,875
Weighted shares in issue		106,820,875	106,362,542	106,820,875	106,362,542

ABRIDGED GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	INFLATION ADJUSTED 31 Mar. 2020 ZWL	INFLATION ADJUSTED 30 Sept. 2019 ZWL	HISTORICAL 31 Mar. 2020 ZWL	HISTORICAL 30 Sept. 2019 ZWL
Non-current assets					
Property, plant and equipment		524,589,089	434,894,069	187,519,117	155,842,719
Investments (unlisted)		51,349,831	51,349,831	18,401,000	18,401,000
Investments in joint ventures		(1,619,940)	(3,586,725)	(847,910)	(829,352)
Total non-current assets		**574,318,980**	**482,657,175**	**211,392,510**	**173,414,367**
Current assets					
Inventories and biological assets	4.3	438,818,552	578,999,669	231,829,449	98,391,801
Trade and other receivables		30,655,025	88,708,717	30,655,025	31,782,733
Investments - listed shares		8,845,719	-	8,845,719	-
Cash and bank balances		14,071,999	13,410,870	14,071,999	4,805,730
Total current assets		**492,391,295**	**681,119,256**	**285,402,192**	**134,980,264**
TOTAL ASSETS		**1,066,710,275**	**1,163,776,431**	**496,794,702**	**308,394,631**
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent		702,545,572	685,676,758	181,147,200	145,699,515
Total equity		**702,545,572**	**685,676,758**	**181,147,200**	**145,699,515**
Non-current liabilities					
Deferred tax liabilities		75,533,590	83,361,523	27,016,389	21,240,306
Accruals and other payables		4,541,686	12,710,008	4,541,686	4,554,579
Long term borrowings	4.4	42,276,190	117,975,936	42,276,190	42,276,190
Total non-current liabilities		**122,351,466**	**214,047,467**	**73,834,265**	**68,071,075**
Current liabilities					
Trade payables		113,994,558	82,924,217	113,994,558	29,715,555
Accruals and other payables		15,866,105	39,366,234	15,866,105	14,106,727
Short term borrowings	4.4	77,235,043	117,975,936	77,235,043	42,276,190
Bank overdraft	4.4	4,829,037	558,215	4,829,037	200,034
Current tax liabilities		29,888,494	23,227,604	29,888,494	8,325,535
Total current liabilities		**241,813,237**	**264,052,206**	**241,813,237**	**94,624,041**
TOTAL EQUITY AND LIABILITIES		**1,066,710,275**	**1,163,776,431**	**496,794,702**	**308,394,631**

CFI HOLDINGS LIMITED

Reviewed Abridged Report To Shareholders For The Half-year Ended 31 March 2020

ABRIDGED GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED Half-Year to 31 Mar. 2020 ZWL	INFLATION ADJUSTED Half-Year to 31 Mar. 2019 ZWL	HISTORICAL Half-Year to 31 Mar. 2020 ZWL	HISTORICAL Half-Year to 31 Mar. 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
CASH INFLOWS BEFORE WORKING CAPITAL CHANGES	75,487,754	85,832,984	98,280,959	11,055,407
Cash generated from (utilised through) working capital changes	85,061,672	(63,339,149)	(75,638,919)	(8,158,170)
CASH GENERATED FROM OPERATIONS	160,549,426	22,493,835	22,642,040	2,897,237
Net interest (paid) received	(46,390,150)	637,648	(42,609,211)	82,130
Income taxes paid	(4,937,077)	(6,207,263)	(5,269,730)	(799,504)
NET CASH GENERATED FROM (UTILISED IN) OPERATING ACTIVITIES	109,222,199	16,924,220	(25,236,901)	2,179,863
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,101,685)	(7,946,475)	(1,813,450)	(1,023,517)
Loan advanced to entity under judicial management	-	(740,163)	-	(95,334)
Proceeds from disposal of property, plant and equipment	-	27,174	-	3,500
NET CASH OUTFLOWS TO INVESTING ACTIVITIES	(3,101,685)	(8,659,464)	(1,813,450)	(1,115,351)
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisition of control of subsidiaries previously under judicial management	15,556,151		5,574,482	-
Long term loans repaid	(75,699,746)	(1,359,931)	-	(175,161)
Purchase of listed shares	(8,845,719)	-	(8,845,719)	
Net short term loan (repaid) raised	(40,740,893)	(7,866,647)	34,958,854	(1,013,235)
NET CASH (OUTFLOWS TO) INFLOWS FROM FINANCING ACTIVITIES	(109,730,207)	(9,226,578)	31,687,617	(1,188,396)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,609,693)	(961,822)	4,637,266	(123,884)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,852,655	3,779,292	4,605,696	486,778
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,242,962	2,817,470	9,242,962	362,894
Cash and bank Balances	14,071,999	4,961,243	14,071,999	639,015
Bank overdraft	(4,829,037)	(2,143,774)	(4,829,037)	(276,121)

