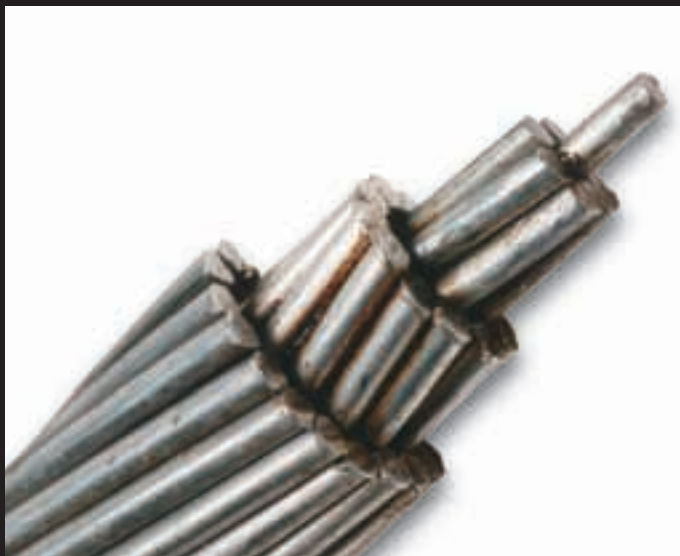




CAFCA

ANNUAL REPORT AND ACCOUNTS 2010



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Fixed power
& control
cables



Single core &
flexible cables



Metallic
telecommunication
cables



Aluminium
overhead
conductors



Shareholder and other information

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Company profile

Product group

Bare copper conductor,
solid or stranded



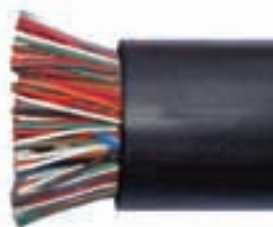
Product group

Aerial bundled conductor



Product group

Underground petroleum jelly-filled cables



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

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

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

CORPORATE

CAFCA Limited is quoted on the Harare, Johannesburg and London stock exchanges. Established in 1947, CAFCA is part of CBI Electric African Cables (RSA), which in turn is owned by Reunert Limited (RSA), it has been at the forefront of the cable industry in the region for more than 60 years, supplying large volumes of cable to power and telecommunication utilities as well as the mining, agricultural and industrial sectors.

Mission statement

Our business purpose is:

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

Our operating principles are:

- We consistently delight customers,
- We innovate,
- We achieve excellence,
- We recognise suppliers as active partners in our business,
- We do it right,
- We keep getting better,
- We respect and value each other,
- We work as a team,
- We ensure personal development,
- We care for the environment and support the community.

	2010
Revenue	16 369 539
Operating profit	1 755 128
Profit before tax	1 603 835
Attributable profit	1 167 301
Earnings per share (cents)	4

MILESTONES

CAFCA was the first company in Zimbabwe to achieve ISO 9002 accreditation, later upgraded to ISO 9001:2000, which enables us to design as well as produce cabling to international standards.

In 1999 CAFCA became the first cable company in sub-Saharan Africa to be awarded the environmental standard, ISO 14,001:2004.

Zimbabwe Electricity Supply Authority annual supply contracts

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

Anglo American Corporation annual supply contract 1985-2000

BHP annual supply contract 1996-1999

Botswana Power Corporation

- Split concentric annual supply contract 2000-2004

Quality management standard

Accredited to ISO 9001: 2000

(First company to gain accreditation in Zimbabwe: year 1999)

Accredited to ISO 9002:2000

(Design and manufacture)

Botswana Ministry of Health

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

African Cables (South Africa)

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

Confederation of Zimbabwe Industries (CZI)

- Industrial Exporter of the Year 1st Runner up 2005

Occupational health and safety standard

Accredited to OHSAS 18,001:2007

Environment management standard

Accredited to ISO 14001:2004

(First cable company in sub-Saharan Africa to achieve the international quality standard).

Corporate governance

Product group
Coaxial cable



Product group
Indoor
switchboard
cable



Product group
Single cores



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

Ethics

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

Board of directors

The board of directors of CAFCA Limited fully supports the highest standards of corporate governance and is committed to the principles of openness, integrity and accountability in dealings with all stakeholders.

The board fully recognises its responsibilities for setting the company's strategic direction, providing the leadership to put this into effect, supervising the management of the business and reporting to the shareholders on their stewardship.

The board currently consists of six non-executive directors and one executive director and the chairman is elected from among the non-executive directors.

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

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

Audit committee

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

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

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

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

Executive committee

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

Risk management

Effective risk management is a board responsibility and is integral to the

group's objective of consistently adding value to the business. Business risks have been identified and relevant strategies are in place to address them. An appropriate system is in place for monthly assessments and regular review by the board.

Management reporting

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

Operations controls

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

Compensation committee

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

Product group
Armoured cables



Product group
Flexible cords
(cabtyre)
and welding
cables



Product group
Aluminium conductors
(with or without steel
reinforcement)
AAC and ACSR



Financial results

The financial statements of the group are presented in United States dollars:

	US\$
Profit for the year	1 167 301
Retained earnings 31 December 2010	1 599 110

Directors' report

The directors have pleasure in presenting their report together with the financial report of CAFCA Limited for the year ended 31 December 2010.

Reporting currency

The financial reports have been prepared in United States dollars.

Capital

Authorised share capital

The authorised capital remains unchanged since last year.

Issued share capital

88,333 ordinary shares were issued during the year. Issued share capital stands at 32,415,667 fully paid up ordinary shares.

Unissued share capital

In terms of the Articles of Association of the company, unissued shares are under the control of the directors.

Results for the year

The results for the year are set out on pages 19 to 47.

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

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

We hold quality system's accreditation and product approvals from a number of authorities both national and international.



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

In accordance with the Articles of Association, E.T.Z Chidzonga, T.A Taylor, and A.E Dickson retire by rotation.

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

None of the directors had any interest in the shares of the company's subsidiaries at any time during the year. None of the directors had an interest in any contract of significance with the group during the year.

Employment policies

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

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

Corporate governance

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

Senior executives

The management team comprises:

Rob Webster	- Managing director
Caroline Kangara	- Finance executive
Godfrey Mavera	- Chief engineer
Patrick Muginyi	- Human resources executive
Farai Mukumbira	- Sales and marketing executive
Dumisani Mhlanga	- Manufacturing executive

Product group
Medium voltage
XLPE cables



Product group
14.4mm
copper rod



Product group
Multi-core cables



Directors' report continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue as the company's auditors. A resolution to authorise their re-appointment will be proposed at the Annual General Meeting.

Meetings of directors

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

	Meetings held	Meetings attended
H.P. Mkushi	4	4
R.N. Webster	4	4
E.T.Z. Chidzonga	4	4
A. Mabena	4	4
S.E. Mangwengwende	4	4
C.E Schutte	4	4
T.A. Taylor	4	4

Directors' interests

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

	Shares held directly	Shares held indirectly
H.P. Mkushi	-	399,105
R.N. Webster	-	93,367
E.T.Z. Chidzonga	100	-
A. Mabena	100	-
S.E. Mangwengwende	100	-
C.E Schutte	100	-
T.A. Taylor	200	11,800

We supply conductors of all aluminium and aluminium conductor steel reinforced to British or other specifications.

We also supply conductors with PVC insulation.

We manufacture these conductors in our aluminium factory where we closely co-ordinate wire drawing, stranding and corrosion prevention to ensure the highest product quality.





Chairman (non-executive) *Honour Piniel Mkushi*
L.L.B (Hons), (London)
Appointed to the board on 1 January 1986.

Honour is an advocate of the High Court of Zimbabwe. He has been in private legal practice since 1971 and has an immaculate professional record with the Law Society of Zimbabwe.

Honour is currently a Senior Partner of Sawyer & Mkushi Legal Practitioners, attorneys, notaries and conveyancers. Honour is a corporate and commercial lawyer

and also boasts of experience in Constitutional Law making including attending the Geneva and Lancaster House, London negotiations for Zimbabwe's independence. He was also a Commissioner involved in the drafting of the new constitution for Zimbabwe in 1999.

Honour chairs the boards of seven reputable corporations in Zimbabwe.



Executive director/managing director *Robert Neill Webster*
B.A.cc (Natal), C.A (Z)
Appointed to the board on 11 July 2006.

Rob completed his articles of clerkship with Coopers and Lybrand and left as an audit manager to join 5T Holdings as financial director. He later joined Apex Corporation as financial director and progressed to divisional executive of the foundry division.

Rob was then approached by the CFI group to run Victoria Foods, which then led to promotion to divisional executive - poultry.

He joined CAFCA in 2006 as managing director.



