

AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2020

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Revenue	1 629 388 292	1 314 175 370	860 858 432	93 396 412
Operating profit	760 683 727	582 833 799	421 560 358	54 190 380
Finance income	13 555	7 495	6 518	400
Finance cost	(21 270 466)	(190 757)	(12 859 646)	(10 186)
Monetary loss	(272 783 744)	(102 455 445)	-	-
Profit before income tax	466 643 072	480 195 091	408 707 231	54 180 594
Income tax credit/(expense)	46 005	(205 493 389)	(90 899 893)	(12 913 152)
Profit for the year	466 689 077	274 701 703	317 807 338	41 267 442
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	466 689 077	274 701 703	317 807 338	41 267 442
Weighted average number of ordinary shares in issue	33 281 500	33 144 000	33 281 500	33 144 000
Basic earnings per share (cents)	1 402.25	828.81	954.91	124.51
Diluted earnings per share (cents)	1 373.06	821.01	123.34	11.53
Headline earnings per share(cents)	1 399.74	831.11	124.55	11.67

STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
ASSETS				
Non-current assets				
Property, plant and equipment	103 703 508	118 043 249	3 763 553	4 119 489
Deferred tax asset	-	-	4 307 067	-
Total non current assets	103 703 508	118 043 249	8 070 620	4 119 489
Current assets				
Inventories	1 181 400 925	721 574 271	354 113 375	41 080 634
Trade and other receivables	116 084 973	92 826 352	114 954 977	11 812 979
Cash and cash equivalents	172 043 312	110 325 993	172 043 312	14 528 403
	1 469 529 210	924 726 617	641 111 664	67 422 016
Total assets	1 573 232 718	1 042 769 865	649 182 284	71 541 505
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to owners of the parent				
Share capital	11 396	11 391	333	331
Share premium	13 151 859	10 756 410	1 291 321	332 323
Share option reserve	28 845 290	8 244 915	21 002 626	402 251
Retained earnings	1 245 447 710	778 758 633	372 642 056	54 863 464
Total equity	1 287 456 255	797 771 350	394 936 336	55 598 369
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	31 530 512	127 222 390	-	433 656
Current liabilities				
Trade and other payables	64 211 739	60 291 916	64 211 738	7 939 608
Provisions for other liabilities and charges	46 828 474	21 426 243	46 828 474	2 821 538
Current income tax liability	53 625 874	13 669 754	53 625 874	1 800 117
Borrowings	89 579 862	22 388 213	89 579 862	2 948 215
	254 245 949	117 776 125	254 245 948	15 509 477
Total liabilities	285 776 462	244 998 515	254 245 948	15 943 133
Total equity and liabilities	1 573 232 718	1 042 769 865	649 182 284	71 541 505

STATEMENT OF CASH FLOWS
As at 30 September 2020

	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Profit before income tax	466 643 072	480 195 091	408 707 231	54 180 594
Adjustments for:				
Depreciation	13 373 935	15 366 623	561 806	447 366
Net loss on net monetary assets	272 783 744	102 455 445	-	-
(profit)/loss on disposal of property, plant and equipment	(1 106 703)	1 024 618	(226 004)	16 230
Non-cash employee benefit-share based	40 602 504	4 291 948	21 525 000	265 028
Finance income	(13 555)	(7 495)	(6 518)	(400)
Finance cost	21 270 466	190 757	12 859 646	10 186
Provision for slow moving and obsolete inventories	374 625	5 295 463	135 328	304 080
Increase in allowance for impairment of trade receivables	798 390	1 231 891	3 092 411	162 223
Working capital changes:				
Increase in inventories	(460 201 280)	(430 162 077)	(313 168 069)	(32 760 289)
(Increase)/decrease in trade and other receivables	(23 258 621)	(25 021 800)	(106 331 429)	(9 968 485)
Increase in trade and other payables	3 919 824	408 661	56 272 130	6 199 277
Increase in provision for other liabilities and charges	25 402 233	6 726 175	44 006 936	2 394 633
Net cash generated from operations	360 588 635	161 995 301	127 428 467	21 250 444
Finance income	13 555	7 495	6 518	400
Finance cost	(21 270 466)	(190 757)	(12 859 646)	(10 186)
Income tax paid	(61 891 012)	(90 098 669)	(43 746 289)	(11 447 498)
Net cash generated from operating activities	277 440 711	71 713 370	70 829 051	9 793 160
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(206 170)	(22 049 908)	(206 170)	(1 599 945)
Proceeds from the sale of property, plant and equipment	1 106 703	158 422	226 004	7 500
Treasury bills settlement	-	123 779	-	6 180
Net cash generated from/(utilised in) investing activities	900 533	(21 767 706)	19 834	(1 586 265)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	147 843 268	22 388 197	108 631 647	2 948 215
Repayment of borrowings	(27 718 161)	-	(22 000 000)	-
Dividend paid	-	(162 325 995)	-	(5 502 432)
Proceeds from issuance of shares - share options	138 283	546 420	34 375	21 250
Net cash generated from/(utilised in) financing activities	120 263 390	(139 391 378)	86 666 022	(2 532 967)
Increase/(decrease) in cash and cash equivalents	398 604 633	(89 445 714)	157 514 907	5 673 928
Cash and cash equivalents at the beginning of the year	110 325 993	304 622 090	14 528 404	8 854 476
Net foreign exchange differences on cash and cash equivalence	(342 319 297)	(90 730 968)	-	-
Effects of IAS29 application on cash and cash equivalents	5 431 985	(14 119 415)	-	-
Cash and cash equivalents at the end of the year	172 043 311	110 325 993	172 043 311	14 528 404

STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED
As at 30 September 2020

	Share capital ZWL\$	Share premium ZWL\$	Share option reserve ZWL\$	Retained earnings ZWL\$	Total ZWL\$
Balance at 1 October 2018	11 391	8 762 525	6 660 458	547 701 670	563 136 044
IFRS 9 adjustment	-	-	-	(738 878)	(738 878)
Total comprehensive income for the year	-	-	-	274 701 703	274 701 703
Profit for the year	-	-	-	274 701 703	274 701 703
Restatement of owners equity	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Transaction with owners in their capacity as owners					
Issue of shares	-	546 420	-	-	546 420
Share options	-	1 447 465	1 584 457	-	3 031 921
Dividend declared	-	-	-	(42 905 863)	(42 905 863)
Balance at 30 September 2019	11 391	10 756 410	8 244 915	778 758 632	797 771 348
Balance at 1 October 2019	11 391	10 756 410	8 244 915	778 758 632	797 771 349
Total comprehensive income for the year	-	-	-	466 689 077	466 689 077
Profit for the year	-	-	-	466 689 077	466 689 077
Other comprehensive income for the year	-	-	-	-	-
Transaction with owners in their capacity as owners					
Issue of shares	-	138 283	-	-	138 283
Share options	6	2 257 166	20 600 375	-	22 857 546
Dividend declared and paid	-	-	-	-	-
Balance at 30 September 2020	11 396	13 151 859	28 845 290	1 245 447 710	1 287 456 255

STATEMENT OF CHANGES IN EQUITY - HISTORICAL COST
As at 30 September 2020

	Share capital ZWL\$	Share premium ZWL\$	Share option reserve ZWL\$	Retained earnings ZWL\$	Total ZWL\$
Balance at 1 October 2018	331	254 701	193 600	15 648 706	16 097 338
IFRS 9 Adjustment	-	-	-	(21 447)	(21 447)
Total comprehensive income for the year	-	-	-	41 267 442	41 267 442
Profit for the year	-	-	-	41 267 442	41 267 442
Transactions with owners in	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Transaction with owners:					
Issue of shares	-	21 250	-	-	21 250
Share options	-	56 372	208 651	-	265 023
Dividend declared and paid	-	-	-	(2 031 238)	(2 031 238)
Balance at 30 September 2019	331	332 323	402 251	54 863 463	55 598 368
Balance at 1 October 2019	331	332 323	402 251	54 863 463	55 598 368
Total comprehensive income for the year	-	-	-	317 779 279	317 779 279
Profit for the year	-	-	-	317 779 279	317 779 279
Other comprehensive income for the year	-	-	-	-	-
Transaction with owners:					
Issue of shares	-	34 375	-	-	34 375
Share options	2	924 623	20 600 375	-	21 525 000
Dividend declared and paid	-	-	-	-	-
Balance at 30 September 2020	331	1 291 321	21 002 626	372 642 742	394 936 336

AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1 General Information

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

2 Basis of preparation

The Company's annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) except for non compliance with International Accounting Standard ("IAS 21").The Effect of Changes in Foreign Exchange Rate explained in note 2.1 Hyperinflationary Economies . The financial statements are presented in Zimbabwean Dollars (ZWL) and all values are rounded to the nearest dollar, except where otherwise indicated.