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT - INFLATION ADJUSTED

	CAPITAL RESERVES ZWL$	RETAINED LOSSES ZWL$	TOTAL ZWL$
Balance at 30 September 2018	1,020,162,194	(426,367,712)	593,794,482
Other comprehensive losses for the year	5,216,376	-	5,216,376
Elimination of revaluation reserves - IAS29	(164,087,368)	164,087,368	-
Profit for the year	-	86,675,059	86,675,059
Balance at 30 September 2019	861,291,202	(175,605,285)	685,685,917
Acquisition of control in subsidiaries previously under judicial management	158,979,436	(165,871,957)	(6,892,521)
Profit for the year	-	18,013,573	18,013,573
Other comprehensive income for the year	5,738,602	-	5,738,602
Balance at 31 March 2020	1,026,009,240	(323,463,669)	702,545,572

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT - HISTORICAL

	CAPITAL RESERVES ZWL$	RETAINED LOSSES ZWL$	TOTAL ZWL$
Balance at 30 September 2018	80,640,625	(33,703,287)	46,937,338
Other comprehensive income for the year	110,932,218	-	110,932,218
Profit for the year	-	(12,170,040)	(12,170,040)
Balance at 30 September 2019	191,572,843	(45,873,327)	145,699,516
Acquisition of control in subsidiaries previously under judicial management	32,603,510	(41,501,026)	(8,897,516)
Profit for the year	-	43,781,656	43,781,656
Other comprehensive income for the year	563,544	-	563,544
Balance at 31 March 2020	224,739,897	(43,592,697)	181,147,200

NOTES TO THE ABRIDGED GROUP FINANCIAL STATEMENTS

1.0 General information

The principal activities of the Company, its subsidiaries and joint ventures (the Group) is the holding of investments, the letting of properties, the wholesaling and retailing of agro-inputs and general hardware commodities, the manufacture of stock feeds, the provision of animal health requisites, the operation of maize and wheat mills, poultry breeding, production, processing and selling, and the development and management of real estate.

2.0 Basis of preparation

The consolidated financial statements for the half-year ended 31 March 2020 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing Requirements and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require interim financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accouting Standards Board ("IASB") and as a minimum, contain the information required by International Accounting Standards ("IAS") 34 (Interim Financial Reporting). The Group's consolidated inflation adjusted interim financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwean Dollars (ZWL).

The principal accounting policies applied in the preparation of the Group consolidated interim financial statements are in terms of IFRS except for the non-compliance with IAS 21 (The Effects of Changes in Foreign Exchange Rates), and its consequential impact on the inflation adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyper-inflationary Economies) and have been applied consistently in all material respects with those of the previous consolidated annual financial statements. In the current year, the Group has adopted the requirements of IFRS 16 (Leases).