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

Tom served his articles with Price Waterhouse where he worked in their Bulawayo, Harare and London offices. He was admitted as a partner in July 1972. Until June 1985, he was an audit partner in Bulawayo and partner in charge of the Botswana office. He then transferred to Harare as senior partner of Price Waterhouse Central Africa (Zimbabwe,

Botswana, Malawi and Mozambique).

Tom retired from the firm on 30 June 1995 after having completed 10 years as a senior partner.

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



Non-executive director *Alvord Mabena*
B. Sc. Mechanical Engineering
Appointed to the board on 19 February 1998

Alvord had 20 years' experience in the railways industry, the last 10 as chief executive of the National Railways of Zimbabwe. He was heavily involved in the rehabilitation and upgrading of railway infrastructure and equipment.

A past president of the Zimbabwe Institute

of Engineers, Alvord won the Institute of Personal Management 'Manager of the Year' award in 1992.

A businessman and director of other companies, Alvord is currently into farming and consultancy.



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

Edwin joined Minerals Marketing Corporation of Zimbabwe (MMCZ) as a financial controller in 1983. In 1986, he was appointed managing director designate in the MMCZ European office, Zurich. In 1990, he was appointed managing director of MMCZ Sales, Zurich. Between 1994 and 1995, Edwin worked as managing director of Standard Chartered Finance, Zimbabwe and between 1996 and 1997 worked in the bank's London Head Office. Between 1998 and

2000, Edwin worked mainly as a consultant before joining Mining Industry Pension Fund where he was the chief executive officer.

Edwin sits on the boards of AIG Zimbabwe (Pvt) Ltd; Duly's (Pvt) Ltd and Intermarket Life Assurance Company of Zimbabwe, among other directorships.

Currently Edwin is an associate director clients and markets with Deloitte.



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

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

Since retirement in 2006 he has worked as an independent consultant and sits on the boards of several public and private

companies and non-profit organisations.

His major achievements include the formulation of the National Energy Policy of Liberia; transforming of ZESA into one of the best managed state-owned power utilities in Africa; the formulation and initial implementation of Zimbabwe's electricity industry reform strategy including the launching of a sustainable rural electrification programme and playing a leading role in the establishment of the Southern African Power Pool (the first fully operational power pool in Africa).

Non-executive director *Alan Ernest Dickson*
B.Sc.Eng (Elec), M.Sc (Eng) Witwatersrand
Appointed to the board on 1 January 2011.

After having joined CBI-Electric African Cables in 1997 and working in various capacities, Alan was appointed managing director of the organisation in March 2009. Prior to joining CBI-Electric African Cables, he has worked for Matra Engineering Services and the University of Witwatersrand.

CAFCA Limited acknowledges that the management of safety, health and the environment is an integral part of an effective and sustainable business.

CAFCA Limited has established a culture where all people take ownership and acknowledge their responsibility for the safety and health of everyone associated with the group operations and for the management of environment issues.

Objectives

- To comply with all applicable laws, regulations and standards for health and safety.
- To comply with local laws and international standards in respect of the environment.

Methodology

In support of these objectives, the group aims to:

- Continue a culture of continuous improvement in all activities.
- Adopt a zero tolerance attitude to accidents.
- Continually review associated risks and act appropriately.
- Communicate potential risks to employees and contractors who are trained in their individual responsibilities to minimise and, where possible, eliminate such risks.
- Ensure that all employees wear appropriate protective clothing and equipment, which is provided by the group.
- Conduct periodic internal and external audits of its safety, health and environmental management systems.
- Continuing risk assessment is conducted, particularly on effective guarding of plant and equipment.
- Appropriate signs have been posted.
- As part of their induction programme all employees have been trained in basic safety.
- Additional training in first aid, fire fighting and the use of specialist safety equipment are on-going.
- In-depth reviews on causes of accidents are carried out and necessary improvements implemented to avoid a repetition.
- Benchmarking with the mining industry is regularly undertaken.
- Appropriate publicity is given.

MANUFACTURING STANDARDS

Standards Association of Zimbabwe (SAZ)

SAZ 240-Electrical cables with extruded

solid dielectric 300/500V, 1900/3300V

South African National Standards (SANS, formerly SABS)

SANS 1507-PVC distribution cable rated 300/500V and 1900/3300V

SANS 1418-2 aerial bundled conductor

SANS 1339-XLPE insulated cable rated 3.8/6.6kV and 19/33kV

British Standards (BS)

BS 215 Part 1:1970 – Specification for aluminium conductors

International Electro-technical Commission (IEC)

IEC 502-Extruded solid dielectric insulated power cables 1kV and 30kV

South African Post Office (SAPO)

BS 215 Part 1:1970 – Specification for aluminium conductors

British Post Office (BPO)

BPO CW 1127 – Aerial distribution telephone cable (self-supporting)

BPO CW 1128 – Jelly-filled cellular polyethylene telephone cable

Post & Telecommunications (PTC)

Underground cables and aerial distribution copper cables

We also make product to customer's own specification.

We have not experienced any fatalities for at least 38 years.
Accidents are defined as incidents, which result in injury or illness. The target is zero.

Health & safety

- Employees have induction and annual medicals.
- Job risk assessments are done annually to identify hazards of heat, dust, noise, chemicals, metals and gases. Necessary control measures are in place to protect employees.
- HIV/AIDS initiatives have been run and awareness posters placed on site.
- An HIV/AIDS' policy was approved by the board in July 2004.
- CAFCA was certified for OHSAS 18001:2007 in 2009.

Environment

CAFCA is continually improving its ISO 14001:2004 environmental management system.

The key environmental aspects CAFCA is concentrating on are:

- Gases and fumes emissions
- Redundant cable
- Effluent
- Waste consumption
- Use of wooden battens and laggings
- Noise
- Diesel and petrol spillages
- Fuel usage
- Electricity

Environmental measurement and monitoring are conducted on key aspects as per statutory and standard requirements.

Internal and external audits are carried out periodically to ensure full compliance with the requirements of ISO 14001:2004 standard.

CAFCA is also participating in the Workington/Southernton environmental cluster which focuses on:

- Waste minimisation
- Pollution prevention
- Efficient use of natural resources.

Safety

Year	Number of accidents	Lost man days
2010	17	27
2009	14	14
2008	4	71
2007	4	41
2006	0	0

Lost man days (from health and absenteeism)

Year	Number	Percentage of total man days
2010	716	2.13
2009	436	1.31
2008	700	1.96
2007	649	1.8
2006	581	2.04

CAFCA's carbon footprint 2010

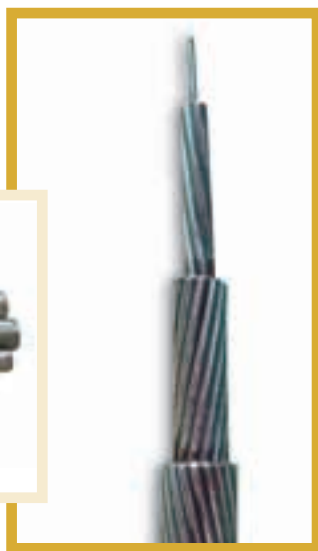
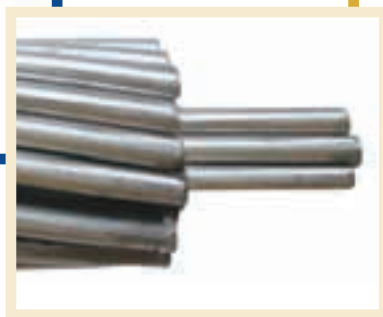
Greenhouse gases (GHGs) are gaseous elements of the atmosphere that absorb and emit radiation. The gases act as a shield that traps heat in the earth's atmosphere. The resulting greenhouse gas effect contributes to global warming. The six GHGs listed in the Kyoto Protocol are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. A carbon footprint is the total set of greenhouse gases emissions caused by an organization, event or product. It is expressed in terms of the amount of carbon dioxide or its equivalent of other GHGs emitted. The objective of the project was to identify sources of GHGs at CAFCA and to calculate the GHGs emissions due to

the operations of the organization in terms of the total amount of carbon dioxide emitted for the year 2010. The carbon dioxide emissions for 2010 will be used as the baseline and give guidance on areas to focus on in order to reduce CAFCA's carbon footprint in the future.

The CAFCA emissions' reporting was organized in accordance with the Greenhouse Gas Protocol Standard which is used as a guideline and reference document to facilitate emissions reporting in line with international standards. The operational boundary was defined as scope 1 (direct emissions) and scope 2 (indirect emissions) only. Scope 3 (other

indirect emissions from reporting company's upstream and downstream activities) emissions have not been reported due to lack of accurate data from third parties. Both the Greenhouse Gas Protocol standard and ISO 14064 Part 1:2006 - Greenhouse Gases standard state that it is optional to report scope 3 emissions.