2.1 Statement of Compliance

The 2019 comparative financial statements have an unquantifiable mis-statement arising from exchange rates used as there is conflict between requirements of SI 33 of 2019 and IAS 21

3 Going concern

The Company's management believes that despite Covid 19 the business will remain in operation for the foreseeable future. Management has assessed that the Company will continue operating as a going concern,citing the following:-

- a.The company has no exposure to foreign liabilities
- b.The company has stock cover of 5 months in finished goods
- c.The company has secured loans and overdraft facilities amounting to ZWL\$137million
- d.Company operations classified as an essential service
- e.Critical raw material suppliers are still shipping/supplying
- f. Demand for cable has remained firm with sales volumes projected to increase from an average of 140 tons to 150 tons per month in the ensuing financial year.

4 Hyperinflation

Accounting Standard ("IAS") 29 'Financial reporting in Hyperinflationary economies' in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 to apply requirements of IAS 29 'Financial reporting in Hyperinflationary economies.'

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

The sources of the price indices used were:
Zimbabwe Statistical Office

	Indices	Conversion factor
CPI as at 31 March 2020	2 205.24	1.000
CPI as at 30 September 2019	290.4	7.594
CPI as at 30 September 2018	64.1	34.403

5 Audit Opinion

These financial statements should be read in conjunction with the complete set of financial statements for the year ended 30 September 2020, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued because of noncompliance with International Accounting Standard ("IAS") 21 'The Effects of Foreign Exchange Rates' and International Accounting Standard ("IAS") 29 'Financial Reporting in Hyperinflationary Economies'. The independent audit report includes a section on key audit matters. Key audit matters included expected credit losses allowance on trade receivables. The financial statements were audited by Tinashe Rwodzi, CA(Z), a member of the Institute of Chartered Accountants Zimbabwe ("ICAZ") Public Practice Certificate Number 253568 and a registered Public Auditor with the Public Accountants and Auditors Board, Public Auditor Certificate Number 100. The auditor's report on the financial statements is available for inspection at the Company's registered office.

6 Related party transactions

Reunert Engineering (Proprietary) Limited owns 69.83% of the company and the remaining 30.17% is widely held.

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Purchases of goods				
CBI Electric African Cables – A Division of ATC (Proprietary) Limited	17 855 749	60 067 716	13 458 438	3 207 618
Metal Fabricators of Zambia Plc (Zamefa)	21 920 338	63 421 774	17 952 879	3 386 725
	39 776 084	123 489 490	31 411 317	6 594 343

Key management remuneration:

Key management includes directors (executive and non-executive) and executive managers (members of the executive committee)

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Salaries and short term benefits	73 459 224	32 608 382	46 012 246	2 748 494
Share options charge	40 602 504	4 291 948	21 525 000	265 028
Directors' emoluments: – Fees	4 436 924	2 168 467	2 220 017	129 330
	118 498 652	39 140 797	69 757 263	3 142 852

7 Segment information

Company has one product line, and operates in one industry sector. Revenue is primarily from customers who are domiciled in Zimbabwe and revenue from external customers pertains mainly to customers domiciled in Zambia, Malawi and Mozambique.

Revenue is analysed as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Revenue from customers domiciled in Zimbabwe	1 436 823 381	1 202 089 283	747 389 936	86 056 638
Revenue from external customers	192 564 910	112 086 087	113 468 496	7 339 775
	1 629 388 291	1 314 175 370	860 858 432	93 396 413

Revenues from transactions with single local customers that amounted to 10% or more of the Company's revenues equals approximately (inflation adjusted) \$171 573 116 (2019: \$230 020 095) and (historical) \$69 135 774 (2019: \$12 283 081)

These revenues are attributable to customers domiciled in Zimbabwe. The breakdown of the major component of the total revenue from major customers of at least 10% is as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Energy transmission	171 573 116	230 020 095	69 135 774	12 283 081

The total of non current assets located in Zimbabwe is (inflation adjusted) \$103 730 508 (2019:\$118 043 249), (historical) \$3 763 553 (2019 \$4 119 488) and there are no non-current assets located in other countries.