2.1 IAS 21 (The Effects of Changes in Foreign Exchange Rates

As noted in the Group's 2019 financial statements, Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) noted that the requirement of SI 33 were contrary to the provisions of IAS 21. The Directors have always ensured compliance with IFRS but were unable to do so in respect of the comparative financial information due to the conflict between IAS 21 and local statutory requirements. In respect of the current financial year financial information, and as a result of the absence of an observable foreign exchange market, the Group continues to be unable to meet the full requirements of IAS 21. Due to the material and pervasive impact of these technicalities, the Directors advise users to exercise caution in their use of these inflation adjusted financial statements.

In the light of this failure to fully comply with the requirements of IAS 21, the Group's Independent Auditors, Messrs Baker Tilly Chartered Accountants (Zimbabwe) issued an adverse opinion on the financial statements for the year ended 30 September 2019 and an adverse conclusion on inflation adjusted consolidated interim financial statements for the period ending 31 March 2020.

2.2 Application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

These financial statements have been prepared in accordance with IAS 29 together with International Financial Reporting Interpretations Committee (IFRIC) 7 (Applying the Restatement Approach under IAS 29), as if the economy had been hyperinflationary from 1 October 2018. As noted in the audited financial statements for the year ended 30 September 2019, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate transactions and balances. Appropriate adjustments and reclassifications, including restatements for changes in the general purchasing power of the Zimbabwe dollar and for the purposes of fair presentation in accordance with IAS 29 have been made in these financial statements to the historical cost financial information. Comparative amounts in the Group financial results have been restated to reflect the changes in the general price index from 1 October 2018 to the end of the reporting period.

	Indices	Conversion factor
CPI as at 31 March 2020	810.4	1.00
CPI as at 30 September 2019	290.4	2.79
CPI as at 31 March 2019	104.4	7.76
CPI as at 30 September 2018	64.06	12.65

2.3 Nea and Ammended IFRS

Adoption of IFRS 16 (Leases)

The Group is currently in the process of adopting IFRS 16 (Leases) as a replacement of IAS 17 (Leases) as well as its interpretation. IFRS 16 introduces a single balance sheet accounting model for leases by lessees and eliminates the distinction between operating and finance leases. The Group, in compliance with IFRS 16, elected not to restate its comparative financial statements and the impact of adopting IFRS 16 will be applied prospectively with an adjustment to the Group's opening reserves at 1 October 2019.

Where the Group is a lessee, it is the Group's policy to recognise the the right-of-use asset, representing its rights to use the underlying assets and lease liabilities, representing its obligation to make lease payments. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by prepaid or accrued lease payments and initial direct costs, if any, relating to the specific lease recognised on the balance sheet. Where the Group is a Lessor, lessor accounting remains similar to previous accounting policies.

3.0 Auditor's Statement

These condensed consolidated interim financial statements for the six months ended 31 March 2020 were reviewed by Bakertilly Chartered Accountants (Zimbabwe) and an adverse conclusion issued thereon.

Basis for adverse conclusion

The conclusion carries an adverse conclusion with respect to the following: The Group's interim financial statements as at and for the year ended 30 September 2019 did not comply with International Accounting Standard ("IAS"), 21, The Effects of Changes in Foreign Exchange Rates, resulting in an adverse audit opinion being issued thereon. This had a material and pervasive impact on the inflation adjusted consolidated interim financial statements. Had the requirements of IAS 21 been complied with in prior year, many of the elements in the inflation adjusted consolidated interim financial statements would have been materially different.

Conclusion

Based on our review, due to the significance of the matter discussed in the 'Basis for adverse conclusion paragraph', the condensed consolidated interim financial statements of CFI Holdings Limited for the half year ended 31 March 2020 are not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The full auditors' report is available for inspection at the Company's registered office.

