

REVIEWED ABRIDGED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2022

Notes to the Financial Statements
For the six months ended 31 March 2022

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 Zimbabwe Dollars (ZWL) and all values are rounded to the nearest dollar, except where otherwise indicated.

2.1 Statement of Compliance

The 2021 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

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 3 months in finished goods
- c. The company has adequate loans and overdraft facilities to finance working capital requirements.
- d. Impact of Covid 19 is diminishing and critical raw material suppliers are shipping/supplying.
- f. Demand for cable has remained firm.

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 2022	4 766.10	1.000
CPI as at 30 September 2021	3 342.02	1.426
CPI as at 31 March 2021	2 759.83	1.727

5 Independent External Auditor's Statement

The abridged interim financial information for the six months ended 31 March 2022 has been reviewed by Grant Thornton Chartered Accountants (Zimbabwe). An adverse review conclusion was issued due to non-compliance with International Accounting Standard (IAS) 21 – *The Effect of Changes in Foreign Exchange Rates*. During the prior and current financial period ended 31 March 2022, the foreign currency denominated transactions and balances of the company were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21 and its consequential effects on the hyperinflationary adjustments made in terms of International Accounting Standard (IAS) 29 – *Financial Reporting in Hyperinflationary Economies*.

The auditor's review conclusion on the abridged interim financial information for the six months ended 31 March 2022 is available on the websites of the ZSE and the Company or for inspection at the Company's registered office.

The engagement partner responsible is Edmore Chimhowa (Public Practice Certificate Number 0470).

6 Related party transactions

	Inflation Adjusted		Historical Cost	
	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL
Purchases of goods				
CBI Electric African Cables - A Division of ATC (Proprietary) Limited	-	43 601 422	-	22 715 431
Metal Fabricators of Zambia Plc (Zamefa)	302 467 119	26 536 016	255 473 745	14 258 546
	302 467 119	70 137 438	255 473 745	36 973 977
Key management remuneration: Key management includes directors (executive and non-executive) and executive managers (members of the executive committee)				
Salaries and short term benefits	105 395 161	74 871 395	91 425 430	39 792 481
Share options (credit)/charge	(224 309)	58 348 864	(468 000)	32 796 000
Directors' emoluments: -Fees	19 245 523	5 142 091	17 150 000	2 725 000
	124 416 375	138 362 350	108 107 430	75 313 481

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.

	Inflation Adjusted		Historical Cost	
	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL
Revenue is analysed as follows:				
Revenue from customers domiciled in Zimbabwe	3 143 512 747	2 067 263 362	2 718 650 181	1 099 111 689
Revenue from external customers	195 974 072	249 477 986	167 567 512	135 099 890
	3 339 486 819	2 316 741 348	2 886 217 693	1 234 211 579

7 Segment information (continued)

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

	Inflation Adjusted		Historical Cost	
	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL
Retail	451 706 447	360 345 979	390 355 078	190 939 460

The segment information provided to the executive team for the product reportable segments for the six months ended 31 March are as follows:

	Inflation Adjusted		Historical Cost	
	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL	31 March 2022 Reviewed ZWL	31 March 2021 Reviewed ZWL
Revenue from customers	3 339 486 819	2 316 741 348	2 886 217 693	1 234 211 579
Profit before interest and taxation	972 162 509	602 141 203	888 993 383	325 031 871
Finance income	60 968	-	49 844	-
Finance cost	74 441 405	65 638 557	64 975 901	35 026 247
Income tax expense	197 849 087	148 649 359	241 498 612	105 801 658
Total assets	4 052 354 023	3 230 744 940	2 649 829 537	1 592 645 668
Liabilities	1 045 319 958	778 024 723	853 913 324	388 830 168

8 Capital commitments

Capital commitments authorised by the directors or contracted for at the reporting period

9 Property plant and equipment

Capital expenditure -
Depreciation charge

Commentary and overview of results

Volumes

Volumes for the half year were 1 199 tonnes, an increase of 2% over the prior year comparative period of 1 175 tonnes. Volumes were adversely affected by the delay in getting regulatory approval to extend our barter deal with the Zimbabwe Electricity Transmission and Distribution Company and exchange control delays in getting paid by our Malawi customers which affected further export sales.

We are confident that we will pick up the volume shortfall against budget in the second six months of the year.

Profitability

Pretax profit in historical terms for the six month period was ZWL\$824 million against the prior year comparative period of ZWL\$290 million an increase of 184%.

Inflation adjusted pretax profit reflected an increase of 169% against prior year comparative period.

Statement of financial position

Borrowings have increased from ZWL\$130 million to ZWL\$445 million to finance inventories which have moved from ZWL\$930 million to ZWL\$1,789 billion.

In historical cost terms the value of the company has moved to ZWL\$1,796 billion whilst in inflation adjusted terms to ZWL\$3,007 billion.

Outlook

Exchange rate volatility is a cause for concern, but the upside of which is increased economic activity as consumers invest to hedge their savings. We are therefore forecasting an increase in volume in the second half of the year over the first half.

Dividend

Directors will be considering a final dividend to shareholders at the year end.

By order of Board
5 May 2022


C Kangara
Company Secretary