The segment information provided to the executive team for the product reportable segments for the six months ended 30 September are as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Revenue from customers	1 629 388 292	1 314 175 370	860 858 432	93 396 413
Profit before interest and taxation	760 683 727	582 833 799	421 560 358	54 190 380
Finance income	13 555	7 495	6 518	400
Finance cost	21 270 466	190 757	12 859 646	10 186
Income tax (credit)/expense	(46 005)	205 493 389	90 899 893	12 913 152
Total assets	1 573 232 719	1 042 769 865	649 182 283	71 541 505
Liabilities	285 776 462	244 998 515	254 245 948	15 943 133

8 Capital commitments

The company had no significant capital commitments authorised by the directors or contracted for at the reporting period (2019: \$ZWL nil)

9 Property plant and equipment

	INFLATION ADJUSTED		HISTORICAL COST	
	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$	30 Sept 2020 ZWL\$	30 Sept 2019 ZWL\$
Capital expenditure	206 170	22 049 908	206 170	1 599 945
Depreciation charge	13 373 935	15 366 623	561 806	447 366

Commentary and overview of results

Volumes

CAFCA managed to slightly improve volumes year on year from 1735 conductor tonnes in 2019 to 1744 conductor tonnes in 2020. COVID 19 related downturn together with dampened local demand was offset by improved export sales in the region. The holding of good finished goods stocks and consignment stock arrangements in the region negated logistical and supply side constraints.

Turnover

Turnover in historical cost terms improved by 822% well ahead of inflation indices. Turnover in inflation adjusted terms increased by 24% partly due to the slight increase in tonnage but mainly due to sales mix – more copper conductor sales and less aluminium conductor sales.

Profitability

Earnings per share historically increased by 667% again ahead of inflation whilst inflation adjusted earnings per share increased by 69%.

Statement of Financial Position

The balance sheet remains strong with a net positive bank balance of \$82.5 million and debtors mainly being foreign US\$ balances. Liabilities are mainly customer deposits and local RTGS suppliers – we have no foreign currency liabilities.

Dividend

No dividend has been proposed as the stability of the current exchange regime is not certain and requirements for future working capital unknown. The positive bank balances were being held against auction commitments received but not yet made available.

Outlook

We have budgeted for an increase in volumes in 2021 which we believe is attainable provided there are no significant changes in the economy or in the regional economies.

By order of Board
05 November 2020

C Kangara
Company Secretary



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 2020, 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 and Other Business Entities Act (Chapter 24:31).

What we have audited

CAFCA Limited's financial statements set out on pages 6 to 9 comprise:

- the statement of financial position as at 30 September 2020;
- 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 ("MPS") that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the Real Time Gross Settlement ("RTGS FCA"). The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy at the time. The RTGS FCA, mobile money, bond notes and coins would be held at the same value as the US\$.

As described in note 2.1.1 to the financial statements, during the prior financial year until 22 February 2019, the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money, bond notes and coins. In terms of International Accounting Standard 21 - *The Effects of changes in foreign exchange rates* ("IAS 21"), these payment methods would have been considered as separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Company at appropriate exchange rates. However, in order to comply with the legislation as described in note 2.1.1 to the financial statements, the RTGS transactions and balances in the financial statements for the prior financial year, are reflected at parity with the US\$. The Company, as described in note 2.1.1, changed its functional currency on 22 February 2019 to comply with legislation, which is not in compliance with IAS 21, which would have required a functional currency change on 1 October 2018.

In addition, during the current period foreign currency denominated transactions and balances of the Company were translated into ZWL using the interbank rate which is not considered an appropriate spot rate for translation as required by IAS 21.

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 on the financial statements.

The misstatements described in the paragraph above affect the historical cost amounts which enter into the calculation of the inflation adjusted amounts. Had the underlying historical cost financial statements been prepared in accordance with the requirements of IAS 21, and then inflation adjusted in accordance with IAS 29, many elements in the accompanying financial statements would have been materially restated. It was not practicable to quantify the financial effects on the financial statements.

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T I Rwdzi – 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.



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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

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.

Our audit approach

Overview

Overall materiality

- *ZWL 23,043,000 which represents 5% of inflation adjusted profit before income tax.*

Key audit matter

- *Expected credit losses allowance on trade receivables.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance 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.