Bakertilly Chartered Accountants
Harare
Zimbabwe

4.0 Supplementary information

	INFLATION ADJUSTED Half-Year to 31 Mar. 2020 ZWL	INFLATION ADJUSTED Half-Year to 31 Mar. 2019 ZWL	HISTORICAL Half-Year to 31 Mar. 2020 ZWL	HISTORICAL Half-Year to 31 Mar. 2019 ZWL
4.1 Profit before tax				
Profit before tax is shown after charging (crediting) the following significant items:				
Net leasing expenses	2,832,001	2,325,412	1,979,398	241,667
Loss on disposal of property, plant and equipment	-	28,790	-	2,992
Depreciation expense	10,512,033	4,368,109	4,931,629	453,953
Compensation of directors and key management				
- for services as directors	259,672	239,232	190,770	24,862
- for management services	4,075,365	3,920,350	3,233,397	407,420
4.2 Income tax expense (credit)				
Current tax	23,242,132	21,567,191	23,253,586	2,241,357
Withholding tax	54,515	19	54,390	2
Intermediate transactions tax	6,707,826	5,544,425	5,118,114	576,201
Deferred tax change relating to current temporary differences	(21,546,415)	(32,734,515)	(8,446,397)	583,799
	8,458,058	(5,622,880)	19,979,693	3,401,359
4.3 Inventories				
Finished goods and goods in transit	347,019,974	360,367,343	164,963,805	79,164,474
Raw materials and consumables	21,151,000	3,866,680	18,696,957	693,314
Biological assets and agricultural produce on hand	24,510,863	6,247,520	31,635,786	2,051,184
Land in development	46,136,714	208,518,125	16,532,900	16,482,829
	438,818,551	578,999,668	231,829,448	98,391,801
Contingent liabilities at reporting date in respect of;				
Guarantees given to trade creditors	750,000	2,092,950	750,000	750,000
Langford Estates (envisaged reversal of land for debt swap)	32,000,000	89,299,200	32,000,000	32,000,000
City of Harare rates	3,848,406	10,046,160	3,848,406	3,600,000
Staff related provisions	646,652	1,911,933	646,652	685,133
	37,245,058	103,350,243	37,245,058	37,035,133

4.5 Borrowings

Borrowings outstanding at reporting date include a loan received from Ayestock in prior year and NMB in the current period. The Ayestock loan relates to 3,250,000 Old Mutual shares, repayable in shares at an interest rate of 12% p.a and repayable by June 2021. The Group repaid 528,814 shares during the period. The Group raised a short term loan of $5.3 million and an overdraft of $4,8 million from NMB Bank, at an interest rate of 28% p.a. The loan is securitised by a commercial property in CFI Retail.

An additional loan of $3,6 million was raised by the Group to finance payment of prejudicial foreign creditors in Crest Poultry Group repayable in 1 year facility at an interest rate of 12% p.a.

4.6 Segment information

	INFLATION ADJUSTED 31 Mar. 2020 ZWL	INFLATION ADJUSTED 31 Mar. 2019 ZWL	HISTORICAL 31 Mar. 2020 ZWL	HISTORICAL 31 Mar. 2019 ZWL
Revenue	-	-	-	-
Retail	557,330,387	437,285,326	368,255,108	45,444,608
Farming	22,917,770	15,669,682	25,307,659	1,628,462
Head Office & Properties	341,436	1,018,750	245,768	105,873
	580,589,593	453,973,758	393,808,535	47,178,943
EBITDA				
Retail	223,198,633	20,729,991	92,704,995	8,982,902
Farming	15,739,085	2,960,280	19,627,731	1,060,804
Head Office & Properties	(155,236,325)	1,548,104	(1,030,537)	554,757
	83,701,393	25,238,375	111,302,189	10,598,463

	INFLATION ADJUSTED 31 Mar. 2020 ZWL	INFLATION ADJUSTED 30 Sept. 2019 ZWL	HISTORICAL 31 Mar. 2020 ZWL	HISTORICAL 30 Sept. 2019 ZWL
Segment assets				
Retail	744,913,475	555,904,595	350,141,417	199,206,119
Farming	61,619,691	39,696,212	47,651,837	14,224,974
Properties & Head Office	260,177,109	265,005,249	99,001,448	94,963,538
	1,066,710,275	860,606,056	496,794,702	308,394,631
Segment liabilities				
Retail	314,905,868	370,646,309	275,209,076	132,819,576
Farming	21,471,414	10,243,869	18,411,207	3,670,848
Properties & Head Office	27,787,421	73,126,813	22,027,219	26,204,692
	364,164,703	454,016,991	315,647,502	162,695,116

