Cafca Limited
Share Code: CAC
ISIN Code: ZW0009011942

Audited Abridged Financial Results for year ended 30 September 2019

All figures in ZWL$

	INFLATION ADJUSTED	INFLATION ADJUSTED	HISTORICAL	HISTORICAL
	30 SEPT 2019	30 SEPT 2018	30 SEPT 2019	30 SEPT 2018
ABRIDGED STATEMENT OF COMPREHENSIVE INCOME	ZWL$	ZWL$	ZWL$	ZWL$
Revenue	173,058,668	137,644,834	93,396,412	30,382,348
Operating profit	76,751,127	23,706,134	54,190,381	5,232,657
Finance income	987	6 177	400	1,364
Finance cost	(25,120)	-	(10,186)	-
Monetary (loss)/gain	(13,491,961)	1,229,493	-	-
Profit Before Income tax	63,235,033	24,941,804	54,180,595	5,234,021
Income tax expense	(27,060,629)	(6,227,469)	(12,913,152)	(1,374,589)
Profit for the period	36,174,404	18,714,335	41,267,443	3,859,431
Other Comprehensive Income:	-	-	-	
Total Comprehensive Income for the period	36,174,404	18,714,335	41,267,443	3,859,431
Issued Ordinary Shares (weighted) (number)	33,144,000	33,059,000	33,144,000	33,059,000
Basic Earnings per share (cents)	109.14	56.61	124.51	11.67
Diluted Earnings per share(number)	33,459,000	33,459,000	33,459,000	33,459,000
Diluted Earnings per share (cents)	108.12	55.93	123.34	11.53
Headline Earnings per share(number)	33,144,000	33,059,000	32,144,000	33,059,000
Headline Earnings per share (cents)	109.35	56.57	124.55	11.67

STATEMENT OF FINANCIAL POSITION	INFLATION ADJUSTED 30 SEPT 2019	INFLATION ADJUSTED 30 SEPT 2018	HISTORICAL 30 SEPT 2019	HISTORICAL 30 SEPT 2018
	$	$	$	$
ASSETS				
Non Current Assets				
Property, plant and equipment	15,544,659	14,778,329	4,119,488	2,990,638
Current Assets				
Inventory	95,021,322	39,072,282	41,080,634	8,624,425
Trade and other receivables	12,223,942	9,250,181	11,812,979	2,041,792
Cash and cash equivalents	11,580,188	40,114,504	11,580,188	8,854,476
Total Assets	134,370,110	103,215,296	68,593,289	22,511,330
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	1,500	1,500	331	331
Share premium	1,416,470	1,153,903	332,323	254,701
Share option reserve	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 assets				
Deferred income tax liabilities	16,753,424	2,975,092	433,656	656,692
Current liabilities				
Trade and other payables	10,196,010	7,885,794	7,939,609	1,740,632
Provisions and other liabilities and charges	565,138	1,935,795	2,821,538	427,287
Current income tax liabilities	1,800,117	535,434	1,800,117	118,186
Dividend payable	-	15,725,975	-	3,471,195
Total liabilities	29,314,689	29,058,090	12,994,919	6,413,993
Total equity and liabilities	134,370,110	103,215,296	68,593,289	22,511,330

STATEMENT OF CHANGES IN EQUITY-INFLATION ADJUSTED

	Share Capital	Share Premium	Share Option Reserve	Retained earnings	Total
	$	$	$	$	$
Balance at 1 October 2017	328	177,948	20,056	69,136,353	69,334,685
Transaction with owners in their capacity as owners:					
Issue of shares	-	40,400	-	-	40,400
Share options	3	36,385	173,544	-	209,900
Dividend declared	-	-	-	(15,725,975)	(15,725,975)
Total comprehensive income for the year	-	-	-	18,714,335	18,714,335
Restatement of owners equity on application IAS29	1,169	899,202	683,490	-	1,583,860
Other comprehensive income	-	-	-	-	-
Balance at 30 September 2018	1,500	1,153,903	877,090	72,124,712	74,157,205
Balance at 1 October 2018	1,500	1,153,903	877,090	72,124,712	74,157,205
IFRS 9 adjustment	-	-	-	(97,300)	(97,300)
Transaction with owners in their capacity as owners:					
Share options	-	190,611	208,651	-	399,262
Issue of shares	-	71,956	-	-	71,956
Dividend declared and paid	-	-	-	(5,650,108)	(5,650,108)
Total comprehensive income for the year	-	-	-	36,174,404	36,174,404
Balance at 30 September 2019	1,500	1,416,470	1,085,741	102,551,710	105,055,421