The approach adopted to calculate CAFCA's emissions was as follows: (a) identify GHG emissions' sources, (b) select an emissions' calculation approach, (c) collect activity data and choose emission factors and (d) apply calculation tools to estimate GHG emissions. This is the recommended approach by the Greenhouse Gas



Protocol. The direct emission fuels at CAFCA were charcoal, liquid petroleum gas, diesel, petrol and oxy-acetylene. Other direct emissions sources were carbon dioxide emissions' from the copper smelting and extrusion processes. Direct fugitive emissions were hydrofluorocarbons emitted from air conditioners and refrigerators. An Excel spreadsheet was used to calculate the carbon dioxide emissions as compared to using electronic calculation tools. This was done in

order to understand the calculations and be able to justify the results. Primary and secondary data were collected from the company's departments, the purchasing department being a key source. Emission factors were obtained from IPCC (1996), IPCC (2006) and IEA (2010). The sources are the recommended ones for default emission factors since Zimbabwe has not yet determined its specific emission factors.

CAFCA's total carbon dioxide emissions for 2010 were found to be 2 937 tonnes. Purchased electricity contributes 93% of the total carbon footprint. The accuracy of the results was verified by benchmarking other Zimbabwean companies currently reporting carbon footprint. These are BAT Zimbabwe and Rio Zimbabwe. The focus to reduce the company's carbon footprint shall therefore be put on improving the power and load factors so as to use electricity more efficiently.

CAFCA carbon dioxide emissions: 2010

Emission sources	Total carbon dioxide emissions (tons)	Percentage of total
Scope 1:		
PETROL		
Forklifts	10.95	0.373%
Company vehicles	88.71	3.021%
DIESEL		
Forklifts	14.84	0.505%
Company vehicles	49.18	1.675%
Generators	24.96	0.850%
LPG	0.0024	0.0001%
CHARCOAL	6.60	0.225%
HFCs		
Refrigerators	0.000765	0.00003%
Air conditioners	0.05	0.002%
ACETYLENE	0.676	0.023%
GRAPHITE	4.66	0.159%
EXTRUDERS	13.86	0.472%
Scope 2:		
ELECTRICITY	2 722.15	92.696%
TOTAL GHG EMISSIONS	2 936.64	100.000%



The group has included for the first time in this annual report the carbon footprint of CAFCA as a very small step towards sustainability reporting compliance.

Overview

The group had a successful year, measured by significant gains in volumes of product sold, turnover and profit. We had borrowings throughout the year but due to the low working capital requirement at year end, managed to end the year with cash in the bank.

Orders and economic activity remained subdued due to liquidity constraints in the market with the group still very reliant on barter deals to achieve volume sales.

The improvements generally in the economy due to the stability of the currency allowed utilities to generate meaningful revenue streams and CAFCA to benefit from their reinvestment into cable for their respective infrastructural networks.

Financial

The group made steady profits throughout the year which translated into a positive cashflow and a sound statement of financial position.

The group has secured adequate banking facilities to cater for the financing of the increased working capital required for the coming year.

In addition to expected growth, the group has strategically taken the position to increase stockholding of both raw materials and finished goods to mitigate the threat of imported competition.

Quality and systems

During the year the group maintained its certification in ISO 9001, 14001, 18001 and SABS mark accreditation. Quality, Environmental and Occupation Health and Safety together with the SABS mark accreditation audits were successfully undertaken by the Standards Association of Zimbabwe and the South African Bureau of Standards.

People

Our senior management represented by the executive and operations team remained intact for the year while we were also able to lure back from the diaspora two senior engineers. Our strategy to retain key staff was successful.

Directorate

Ernst Schutte sadly retired from the board following his retirement from the Reunert Group. We thank him for his invaluable technical guidance and support during his long time on the

board and wish him well in the future.

Alan Dickson the current managing director of CBI Electric-African Cables was appointed to the board to represent the Reunert Group in 2011.

Future

We are confident that should the political and economic stability prevail, CAFCA will show steady growth in both sales and profits.

We are working closely with African Cables to increase exports both to South Africa and the region.

We will continue to invest our profits and cash into stock which we believe will be our best defence in fending off the threat of imported competition.

May I take this opportunity to thank both my fellow directors and all management and staff at CAFCA for their contribution and support during 2010.

H. P. Mkushi Board chairman
CAFCA Limited 24 February 2011

Managing director's report



The multi skilling programme is being used to retain skills and ensure all machines can be manned without increasing numbers.

Overview

During the year we continued with our assistance to utilities by taking their redundant cable and converting it to usable cable. In addition we experienced an improvement in sales with both power and telecommunication utilities.

We continue to fight imports by matching prices and ensuring our lead times are shorter. Our big customers, mainly the utilities and mines, are regularly taken through the factory for them to witness our quality and adherence to international standards. It is acknowledged that our cables are better constructed in that we strictly adhere to the copper/aluminium content as required by international standards.

Sales and profits increased by 124% and 130% respectively over 2009.

Operations

Sales volumes increased by over 90% over the previous year with capacity utilisation at our current manning being at around 70%. When fully manned our current throughput though is only at 45% of installed capacity.

Power outages due to cable faults were a problem towards the end of the year

and we are grateful to ZESA for the prompt response to our problems. Our risk is with the furnace which cannot go without power for longer than a couple of hours. Generator back up is available but is not sustainable for long periods.

The maintenance and refurbishment of machines remain a focus and hopefully investment in critical machines can be contemplated in 2012 once the cashflow has improved.

Staff

We were sad to lose eight staff who had a combined CAFCA work experience of 287 years and who left us at the end of the year on retirement.

The company is grateful for their loyalty and contribution over the years they were with us – we wish them well in their retirement.

Towards the end of the year employees had to work 12 hour shifts for extended periods to clear urgent orders - management are grateful for their dedication.

As the fortunes of the company improve we would hope to be in a position to improve the fortunes of the staff though we are confident that

our salaries are currently market related and wages above the national employment council minimums.

Future

Our budgeting process has been based on the premise that the current economic and political stability will prevail and therefore we are forecasting good growth in volumes, sales and profits.

We will be recommissioning the melting furnace which will give us the ability to reprocess more barter redundant cable.

There is a strategy to grow exports both into South Africa and the region.

I would like to take this opportunity to thank my fellow management team and all staff at CAFCA for each of their valuable contributions which resulted in a successful 2010.

A handwritten signature in dark ink, appearing to read 'R. Webster', is placed over a faint, circular watermark logo.

R. N. Webster Managing director
CAFCA Limited 24 February 2011

Directors' declaration

Product group

Jumper and blasting wire



Product group

Auto and instrument wire



Product group

Aerial distribution cable



In the opinion of the directors of CAFCA Limited, the financial statements and notes set out on pages 19 to 47 have been prepared in accordance with the Companies Act (Chapter 24:03) of Zimbabwe, and:

- Give a true and fair view of the financial position of the group as at 31 December 2010 and its

performance as represented by the results of its operations and its cash flows for the year ended on that date and

- Comply with International Financial Reporting Standards.
- The directors confirm that the group has adequate resources to

operate for the foreseeable future and will remain a viable going concern in the year ahead.

Signed in accordance with a resolution of the directors:

H. P. Mkushi
Chairman
Harare, Zimbabwe

R. N. Webster
Managing director
24 February 2011

Independent auditors' report



Independent auditors' report

To the shareholders of

CAFCA LIMITED

We have audited the financial statements of CAFCA Limited and its subsidiary (the "Group") and the accompanying statement of financial position of CAFCA Limited (the "Company") standing alone, together the "financial statements", which comprise the consolidated and separate statements of financial position at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 47.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2010, and of the Group's 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 Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written over a faint, stylized background.