4.7 ACQUISITION OF CONTROL IN SUBSIDIARY PREVIOUSLY UNDER JUDICIAL MANAGEMENT

On 1 October 2019, the Group acquired 100% control in Crest Poultry Group, Agrifoods (Private) Limited and Manicaland Farmers Investments, which had been under judicial management since 30 September 2016, after the entities had fully satisfied the requirements of a court-sanctioned Scheme of Arrangement in respect of pre-judicial management creditors balances. Crest Poultry Group is engaged in poultry breeding and the manufacture and sale of stock feeds, while Agrifoods (Private) Limited and Manicaland Farmers Investements own properties for letting out mainly to inter-Group companies. The three entities thus qualify as businesses as defninded in IFRS3. These entities were acquired to enable the Group to maximise synergistic benefits attached to those entities' businesses.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as as set out in the table below:

	INFLATION - ADJUSTED ZWL	HISTORICAL ZWL
Financial assets	17,537,618	6,291,250
Inventory	36,444,395	13,102,819
Property, plant and equipment	97,096,770	34,794,584
Financial liabilities	(21,445,548)	(14,089,595)
Deferred tax liabilities	(23,392,280)	(8,455,651)
Total identifiable assets acquired and liabilities assumed	106,240,954	31,643,407

The fair value of the financial assets includes receivables in respect of trade and other customers as well as refundable input tax claims with a fair value of ZWL1,975,851 (ZWL714,755 -Historical) and a gross contractual value of ZWL4,976,173 (Historical - ZWL1,789,908). The best estimate at acquisition date of the contractual cash flows not to be collected is ZWL3,000,322 (Historical - ZWL1,075153).

4.8 INTEREST IN UNCONSOLIDATED SUBSIDIARIES (ENTITIES UNDER JUDICIAL MANAGEMENT)

The CFI Group is the parent company of the following wholly (100%) owned subsidiaries: Victoria Foods (Private) Limited and Amtec Manufacturing (Private) The Group lost control of the aforementioned entities in August 2016 as a result of them being placed under judicial management. Consequently, the subsidiaries were de-consolidated effective 30 September 2016. The inflation adjustred carrying amount of the investment in subsidiaries at date of loss of control was a negative $80,783,888 ($425,010,940 - 2019-H1).

The summarised information of the unconsolidated subsidiaries as at 31 March 2020 is as follows:

Summarised statement of financial position (for all entities under judicial management) As at:	INFLATION ADJUSTED 31 Mar. 2020 ZWL	INFLATION ADJUSTED 30 Sept. 2019 ZWL	HISTORICAL 31 Mar. 2020 ZWL	HISTORICAL 30 Sept. 2019 ZWL
Non-current assets	127,406,982	581,165,794	45,448,902	74,854,958
Cash and cash equivalents	412,733	56,162,308	373,119	7,233,783
Other current assets	7,397,778	235,321,303	7,373,862	30,309,709
Non-current liabilities	11,898,102	(81,505,500)	8,219,222	(10,498,021)
Total current liabilities	78,619,429	(899,455,189)	78,595,513	(115,851,072)
Net assets	225,735,024	(108,311,284)	140,010,618	(13,950,643)

Summarised statement of comprehensive income (for entities under judicial management)	Half-Year to 31 Mar. 2020 ZWL	Half-Year to 31 Mar. 2019 ZWL	Half-Year to 31 Mar. 2020 ZWL	Half-Year to 31 Mar. 2019 ZWL
Profit (loss) before interest and tax	63,756,017	(54,669)	(22,777,699)	1,251,606
Finance income (cost)	(6,099)	(1,109,877)	(4,006)	(142,954)
Profit (loss) before tax	63,749,918	(1,164,546)	(22,781,704)	1,108,653
Income tax credit (charge)	774,608	(3,015,524)	620,919	(388,404)
Profit (loss) after tax	64,524,526	(4,180,070)	(22,160,785)	720,249