STATEMENT OF CHANGES IN EQUITY-HISTORICAL

	Share Capital	Share Premium	Share Option Reserve	Retained earnings	Total
	$	$	$	$	$
Balance at 1 October 2017	328	177,948	20,056	15,260,469	15,458,801
Transaction with owners in their capacity as owners:					
Issue of shares	-	40,400	-	-	40,400
Share options	3	36,385	173,544	-	209,900
Dividend declared	-	-	-	(3,471,195)	(3,471,195)
Total comprehensive income for the year	-	-	-	3,859,432	3,859,432
Other comprehensive income	-	-	-	-	-
Balance at 30 September 2018	331	254,701	193,600	15,648,706	16,067,338
Balance at 1 October 2018	331	254,701	193,600	15,648,706	16,067,338
IFRS 9 adjustment	-	-	-	(21,447)	(21,447)
Transaction with owners in their capacity as owners:					
Share options	-	56,372	208,651	-	265,023
Issue of shares	-	21,250	-	-	21,250
Dividend declared and paid	-	-	-	(2,031,238)	(5,650,108)
Total comprehensive income for the year	-	-	-	41,267,443	41,267,443
Balance at 30 September 2019	331	332,323	402,251	54,863,464	55,598,3691

ABRIDGED STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED 30 SEPT 2019	**INFLATION ADJUSTED 30 SEPT 2018**	**HISTORICAL 30 SEPT 2019**	**HISTORICAL 30 SEPT 2018**
Profit before income tax	63 235,033	24,941,804	54,180,595	5,234,021
Depreciation	2,023,571	1,652,759	447,666	361,528
Monetary loss/(gain)	13,491,961	(1,229,493)	-	-
Share based payment charge	565,190	950,935	265,028	209,900
Loss/(Profit)on sale of property plant,and equipment	93,204	(17,080)	16,230	(3,770)
Finance cost	(25,120)	-	(10,186)	-
Finance income	987	6,177	400	1,364
Provision for slow moving and obsolete inventories	697,339	7,376	304,080	1,628
Increase/(Decrease) in allowance for impairment Of trade inventories	162,223	(93,100)	162,223	(20,550)
Increase in inventories	(52,646,380)	(1,674,543)	(32,760,289)	(369,622)
(Increase)/decrease in trade and other receivables	(3,295,025)	1,696,326	(9,968,485)	374,430
(Decrease)/increase in trade and other payables	(13,415,759)	1,107,688	2,727,782	244,500
(Decrease)/increase in provision for other liabilities, and charges	(1,370,656)	251,710	2,394,251	55,560
Net cash generated from operating activities	5,516,570	27,600,558	17,759,294	6,088,989
Finance income	(987)	(6,177)	(400)	(1,364)
Finance cost	25,120	-	10,186	-
Income tax paid	(15,464,977)	6,205,046)	(11,447,117)	(1,369,640)
Net cash (utilised in)generated from operating activities	(9,294,274)	21,389,335	6,321,964	4,747,985
Acquisition of plant and equipment	(2,903,667)	(369,739)	(1,599,944)	(88,209)
Proceeds from sale of property plant and equipment	20,862	17,075	7,500	3,769
Dividend paid	(5,650,108)	-	(2,031,238)	-
Treasury bills settlement	16,300	55,996	6,180	12,360
Net utilised in investing activities	(8,516,613)	(296,668)	(3,617,502)	(72,080)
CASHFLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares-share options	71,956	183,029	21,250	40,400
(Decrease)/increase in cash and cash equivalents	(18,368,932)	21,275,696	2,725,712	4,686,305
Cash and cash equivalents at beginning of the period	40,114,504	19,914,185	8,854,476	4,168,171
Net foreign exchange differences on cash and cash Equivalence	(10,165,384)	(1,075,377)	-	-
Cash and cash equivalents at end of period	11,580,188	40,114,504	11,580,188	8,854,476

1.General information
CAFCA Limited (the "Company") manufactures and supplies cables for transmission and distribution of energy and information.It is a public liability company incorporated in Zimbabwe.It 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 Standars ("IFRS") and in the manner required by the Zimbabwe Companies Act(Chapter 24.03) except for non compliance with International Accounting Standard ("IAS 21"),The Effect of Changes in Foreign Exchange rate explained in note 2.3.
The Company's financial statements have been prepared based on statutory records and are maintained under the historical cost basis and adjusted for effects of applying IAS 29 'Financial reporting in Hyperinflationary Economies refer to note 2.4.The financial statements are presented in Zimbabwe Dollars(ZWL$) and all values are rounded to the nearest dollar, except where otherwise indicated. The principal accounting policies of the Company have been consistently applied in all material respects with those of the previous year unless otherwise stated except for adoption of the following standards effective for the current periods.

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

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

2.2 IFRS 15 Revenue from Contracts with customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the previous revenue recognition guidance including IAS 18 Revenue,IAS 11 Construction contracts and related interpretations when it became effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services in an amount that reflects consideration to which the entity expects to be entitled in exchange for goods or services.
The Company adopted IFRS 15 using the modified retrospective approach in the current financial period presented. The initial adoption of IFRS 15 did not result in changes to the manner in which the Company accounts for revenue and its contracts with customers.