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)
Building number 4, Arundel Office Park
Northfolk road, Mount Pleasant, Harare
26 April 2011

Statements of financial position

As at 31 December 2010

		GROUP			COMPANY		
	Notes	2010 US\$	2009 US\$	1 February 2009 US\$	2010 US\$	2009 US\$	1 February 2009 US\$
ASSETS							
Non-current assets		4 455 753	4 467 061	3 212 698	271 840	267 950	105 143
Property, plant and equipment		7 4 455 753	4 467 061	3 212 698	-	-	-
Investment property		8 -	-	-	222 000	222 000	105 143
Investments		9 -	-	-	49 840	45 950	-
Current assets		6 363 436	3 493 247	1 761 075	-	-	-
Inventories		10 3 966 271	1 887 906	1 533 107	-	-	-
Trade and other receivables		12 2 025 472	1 564 719	190 563	-	-	-
Cash and bank		371 693	40 622	37 405	-	-	-
Total assets		10 819 189	7 960 308	4 973 773	271 840	267 590	105 143
EQUITY AND LIABILITIES							
Equity attributable to owners of the parent							
Total equity		6 780 225	5 609 034	3 891 992	260 740	256 850	99 886
Share capital		14.2 324	-	-	324	-	-
Share premium		14.2 11 100	9 333	-	11 100	9 333	-
Share option reserve		14.3 38 740	36 617	-	38 740	36 617	-
Revaluation reserve		15 1 239 283	1 239 283	-	-	-	-
Non-distributable reserve		16 3 891 668	3 891 992	3 891 992	99 562	99 886	99 886
Retained earnings		1 599 110	431 809	-	111 014	111 014	-
Non-current liabilities		1 017 507	1 089 885	949 420	11 100	11 100	5 257
Deferred taxation		17 1 017 507	1 089 885	949 420	11 100	11 100	5 257
Current liabilities		3 021 457	1 261 389	132 361	-	-	-
Trade and other payables		18 2 766 016	989 177	132 361	-	-	-
Current tax liabilities		97 827	120 548	-	-	-	-
Provisions for other liabilities		19 157 614	129 494	-	-	-	-
Borrowings		20 -	22 170	-	-	-	-
Total liabilities		4 038 964	2 351 274	1 081 781	11 100	11 100	5 257
Total equity and liabilities		10 819 189	7 960 308	4 973 773	271 840	267 590	105 143

These financial statements were approved by the board of directors on 24 February 2011 and signed on its behalf by:


H. P. Mkushi
Chairman


R. N. Webster
Managing Director

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Notes	2010 US\$	2009 US\$
Revenue	1	16 369 539	7 289 086
Cost of sales	3	(12 632 031)	(5 285 297)
GROSS PROFIT		3 737 508	2 003 789
Other income	2	76 133	27 447
Selling and marketing expenses	3	(75 133)	(39 640)
Administration expenses	3	(1 983 380)	(1 271 792)
OPERATING PROFIT		1 755 128	719 804
Finance costs	4	(152 025)	(24 249)
Finance Income	4	732	1 338
Profit before tax		1 603 835	696 893
Taxation	5	(436 534)	(265 084)
Net profit for the year		1 167 301	431 809
Other comprehensive income			
Gain on revaluation of property, plant and equipment (net of deferred tax)		-	1 239 283
Total comprehensive income for the year		1 167 301	1 671 092
Basic earnings per share (cents)	6	4	1
Diluted earnings per share (cents)	6	4	1

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital US\$	Share premium US\$	Share option reserve US\$	Revaluation reserve US\$	Non- distributable reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2010	-	9 333	36 617	1 239 283	3 891 992	431 809	5 609 034
Transactions with owners:							
Transfer on redenomination of shares	324	-	-	-	(324)	-	-
Share options	-	1 767	2 123	-	-	-	3 890
Total transactions with owners	324	1 767	2 123	-	(324)	-	3 890
Comprehensive income :							
Net profit for the year	-	-	-	-	-	1 167 301	1 167 301
Total comprehensive income	-	-	-	-	-	1 167 301	1 167 301
Balance at 31 December 2010	324	11 100	38 740	1 239 283	3 891 668	1 599 110	6 780 225
Balance at beginning of year	-	-	-	-	-	-	-
Arising on change in functional currency on 1 February 2009	-	-	-	-	3 891 992	-	3 891 992
Transactions with owners:							
Share options	-	9 333	36 617	-	-	-	45 950
Total transactions with owners	-	9 333	36 617	-	-	-	45 950
Comprehensive income:							
Net profit for the year	-	-	-	-	-	431 809	431 809
Other comprehensive income:							
Gains on revaluation of property, plant and equipment (net of deferred tax)	-	-	-	1 239 283	-	-	1 239 283
Total comprehensive income	-	-	-	1 239 283	-	431 809	1 671 092
Balance at 31 December 2009	-	9 333	36 617	1 239 283	3 891 992	431 809	5 609 034

Consolidated statement of cash flows

For the year ended 31 December 2010

	GROUP	
	2010 US\$	2009 US\$
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and finance costs/income	1 755 128	719 804
Adjustment for non-cash items:		
Depreciation	225 304	128 949
Loss on sale of property plant and equipment	14 310	-
Share option charge	2 123	44 783
Arising from change in functional currency	-	93 909
Operating cash inflows before changes in working capital	1 996 865	987 445
Working capital changes:		
Increase in inventories	(2 078 366)	(427 116)
Increase in trade and other receivables	(460 753)	(1 374 157)
Increase in trade and other payables	1 804 959	964 719
Net cash generated from operations	1 262 705	150 891
Finance income	732	1 338
Finance costs	(152 025)	(24 249)
Taxation paid	(531 633)	(144 536)
Net cash flows generated from/(utilised in) operating activities	579 779	(16 556)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(239 871)	(3 564)
Proceeds from sale of property, plant and equipment	11 566	-
Net cash utilised in investing activities	(228 305)	(3 564)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital (note 14.3)	1 767	1 167
Net cash generated from financing activities	1 767	1 167
Net increase/(decrease) in cash and cash equivalents	353 241	(18 953)
Cash and cash equivalents at the beginning of the year	18 452	37 405
Cash and cash equivalents at the end of the year (note 13)	371 693	18 452

1. General information

The company 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. These consolidated financial statements were approved for issue by the board on 24 February 2011.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS"). The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment and investment property.

2.1.1 Transition to IFRS

The Group is resuming presentation of IFRS financial statements after it issued financial statements in the prior reporting period ended 31 December 2009 which did not include an explicit and unreserved statement of compliance with IFRS due to the effects of severe hyperinflation. As discussed in note 2.1.4, the Group has early adopted the Amendments to IFRS 1 and is therefore applying that standard in returning to compliance with IFRS.

The Group's functional currency for the period before 1 February 2009,

the Zimbabwe dollar ("ZW\$"), was subjected to severe hyperinflation because it had both of the following characteristics:

- (a) a reliable general price index was not available to all entities with transactions and balances in the ZW\$, because the Central Statistical Office did not release the consumer price index from 1 August 2008 and the existence of market distortions made measurement of inflation by alternative means unreliable; and
- (b) exchangeability between the ZW\$ and a relatively stable foreign currency did not exist.

The Group's functional currency ceased to be subject to severe hyperinflation from 1 February 2009, because the Group changed its functional and presentation currency from the Zimbabwe dollar, ("ZW\$") to the United States of America dollar ("US\$"), because changes in legislation allowed the Group to predominately operate within a US\$ environment.

2.1.2 Exemption for fair value as deemed cost

The Group elected to measure certain items of property, plant and equipment, trade and other receivables, inventories and trade and other payables at fair value and to use the fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position as follows:

- *Property, plant and equipment* - valued based on a director's valuation

- *Investment property* - valued based on a director's valuation
- *Trade and other receivables* - actual US\$ amounts receivable from customers
- *Trade and other payables* - based on actual US\$ amounts owed to suppliers of goods and services
- *Inventories* - based on purchase prices around 1 February 2009 and time of purchase
- *Deferred income tax* - computed based on temporary differences between tax bases and accounting bases of the liabilities included in the take-on statement of financial position.

2.1.3 Reconciliation to previous basis of preparation

The Group's financial statements for the prior reporting period ended 31 December 2009, claimed compliance with IFRS, except certain of the requirements of IAS 1, Presentation of Financial Statements, IAS 21, The Effects of Changes in Foreign Exchange Rates, and IAS 29 Financial Reporting in Hyperinflationary Economies. However, after the application of the exemption for fair value as deemed cost, no measurement differences exist between the amounts previously presented and the comparative amounts presented as at 1 February 2009 and for the period ended 31 December 2009. As a consequence, no reconciliation has been presented between the IFRS results and the previous basis of preparation.

Accounting policies

For the year ended 31 December 2010

2.1.4 Changes in accounting policy and disclosures

a) New and amended standards early adopted by the Group

The Group decided to adopt early the Amendments to IFRS 1 - Severe hyperinflation and removal of fixed dates for first time adopters from 31 December 2010, as well as the related consequential amendments to other IFRS's, because the amendment provides an

additional exemption within IFRS 1 for entities which were subject to severe hyperinflation. Refer to note 2.1.1 where the transition to IFRS is discussed in more detail.

b) The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2010.

TABLE A

Standard	Issues	Effective date
IAS 1 (Amendment)	'Presentation of financial statements'	1 January 2010
IAS 36 (Amendment)	'Impairment of assets'	1 January 2010

c) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group.