4.9 Events after the reporting period

Significant non-adjusting events relate to the current Corona virus (COVID-19) pandemic, which has weighed down on business performance after the reporting date. The downturn primarily stems from the local economy's signicficant imports dependance for supplies of most raw materials and consumables, combined with reduced human traffic circulation. This is projected to weigh down on the company's business outlook as a result of falling aggregate demand for some of its products. The full impact is however largely uncertain. The Board and management will closely monitor the situation and profer appropriate measures in response.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CFI HOLDINGS LIMITED ("CFI")

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2020

Introduction

We have reviewed the accompanying consolidated interim inflation adjusted statement of financial position of CFI Holdings Limited ("CFI") as of 31 March 2020 and the consolidated interim inflation adjusted statement of profit or loss and other comprehensive income, consolidated interim inflation adjusted statement of changes in equity and consolidated interim inflation adjusted statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Basis for Adverse Conclusion

Application of Exchange Rates (Non-compliance with International Accounting Standard 21) - The Effects of Changes in Foreign Exchange Rates.

On the 20th of February 2019, a currency called RTGS Dollar (RTGS$) was promulgated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between RTGS$ and USD prior to 22 February at 1:1, consistent with rate directed by RBZ on the introduction of bond coins and notes. Post 22 February 2019, the official interbank market exchange rate commenced at 1 USD:2.5 RTGS$. SI 33/19 also directed that all assets and liabilities expressed in USD immediately before the effective date be translated at a rate of 1: 1. The Group applied interbank exchanges rates to translate foreign denominated balances at 2019-year end.

IAS 21 and IFRs Interpretations Committee guidance in September 2018 paper states that the closing rate is one to which an entity would have access at the end of the reporting period through a legal exchange mechanism and one for immediate delivery. The Group has not been able to readily access foreign currency from the interbank market during the period under review. The Group's application of the interbank rate to translate foreign denominated balances is inconsistent with IAS 21. The effect of departure, which has not been determined, is pervasive to the inflation adjusted interim consolidated financial statements.

The Group applied the exchange rate of 1 USD :1 RTGS$ from 1 October 2018 to 21 February 2019 in compliance with RBZ directive and SI33/19, despite that fact that the substance of the economic phenomenon, from an accounting perspective indicated that the two currencies were no longer at parity. The Group did not apply the requirements of IAS 21 to properly translate foreign transactions to new functional currency, this resulted in material misstatements to the financial performance and cash flows of the Group. The Group also complied with SI 33/19 in translating USD denominated assets and liabilities to RTGS$, at 1:1 on the 1st of October 2018 and no further translations were done at balance sheet date as required by IAS 21. The Group also applied interbank rates to record all foreign denominated transactions and balances at half year period end despite not being able to access foreign currency at these rates from inter-bank market.

Had the Group applied fully the requirements of IAS 21 and IFRs Interpretations Committee guidance of September 2018 from 1 October 2018, many of the elements of the accompanying interim consolidated interim financial statements would have been materially different, and hence this departure from IAS 21 is considered to be pervasive. The financial effects of this departure on the inflation adjusted interim consolidated financial statements have not been determined and we have not been able to obtain sufficient and appropriate audit evidence to determine the impact of this departure.

Adverse Conclusion

Due to the significance of the matter described in the Basis for Adverse Conclusion paragraphs, we conclude that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated interim inflation adjusted financial position of CFI as at 31 March 2020, and its consolidated interim inflation adjusted financial performance and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Baker Tilly

Partner: Courage Matsa
PAAB Practising Number: 0607
Baker Tilly Chartered Accountants (Zimbabwe)
Harare

Date: 26 June 2020