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

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

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

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

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

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

Consequently, the Company has not fully complied with the requirements of IAS 21. However, for expediency, the Company chose to comply with the law as the Government issued SI 41 of 2019 [Public Accountants and Auditors (Prescription of International Standards) Regulations] which directs entities to give precedence to the law over reporting standards in circumstances where there are inconsistencies between the two.
While the Company prepares its Financial Statements to comply with International Financial Reporting Standards, full compliance with certain International Financial Reporting Standards was not possible due to the above factors. For the avoidance of doubt, the Company did not fully comply with IAS 21 to the extent that is described above and, instead, complied with the requirements of the law. In the light of this failure to fully comply with the requirements of IAS 21, the Company's Independent Auditors, Messrs PricewaterhouseCoopers Chartered Accountants (Zimbabwe) have issued an adverse opinion on the financial statements for the year ended 30 September 2019.

2.4 Hyperinflation

The Public Accounts and Auditors Board issued pronouncement 01/2019 on application of International Accounting Standard ("IAS") 29 'Financial reporting in Hyperinflationary economies' in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial 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 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.
Judgement has been used in various assumptions used such as the consumer price indices for the various years due to limitation of available data.The sources of the price indices used were:

Zimbabwe Statistical office 2009 to June 2019
Trade economics from June 2019 to 30 September 2019

	Indices	Conversion factor
CPI as at 30 September 2019	290.4	1.000
CPI as at 30 September 2018	64.1	4.530
CPI as at 30 September 2017	60.8	4.778
Average CPI 2019	161.7	
Average CPI 2018	63.6	
Average CPI 2017	60.8	

3.Audit Opinion

These financial results should be read in conjunction with the full set of financial statements for the year ended 30 September 2019,which have been audited by PricewaterhouseCoppers Chartered Accountants Zimbabwe. An adverse audit opinion has been issued thereon in respect of non-compliance with the requirements International Financial Reporting Standards (IAS) 21,"The effects of Foreign Exchange Rates. "
An adverse opinion issued also includes a section on key audit matters as defined by ISA 701,'Communicating key audit matters in the independent auditors report'.This includes both the rationale for determining key audit matters and how they were addressed during the audit.

	INFLATION ADJUSTED 30 SEPT 2019	INFLATION ADJUSTED 30 SEPT 2018	HISTORICAL 30 SEPT 2019	HISTORICAL 30 SEPT 2018
4.Related party transactions				
Reunert Engineering(Proprietary) Limited owns 69.83% Of the company and the remaining 30.17% is widely held.				

(i).Purchases during the year from holding company					
CBI-Electric African Cables a division of ATC(Pty) Ltd	7,910,085	11,788,362	3,207,618	2,602,046	-
CBI Electric Aberdare/ATC Telecoms Cable(Pty) Ltd	-	107,040	-	23,627	
Metal Fabricators of Zambia PLC (Zamefa)	8,351,768	258,157	3,386,725	56,983	

Goods and services are bought from related parties on Commercial terms and conditions.

(ii).Sales during the year to holding company				
Metal Fabricators of Zambia PLC(Zamefa)	-	83,115	-	18,346

Balances arising from purchase of goods and services				
Payables to related parties				
CBI-Electric African Cables a division of ATC(Pty) Ltd	-	36,017	-	7,950

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

Salaries and 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 fees	285,557	294,740	129,330	65,058

Commitments

5.The Company had no significant capital commitments authorised by directors or contracted for at the reporting period(2018.nil)

6.Segment information

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

	INFLATION ADJUSTED 30 SEPT 2019 ZWL$	**INFLATION ADJUSTED 30 SEPT 2018 ZWL$**	**HISTORICAL 30 SEPT 2019 ZWL$**	**HISTORICAL 30 SEPT 2018 ZWL$**
Revenue from customers domiciled in Zimbabwe	165,718,893	115,466,492	80,056,638	18,256,550
Revenue from external customers	7,339,775	22,178,342	7,339,775	1,053,908
Total	173,058,668	137,644,834	87,396,413	19,310,458

Revenue from transactions with single local customers that amounted to 10% of more of each of the Company's revenues equal approximately to (inflation adjusted)$30,290,456 (2018:$29 823 912),historical $12 283 081 (2018:$6 583 033)

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

Energy transmission	30,290,456	29,823,912	12,283,08	6,583,033

The segment information provided to the executive team for the reportable segments for year ended 30 September 2019 are as follows:

Revenue from customers	173,058,668	137,644,834	93,396,412	30,382,348
Profit before interest and taxation	76,751,127	23,706,134	54,190,381	5,232,657
Finance income	987	6,177	400	1,364
Finance cost	25,120	-	10,186	-
Income tax expense	27,060,629	6,227,469	12,913,152	1,374,589
Total assets	134,370,111	103,215,296	68,593,289	22,511,330
Total liabilities	25,714,455	29,058,090	12,994,920	6,413,994
7.Property plant and equipment				
Capital expenditure	2,903,667	369,739	1,599,945	88,209
Depreciation	2,023,571	1,652,759	447,666	361,528

COMMENTARY AND OVERVIEW OF RESULTS (This commentary is based on the historical cost accounts)

Profitability

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

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

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

Statement of Financial Position

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

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

Outlook

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

Dividend

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

By order of Board

C Kangara
Company Secretary
18 November 2019

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