The following standards, amendments and interpretations have been published and are mandatory for the Group's

accounting periods beginning on or after 1 January 2010 or later periods, but are not relevant to the Group.

TABLE B

Standard	Issues	Effective date
IFRS 2 (amendments)	'Group cash-settled share-based payment transactions'	1 January 2010
IFRS 3 (revised)	'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interest in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period	beginning on or after 1 July 2009
IFRS 5 (amendment)	'Non-current assets held for sale and discontinued operations'.	1 January 2010
IFRIC 9	'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement	1 January 2010
IFRIC 16	'Hedges of a net investment in a foreign operation'	1 July 2010
IFRIC 17	'Distribution of non-cash assets to owners'	1 July 2009
IFRIC 18	'Transfers of assets from customers'	1 July 2009

TABLE C

Standard	Issues	Effective date
IFRS 9	Financial instruments', issued in November 2009	on or after 1 January 2013
IAS 24 (revised)	'Related party disclosures',	on or after 1 January 2011
IAS 32 (amendment)	'Classification of rights issues' issued in October 2009, effective to annual periods beginning	on or after 1 February 2010
IAS 12	'Income Taxes'	1 January 2012
IFRS 7	'Disclosures - Transfer of financial assets',	1 July 2011

d) New standards, amendments and interpretations that are not yet effective for the financial year beginning 1 January 2010 and have not been early adopted.

The Group is still assessing the impact of these new standards and interpretation is set out in table C.

2.1.5 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of the potential voting rights that are currently exercisable or convertible are considered when assessing

whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the the date that control ceases.

Investment in subsidiaries are accounted for at cost less impairment.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changes where necessary to ensure consistency with the policies adopted by the Group.

The Group has no non-controlling interests.

2.3 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is

responsible for allocating resources and assessing performance of the operating segments, has been identified as leader of the executive team that makes strategic decisions.

2.4 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from

Accounting policies

For the year ended 31 December 2010

the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are shown at their fair value, based on periodic, but at least triennial, valuations by external independent valuers or directors, less depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Increases in the amount arising on revaluation are credited to revaluation reserve in the shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of comprehensive income.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or

revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold land	40 years
Plant and equipment	10 to 15 years
Motor vehicles and other equipment	3 to 10 years

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

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

Gains and losses on disposal of assets are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold the amounts included in other reserves are transferred to retained earnings.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes

of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Investment property

Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent professional valuers or directors. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income.

Where investment properties are still being developed, these are classified as capital-work-in-progress and are disclosed under property, plant and equipment.

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At year end the Group had only loans and receivables.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12

months after the reporting date. These are classified as non current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents on the statement of financial position.

Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

2.9 Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities as appropriate.

A financial liability is derecognised when the obligation under liability is discharged, cancelled or expires.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liabilities simultaneously.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of

finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

2.13 Impairment of financial assets. Assets carried at amortised cost

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

Objective evidence that a financial asset or Group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the

Accounting policies

For the year ended 31 December 2010

decrease cannot yet be identified with the individual financial assets in the group including:

- adverse changes in the payment status of borrowers in the portfolio; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring an impairment loss is the current effective interest rate determined under the contract.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the statement of financial position.

2.15 Share capital

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

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method on temporary differences arising

between the tax bases of assets and liabilities and their carrying amounts. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or liability settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associates and subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the holding Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when the deferred income tax assets and liabilities relate to income levied by the same taxation authority on either entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of

Group's activities. Revenue is shown, net of value added tax, returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) *Sales of goods - wholesale*

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibles of the related receivables is reasonably assured.

(b) *Sales of goods - retail*

Sales of goods are recognised when the Group sells a product to the customer.

(c) *Interest income*

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

2.21 Dividend distribution

Dividend distribution to the

company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

2.22 Employee benefits

(a) *Pension obligations*

The Group operates a defined contribution plan, the assets of which are held in a separate self-administered fund. The pension plan is funded by payments from employees and by the Group and by taking account of the recommendations of independent actuaries. The Group has no further payment once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(c) *Share-based payments*

The Group operates an equity settled share-based compensation

Accounting policies

For the year ended 31 December 2010

plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by the fair value of the options granted, excluding the impact of any service vesting condition for example remaining an employee of the entity for over a five year period.

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are satisfied.

Where the Group cannot estimate reliably the fair value of the equity instruments granted at measurement date, the Group measures the equity instruments at their intrinsic value.

When the options are exercised, the company issues new shares. The proceeds received net of any

directly attributable transactions costs, are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over the equity investments to the employees of subsidiary undertaking in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Notes to the financial statements

For the year ended 31 December 2010

		GROUP	
		2010 US\$	2009 US\$
1. REVENUE			
Domestic		15 407 045	7 049 554
Foreign		962 494	239 532
		16 369 539	7 289 086
2. OTHER INCOME			
Rent		6 000	7 250
Scrap sales		55 652	17 337
Foreign exchange gain		12 763	-
Other		1 718	2 860
		76 133	27 447
3. EXPENSES BY NATURE			
Raw materials and consumables		10 855 122	4 184 335
Employee benefit expense (note 3a)		1 511 556	848 631
Directors' emoluments			
- Fees		33 595	23 445
- Other		111 748	96 582
Postage and telephone		47 658	71 193
Canteen		55 455	49 340
Selling and marketing expenses		75 133	39 640
Repairs and maintenance		626 084	329 186
Electricity and water		311 608	202 121
Depreciation		225 380	128 949
Quality and ISO		131 408	101 106
Security		95 071	50 557
Machine running expenses		108 207	44 551
Insurance		46 203	31 557
Secretarial and printing costs		39 145	24 467
Other		417 172	363 486
TOTAL COST OF SALES, SELLING AND MARKETING AND ADMINISTRATION EXPENSES		14 690 544	6 589 146
3a) Employee benefit expense			
Wages and salaries - executive		324 101	548 126
Wages and salaries - non executive		1 076 672	208 414
Social security		9 975	18 802
Pension costs		98 685	36 672
Share options		2 123	36 617
		1 511 556	848 631

Notes to the financial statements

For the year ended 31 December 2010

		GROUP	
		2010 US\$	2009 US\$
4. FINANCE COSTS AND INCOME			
Interest paid - bank borrowings		152 025	24 249
Interest received		(732)	(1 338)
Net finance costs		151 293	22 911
5. TAXATION			
Current income tax (including levies)		508 912	265 084
Deferred income tax credit		(72 378)	-
		436 534	265 084
Reconciliation of rate of taxation		%	%
Standard rate		25.8	30.9
Deferred tax credit		(5.0)	-
Expenses not deducted for tax purposes		6.4	7.1
Effective rate		27.2	38.0
6. EARNINGS PER SHARE			
(a) Basic earnings per share			
Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.			
Profit attributable to shareholders (US\$)		1 167 301	431 809
Weighted average number of ordinary shares in issue		32 364 278	32 283 584
Basic earnings per share (cents)		4	1
(b) Diluted earnings per share			
Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive ordinary shares.			
Profit attributable to shareholders (US\$)		1 167 301	431 809
Weighted average number of shares in issue		32 364 278	32 283 584
Share options outstanding at year end		548 333	281 666
		32 912 611	32 565 250
Diluted earnings per share (cents)		4	1

Notes to the financial statements

For the year ended 31 December 2010

GROUP					
	Land US\$	Buildings US\$	Plant and equipment US\$	Motor vehicles US\$	Total US\$
7. PROPERTY, PLANT AND EQUIPMENT					
Year ended 31 December 2010					
Opening net book amount	222 000	1 420 035	2 570 699	254 327	4 467 061
Additions	-	-	-	239 871	239 871
Disposal	-	-	-	(25 875)	(25 875)
Depreciation charge	-	(35 575)	(122 569)	(67 160)	(225 304)
Closing net book amount	222 000	1 384 460	2 448 130	401 163	4 455 753
At 31 December 2010					
Cost or valuation	222 000	1 423 000	2 580 913	468 071	4 693 984
Accumulated depreciation	-	(38 540)	(132 783)	(66 908)	(238 231)
Net book amount	222 000	1 384 460	2 448 130	401 163	4 455 753
Opening net book amount	-	-	-	-	-
Deemed cost at 1 February 2009	105 143	765 828	2 206 227	135 500	3 212 698
Additions	-	-	-	3 564	3 564
Revaluation surplus	116 857	671 531	447 255	144 105	1 379 748
Depreciation charge	-	(17 324)	(82 783)	(28 842)	(128 949)
Closing net book amount	222 000	1 420 035	2 570 699	254 327	4 467 061
At 31 December 2009					
Cost or valuation	222 000	1 423 000	2 580 913	258 200	4 484 113
Accumulated depreciation	-	(2 965)	(10 214)	(3 873)	(17 052)
Net book amount	222 000	1 420 035	2 570 699	254 327	4 467 061

The group's property, plant and equipment were last revalued on 30 November 2009 by independent valuers. Valuations were made on the basis of recent market transactions on an arm's length basis for land and buildings and depreciated replacement cost for plant and equipment. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in other reserves in shareholders' equity.