<i>Overall materiality</i>	<i>ZWL23,043,000.</i>
<i>How we determined it</i>	<i>5% of inflation adjusted profit before income tax.</i>
<i>Rationale for the materiality benchmark applied</i>	<i>We chose inflation adjusted profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</i>

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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 matters 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 matter

How our audit addressed the key audit matter

Expected credit losses allowance on trade receivables

At 30 September 2020, the Company recognised trade receivables of ZWL 72,907,872 after deducting impairment losses of ZWL 3,291,257.

The Company applied IFRS 9 - *Financial Instruments* ("IFRS 9") in determining the expected credit losses ("ECL") to be recognised in respect of trade receivables.

The Company applied the simplified approach under IFRS 9 in the measurement of ECL. Under this approach, a credit loss allowance equal to the lifetime ECL is recognised at reporting date.

In determining the ECL on trade receivables, management applied a provision matrix where trade receivables are stratified into groups with similar risk characteristics. The ECL rates assigned to each group of trade receivables are based on historical loss rates which are adjusted to reflect any forward looking information that could affect the ability of the customer to settle the outstanding amount.

The significant judgements and estimation used by management in the determination of ECL are disclosed in note 3.1 (b) and note 4 (e) to the financial statements.

The ECL allowance on trade receivables was considered to be a matter of most significance to our audit due to:

- the significant judgement and estimation applied by management in determining the ECL; and
- the effect that the ECL has on the measurement of trade receivables and the Company's credit risk management.

Information relating to this key audit matter is disclosed in:

- Note 2, Financial instruments;
- Note 2.9, accounting policies for trade and other receivables
- Note 3.1.(b), credit risk;
- Note 4(e), Critical accounting estimates and assumptions -Impairment of trade receivables; and

Our audit addressed the key audit matter as follows:

Through discussions with management, we obtained an understanding of the Company's revenue and receivables business process in order to evaluate the appropriateness of management's assessment of the business model used to classify the Company's trade receivables into the IFRS 9 financial instruments categories. We concluded that this was reasonable.

We assessed the classification of trade receivables against the requirements of IFRS 9 by testing whether the terms met the Sole Payment of Principal and Interest ("SPPI") test, as well as the hold to collect requirement. In doing so, and on a sample basis, we inspected invoices in order to determine whether there were any indicators that the contractual cash flows may not be SPPI based on our understanding of the relevant business processes of the Company. There were no significant exceptions noted.

We considered the appropriateness of accounting policies applied by management and evaluated the impairment methodologies applied by the Company against the requirements of IFRS 9. These were considered appropriate.

We obtained an understanding of the relevant controls relating to trade receivables and considered the following in testing the controls:

- the processes over credit approval for trade receivables;
- the monitoring process of the trade receivables, including the monthly debtors assessment meetings; and
- the approval framework for write-offs.

We obtained an understanding of the payment terms offered by the Company through inquiry with management and inspection of the agreed contractual terms offered to a sample of customers, and noted that the credit terms were short term. Based on the results of our assessments, we accepted the appropriateness of management's use of the simplified approach in the measurement of ECL.

- Note 9, trade and other receivables.

We evaluated the reasonableness of the ECL allowance recognised by performing the following procedures:

- We performed a report validation test to assess whether the system was calculating the number of days in arrears correctly, as this is the key driver in identifying the grouping of receivables. No significant exceptions were noted;
- We assessed the reasonableness of the grouping of trade receivables based on our understanding of the Company's business in relation to trade receivables and the drivers of credit risk. These were considered reasonable;
- We evaluated the reasonableness of historical cost balances and credit loss rates used by management in their calculation by agreeing the total historical cost balances to prior year working papers on a total basis for each of the trade receivable groupings. These were considered reasonable;
- We evaluated the appropriateness of adjustments for forward looking information by assessing the applied economic scenarios against the publicly available economic forecasts in the respective countries. These were considered appropriate; and
- We recomputed the ECL to test the mathematical accuracy of management's expected credit loss calculation. Immaterial differences were noted.

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 2020*". 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.

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 financial statements contain material misstatements with respect to the application of IAS 21 and its consequent effects on the hyperinflation adjustments made in terms of IAS 29. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items in the other information affected by these matters.

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 the requirements of the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31), 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, 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 communicate with them all relationships and other matters that may



reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 'PricewaterhouseCoopers', written over the printed name of the auditor.

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

16 November 2020
Harare
Zimbabwe