Depreciation expense of \$180 304 (2009: \$103 160) has been charged in 'cost of sales', and \$45 000 (2009: \$25 789) in administration expenses.

If property, plant and equipment were stated on the deemed cost basis, the amounts would be as stated

GROUP					
	Land US\$	Buildings US\$	Plant and equipment US\$	Motor vehicles US\$	Total US\$
Cost	105 143	765 828	2 206 227	378 935	3 456 133
Accumulated depreciation	-	(31 328)	(158 332)	(54 478)	(244 138)
	105 143	734 500	2 047 895	324 457	3 211 995

Notes to the financial statements

For the year ended 31 December 2010

		COMPANY
		US\$ Land
8. INVESTMENT PROPERTY		
Year ended 31 December 2010		
Opening net book amount		222 000
Closing net book amount		222 000
Year ended 31 December 2009		
Deemed cost at 1 February 2009		105 143
Fair value gain		116 857
Closing net book amount		222 000
At 31 December 2009		
Cost or valuation		222 000
Net book amount		222 000

		COMPANY		
		2010 US\$	2009 US\$	1 February 2009 US\$
9.	INVESTMENTS			
	Investment in subsidiary:			
	Shares at cost	-	-	-
	Share option recharge	49 840	45 950	-

The investment in the subsidiary comprises 100% shareholding in BICC Central Africa (Private) Limited.

		GROUP		
		2010 US\$	2009 US\$	1 February 2009 US\$
10.	INVENTORIES			
	Raw materials and consumables	2 288 785	839 025	627 718
	Work in progress	641 067	300 159	327 795
	Finished stock	1 036 419	748 722	577 594
		3 966 271	1 887 906	1 533 107

Cost of raw materials and consumables recognised as an expense included in cost of sales amounted to \$10 855 122 (2009: \$4 184 335)

Notes to the financial statements

For the year ended 31 December 2010

GROUP			
	2010 US\$	2009 US\$	1 February 2009 US\$
11. FINANCIAL INSTRUMENTS BY CATEGORY			
Assets as per statement of financial position:			
Trade and other receivables excluding pre-payments	1 893 666	1 396 697	144 068
Cash at bank	371 693	40 622	37 405
	<u>2 265 359</u>	<u>1 437 319</u>	<u>181 473</u>
Other financial liabilities			
Liabilities as per statement of financial position:			
Trade and other payables excluding statutory liabilities	2 891 528	1 048 674	132 362
Borrowings	-	22 170	-
	<u>2 891 528</u>	<u>1 070 844</u>	<u>132 362</u>
12. TRADE AND OTHER RECEIVABLES			
Trade receivables	1 818 690	1 395 590	139 569
Less: allowance for impairment of trade receivables	(6 101)	-	-
	<u>1 812 589</u>	<u>1 395 590</u>	<u>139 569</u>
Trade receivables - net	1 812 589	1 395 590	139 569
Prepayments	131 806	168 022	46 494
Other receivables	81 077	1 107	4 500
	<u>2 025 472</u>	<u>1 564 719</u>	<u>190 563</u>
At 31 December 2010, the ageing analysis of trade receivables is as follows:			
0 to 14 days	1 349 556	949 754	
14 to 30 days	446 258	445 836	
30-60 days	16 775	-	
	<u>1 812 589</u>	<u>1 395 590</u>	

As at 31 December 2010 trade receivables of \$469 134 (2009: \$167 745) were past due. Of this balance \$463 033 was not impaired while \$6 101 was impaired and provided for. The trade receivable balance that is past due but not impaired relates to a number of independent customers for whom there is no recent history of default. The impaired receivables were in respect of wholesaling customers which are in unexpectedly difficult financial situations.

Notes to the financial statements

For the year ended 31 December 2010

12. TRADE AND OTHER RECEIVABLES (*continued*)

The carrying amounts of the Group's trade and other receivables are denominated in US\$.

The movement on the allowance for impairment of trade receivable is as follows:

	GROUP	
	2010 US\$	2009 US\$
At 1 January	-	-
Allowance for impairment	6 101	-
At 31 December 2010	6 101	-

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The fair value of trade and other receivables approximate the carrying values.

The Group does not hold any collateral as security.

13. CASH AND CASH EQUIVALENTS

Cash at bank
Bank overdraft

	GROUP		
	2010 US\$	2009 US\$	1 February 2009 US\$
Cash at bank	371 693	40 622	37 405
Bank overdraft	-	(22 170)	-
	371 693	18 452	37 405

Notes to the financial statements

For the year ended 31 December 2010

14. SHARE CAPITAL

14.1 Authorised

50 000 000 Ordinary shares of US\$0.001 each.

	GROUP AND COMPANY			
	Number of shares US\$	Ordinary shares US\$	Share premium US\$	Total US\$
14.2 Issued and fully paid				
At 1 January 2010	32 327 334	324	9 333	9 657
Employee share option scheme: Shares issued	88 333	-	1 767	1 767
At 31 December 2010	32 415 667	324	11 100	11 424
At beginning of year	32 269 000	-	-	-
Employee share option scheme: Shares issued	58 334	-	9 333	9 333
At 31 December 2009	32 327 334	-	9 333	9 333

The unissued share capital is under the indefinite control of the directors subject to limitations of the Companies Act and the Zimbabwe Stock Exchange regulations.

The company's shares capital was redenominated to US\$ in 2010.

Notes to the financial statements

For the year ended 31 December 2010

14.3 Share option scheme

The directors were empowered to allot 3 232 700 unissued ordinary shares to senior personnel for the purpose of fulfilling the requirements of the share option scheme. The exercise price of the granted options is equal to the market prices of the shares on the date of the grant. Under the old scheme, options granted were exercisable before 31 December 2013 at a price of 2 cents per share. Under the new scheme, share options granted are exercisable before 31 December 2014 at a price of 12 cents per share. The Group has no legal or constructive obligation for repurchase or to settle the options in cash.

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

OLD SCHEME	Number of shares	Exercise price per share \$	Total US\$
Options authorised	807 000	-	-
Options cancelled	467 000	-	-
Granted	340 000	0.02	6 800
Options exercised in 2009	58 334	0.02	1 167
Options exercised in 2010	88 333	0.02	1 767
Options in 2009 but not exercised	40 000	0.02	800
Options granted in 2010 but not exercised	40 000	0.02	800
Options to be exercised in 2011	113 333	0.02	2 267
	340 000	-	6 800

Shares options outstanding at the end of the year expire on 31 December 2013 and have the following exercisable prices:

	Number of shares	Exercise price per share \$	Total US\$
Options granted in 2009 but not exercised	40 000	0.02	800
Options granted in 2010 but not exercised	40 000	0.02	800
Options to be exercised in 2011	113 333	0.02	2 267
Total	193 333	-	3 867

Notes to the financial statements

For the year ended 31 December 2010

14.3 Share option scheme (continued)

NEW SCHEME	Number of shares	Exercise price per share \$	Total US\$
Options authorised	3 232 700	-	-
Granted	355 000	0.12	42 600

Under the new share option scheme, share options outstanding at the end of the year expire on 31 December 2014 and have the following exercisable prices:

Options to be exercised in 2012	118 333	0.12	14 200
Options to be exercised in 2013	118 333	0.12	14 200
Options to be exercised in 2014	118 333	0.12	14 200
	355 000		42 600

The share-based transactions have been valued using the intrinsic value method, because the fair value of the instruments cannot be estimated reliably. The intrinsic value is the difference between the market value of the share to which the employee has the right to subscribe or which the employee has the right to receive, and the price the employee is required to pay for those shares.

There are no vesting conditions.

The movement on the share option reserve is as follows:

At beginning of year
Charge to income statement

At 31 December

GROUP	
2010 US\$	2009 US\$
36 617	-
2 123	36 617
38 740	36 617

Notes to the financial statements

For the year ended 31 December 2010

		GROUP		
		2010	2009	1 February 2009
		US\$	US\$	US\$
15. REVALUATION RESERVE				
At beginning of year		1 239 283	-	-
Gain on revaluation of property, plant and equipment		-	1 379 748	-
- gross deferred tax on gain on revaluation of property, plant and equipment		-	(140 465)	-
At 31 December		1 239 283	1 239 283	-
16. NON-DISTRIBUTABLE RESERVE				
Balance at beginning of year		3 891 992	-	-
Arising during the year		-	3 891 992	3 891 992
Transfer to share capital		(324)	-	-
Balance at 31 December		3 891 668	3 891 992	3 891 992

COMPANY			
	2010	2009	1 February 2009
	US\$	US\$	US\$
Balance at beginning of year	99 886	-	-
Arising during the year	-	99 886	99 886
Transfer to share capital	(324)	-	-
Balance at 31 December	99 562	99 886	99 886

The non-distributable reserve arose as the net effect of restatement in US\$ of assets and liabilities previously denominated in Zimbabwe dollars on 1 February 2009.

		GROUP		COMPANY	
		2010	2009	2010	2009
		US\$	US\$	US\$	US\$
17. DEFERRED TAXATION					
The movement in deferred income tax and liabilities is as follows:					
At beginning of year		1 089 885	-	11 100	-
Deemed balance at 1 February 2009		-	949 420	-	5 257
Credit to income statement		(72 378)	-	-	-
Charge to other comprehensive income		-	140 465	-	5 843
As at 31 December		1 017 507	1 089 885	11 100	11 100

Notes to the financial statements

For the year ended 31 December 2010

17. DEFERRED TAXATION (continued)

	GROUP		
	Deemed cost US\$	Revaluation US\$	Total US\$
At 1 January 2010	949 420	140 465	1 089 885
Credit to comprehensive income	(72 378)	-	(72 378)
Balance 31 December 2010	877 042	140 465	1 017 507
At 1 February 2009	949 420	-	949 420
Charge to other comprehensive income	-	140 465	140 465
Balance 31 December 2009	949 420	140 465	1 089 885
	COMPANY		
At 1 January 2010	11 100	-	11 100
Credit to comprehensive income	-	-	-
Balance 31 December 2010	11 100	-	11 100
At 1 February 2009	5 257	-	5 257
Charge to other comprehensive income	5 843	-	5 843
Balance 31 December 2009	11 100	-	11 100

	GROUP		COMPANY	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Deferred tax assets:				
Deferred tax liabilities: to be recovered after more than 12 months	(44 493)	-	-	-
Deferred tax liabilities: to be recovered within 12 months	-	-	-	-
	(44 493)	-	-	-
Deferred tax liabilities:				
Deferred tax liabilities: to be recovered after more than 12 months	1 032 175	1 056 310	11 100	11 100
Deferred tax liabilities: to be recovered within 12 months	29 825	33 575	-	-
	1 017 507	1 089 885	11 100	11 100
Net deferred tax liabilities	1 017 507	1 089 885	11 100	11 100

18. TRADE AND OTHER PAYABLES

	2010 US\$	2009 US\$	1 February 2009 US\$
Trade	2 596 035	974 132	42 893
Accrued expenses	169 981	15 045	89 468
	2 766 016	989 177	132 361

Notes to the financial statements

For the year ended 31 December 2010

19. PROVISIONS FOR OTHER LIABILITIES

	GROUP		
	Bonus US\$	Leave pay US\$	Total US\$
At 1 January 2010	100 800	28 694	129 494
Charged to income statement:			
Additional provision	110 880	18 040	128 920
Utilised	(100 800)	-	(100 800)
At 31 December 2010	110 880	46 734	157 614
Analysis of total provisions:			
Non-current			-
Current			157 614
			157 614
At beginning of year	-	-	-
Charged to income statement:			
Additional provision	100 800	28 694	129 494
	100 800	28 694	129 494
Analysis of total provisions:			
No-current			-
Current			129 494
			129 494

20. BORROWINGS

Current:
Bank overdraft

Maximum permitted borrowings in terms of the company's Articles of Association (50% shareholders' funds)

GROUP		
2010 US\$	2009 US\$	1 February 2009 US\$
-	22 170	-
3 390 113	2 804 517	-

21. CAPITAL COMMITMENTS

As at 31 December 2010 there were no capital commitments authorised by the directors or contracted for.

22. CONTINGENT LIABILITIES

As at 31 December 2010 there were no contingent liabilities.

23. PENSION BENEFITS

CAFCA Pension Fund

The group provides for pensions on retirement of all employees by means of a self-administered defined contribution pension fund. Contributions are made by both the group and the employees at a rate of 11.5% and 7% respectively. All employees including working directors on the full-time permanent staff of the employer are eligible to be permanent members of the fund.

National Social Security Authority Scheme

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

Contributions recognised as an expense for the year are:
CAFCA Pension Fund
NSSA

GROUP	
2010 US\$	2009 US\$
98 685	39 329
9 975	3 499
108 660	42 828

Notes to the financial statements

For the year ended 31 December 2010

24. RELATED PARTY TRANSACTIONS

CBI - Electric African Cables Limited, owns 71% of the company.

The remaining 29% of the shares are widely held.

The following transactions were carried out with related parties:

Purchases during the year from the holding company

CBI - Electric African Cables Limited

CBI - ATC

Goods and services are bought from related parties on commercial terms and conditions

Year-end balances arising from purchase of goods/services

Payable to related parties:

CBI - Electric African Cables Limited

Remuneration to key management:

Salaries and other short-term benefits

Share options

There were no loans made to directors or key management of the Group.

GROUP	
2010 US\$	2009 US\$
2 658 962	746 913
568 354	-
3 227 316	746 913
294 907	-
324 101	208 414
2 123	36 617
326 224	245 031

25. SEGMENTAL ANALYSIS

Segment information

Management has determined the operating segments based on the reports reviewed by the executive team that are used to make strategic decisions.

The group has one product line and operates in one industry sector.

US\$15 407 045 revenue is primarily from external customers who are domiciled in Zimbabwe, and US\$962 494 revenue is from external customers domiciled in Malawi and South Africa. Revenues from transactions with single external customers that amounted to 10% or more each, of the group's revenues, total approximately \$11 117 080.

Segment information provided to the executive team for the geographical reportable segments for the year ended 31 December 2010 is as follows:

	2010			2009		
	Zimbabwe US\$	Other US\$	Total US\$	Zimbabwe US\$	Other US\$	Total US\$
Revenue from external customers	15 407 045	962 494	16 369 539	7 049 554	239 532	7 289 086
Profit before interest and taxation	1 755 128	-	1 755 128	719 804	-	719 804
Net interest	151 293	-	151 293	22 911	-	22 911
Income tax expense	436 534	-	436 534	265 084	-	265 084
Total assets	10 819 189	-	10 819 189	7 960 308	-	7 960 308
Total liabilities	4 038 964	-	4 038 964	2 351 274	-	2 351 274

Notes to the financial statements

For the year ended 31 December 2010

25. SEGMENTAL ANALYSIS *(continued)*

Segment information *(continued)*

The segment information provided to the to the executive team for the product reportable segments for the year ended 31 December is as follows:

	2010		2009	
	Cables US\$	Total US\$	Cables US\$	Total US\$
Revenue from external customers	16 369 539	16 369 539	7 289 086	7 289 086
Profit before interest and taxation	1 755 128	1 755 128	719 804	719 804
Net interest	151 293	151 293	22 911	22 911
Income tax expense	436 534	436 534	265 084	265 084
Total assets	10 819 189	10 819 189	7 960 308	7 960 308
Total liabilities	4 038 964	4 038 964	2 351 274	2 351 274

26. FINANCIAL RISK MANAGEMENT

26.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

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

(a) Market risk

i) Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currency exposures on purchases that are denominated in a currency other than the US\$, primarily with respect to the South African Rand (ZAR). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy requiring the Group to manage its foreign exchange risk against their functional currency. Management monitors exposures to foreign exchange risk on an ongoing basis, and tries to match foreign currency inflows and outflows.

At 31 December 2010, the Group had balances owing denominated in South African Rand amounting to ZAR 5 848 493 and balances owed by the Group amounting to ZAR 1 825 426. In 2009 the Group had no outstanding balances denominated in foreign currencies.

At 31 December 2010, if the currency had weakened/strengthened by 10% against the South African Rand with all other variables held constant, post tax for the year would have been \$37 200 higher or lower, mainly as a result of foreign exchange gains/losses on translation of South African Rand denominated trade receivables and trade payables.

Notes to the financial statements

For the year ended 31 December 2010

26.1 Financial risk factors (continued)

i) Price risk

The group is not exposed to equity security price risk, as has no investments in equities. The group is not exposed to commodity price risk.

iii) Cash flow and fair value interest rate risk

As the group has no significant interest-bearing assets, the group's income is substantially independent of changes in market interest rates.

The group's interest rate risk arises from short-term borrowings. The group has no borrowings issued at variable rates and is therefore not exposed to cashflow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. As at 31 December 2010 the group had no borrowings.

(b) Credit risk

Credit risk is the risk that one party to the financial instrument will cause a financial loss to the other party by failing to discharge a contract. The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding trade receivables. The Group analyses credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Only approved financial institutions with sound capital bases are utilised to invest surplus funds. For customers, risk control assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. In the view of management the credit quality of trade receivables is considered sound and there is no recent history of default.

No credit limits were exceeded during the reporting period and management does not expect any significant losses from non-performance by counter parties.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	GROUP	
	2010 US\$	2009 US\$
Trade receivable, gross		
- Trade receivables from customers	1 818 690	1 395 590
Cash and cash equivalents	371 693	18 452
	2 190 383	1 414 042
The fair value of cash and cash equivalents at 31 December approximates the carrying amount.		
Analysis by credit quality of financial assets is as follows:		
Neither past due nor impaired		
- Trade receivables	1 349 556	1 227 845
- Cash and cash equivalents	371 693	18 452
Total neither past nor impaired	1 721 249	1 246 297
Past due but not impaired		
- less than 14 days overdue	446 258	167 745
- 30-60 days overdue	16 775	-
Total past due but not impaired	463 033	167 745
Past due and impaired	6 101	-
Total	2 190 383	1 414 042

There are no significant concentrations of credit risk with respect to cash and cash equivalents as the Group holds cash accounts with large financial institutions with sound financial and capital cover.

Notes to the financial statements

For the year ended 31 December 2010

26.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to mitigate against any liquidity risk by maintaining flexibility in funding by having in place committed credit lines.

Liquidity risk is the risk that the group may fail to meet its payment obligations when they fall due. The group identifies this risk through periodic analysis of liquidity gaps and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps.

Liquidity profiling as at 31 December

Liabilities

Trade and other payables

Borrowings

Total liabilities

Assets

Trade and other receivables

Cash and bank

Total assets

Liquidity cover

GROUP	
2010 Up to 1 month US\$	2009 Up to 1 month US\$
2 766 016	1 118 671
-	22 170
2 766 016	1 140 841
1 893 666	1 564 719
371 693	40 622
2 265 359	1 605 341
(500 657)	464 500

The group determines ideal weights for maturity time buckets, which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through conversion of inventories to sales, and utilising short-term borrowing where necessary.

The amounts above are undiscounted contractual cash flows.

26.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated 'equity' on the consolidated statement of financial position plus debt.

The group had no borrowings as at 31 December 2010.

27. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

a) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact deferred income tax provisions in the period in which such determination will be made.

b) Useful lives of plant, equipment and motor vehicles

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

c) Fair values

The group also makes estimates and judgements in the valuation of property, plant and equipment, financial assets and other non-financial assets. Judgement is required in determining fair values of assets. The group may also rely on independent opinions of experts in the related fields.

28. SUBSEQUENT EVENTS

There were no subsequent events that would have any effect on these financial statements.

29. PROFIT/LOSS - PARENT COMPANY

The profit attributable to the parent company is nil (2009: \$111 014)

Value added statement

For the year ended 31 December 2010

	GROUP			
	2010 US\$	%	2009 US\$	%
Wealth created				
Revenue	16 369 539	513	7 289 086	472
Other income	76 133	2	27 447	1
Less: bought in material	(13 256 903)	(415)	(5 771 009)	(373)
Value added by the Group	3 188 769	100	1 545 524	100
Wealth distribution				
To employees:				
remuneration and benefits	1 511 556	47	848 631	55
To government: taxation	509 912	16	265 084	17
Retained	1 167 301	37	431 809	28
Total	3 188 769	100	1 545 524	100

Ratios and statistics

	2010	2009	2008	2007	2006
Share performance					
Number of shares (000)	32 416	32 327	32 269	32 269	32 269
Attributable earnings per share (cents)	3.61	1.34	-	-	-
Diluted earnings per share (cents)	3.55	1.33	-	-	-
Price: earnings' ratio	4.43	11.23	-	-	-
Market capitalisation	5 186 507	4 489 100	-	-	-
Market price per share (cents)	16	15	-	-	-
Price at year end (cents)	16	15	-	-	-
Ratios and returns					
Profitability (%)					
Operating margin	10	10	-	-	-
Return on equity	19	8	-	-	-
Income after tax to capital employed	17	8	-	-	-
Solvency					
Financial gearing ratio	-	0.33	-	-	-
Interest cover (times)	12	31	-	-	-
Total interest-bearing debt to shareholders' funds	-	0.40	-	-	-
Total liabilities to shareholders' funds	60	42	-	-	-
Liquidity					
Current assets to interest-free liabilities and short-term borrowings	2	1.49	-	-	-
Productivity					
Turnover per employee	118 620	55 220	-	-	-
Turnover to payroll (times)	11	8	-	-	-
Shareholders' funds to turnover	41	77	-	-	-
Other					
Number of employees	138	132	-	-	-
Number of shareholders	382	355	-	-	-

Group performance review

	2010	2009	2008	2007	2006
METAL SALES (tonnes)	1 511	795	508	1114	502

FINANCIAL	US\$	US\$			
Turnover	16 369 539	7 289 086	-	-	-
Domestic	15 407 045	7 049 554	-	-	-
Exports	962 494	239 532	-	-	-
Profit before tax	1 603 835	696 893	-	-	-
Profit attributable to shareholders	1 167 301	431 809	-	-	-
Dividend	-	-	-	-	-
Capital expenditure	239 871	3 564	-	-	-
Shareholders' funds	6 780 225	5 609 034	-	-	-

Analysis of shareholders

Top 20 shareholders as at 31 December 2010

	SHAREHOLDER NAME	Number of shares	% of Total
1	CBI-ELECTRIC AFRICAN CABLES	23,078,484	71.20
2	MESSINA INVESTMENTS	3,785,230	11.68
3	RADIA, PRAKASH	442,825	1.37
4	MUKARO , JOHN	412,916	1.27
5	SCAIFLOW INVESTMENTS (PRIVATE) LIMITED	306,540	0.95
6	FARM AND TRADE	250,744	0.77
7	FREDEX FINANCIAL SERVICES (PRIVATE) LIMITED	238,926	0.74
8	TRUST HOLDINGS LIMITED	168,036	0.52
9	EDWARDS NOMINEES (PRIVATE) LIMITED (NNR)	141,816	0.44
10	AVENELL INVESTMENTS (PRIVATE) LIMITED	141,207	0.44
11	STEPHENSON, P. H	130,000	0.40
12	ARMADA (PRIVATE) LIMITED	128,261	0.40
13	ALPHA ASSET MGT NOMINEES (Private) Limited	121,938	0.38
14	GEZMARK INVESTMENTS (PVT) LTD	120,549	0.37
15	MACELINK INVESTMENTS (PRIVATE) LIMITED	103,010	0.32
16	DELOWARE TRADING(PVT) LTD	86,667	0.27
17	PATSANZA, LAMBERT	60,000	0.19
18	ZESA ENTERPRISES (PVT) LTD NO 4 ACCOUNT,	59,346	0.18
19	MURINGAI, GIBSON	57,170	0.18
20	REMO NOMINEES	53,238	0.16
	OTHER	2,528,764	7.80
		32,415,667	100.00

Analysis of shareholding

		Number of shareholders	%	Number of shares	%
1	- 500	129	34	20,723	0.06
501	- 1 000	56	15	42,826	0.13
1 001	- 5 000	103	26	256,718	0.79
5 001	- 10 000	29	8	197,800	0.61
10 001	- 50 000	41	11	925,001	2.85
50 001	- 100 000	7	2	505,610	1.56
100 001 and above		17	4	30,466,989	93.99
Total		382	100	32,415,667	100.00

Shareholders' calendar 2010 - 2011

2010 annual report distributed	April 2011	2011 results announced	February 2012
65 th Annual General Meeting	May 2011	2011 annual report	April 2012
2011 half-year results announced	August 2011	66 th Annual General Meeting	May 2012
Dividend dates: Nil			

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 65th annual general meeting of the members of CAFCA Limited will be held in the boardroom at the company's registered office at 54 Lytton Road, Workington, Harare, at 12.00 noon on Thursday 19 May 2011 for the following purposes:

1. To receive and consider the directors' report, audited financial statements and the report of the auditors for the year ended 31 December 2010.
2. To appoint Messrs PricewaterhouseCoopers as auditors for the ensuing year.
3. To approve the audit fees for the year.
4. To re-elect as directors E.T.Z Chidzonga, T.A.Taylor and A.E Dickson

Notes

1. A member entitled to vote at the above meeting may appoint one or more proxies as alternate or alternates to attend the meeting, to vote and speak in the member's stead.

A proxy need not be a member

2. Proxy forms must be lodged with the company secretary at least 48 hours before the commencement of the meeting.
3. For further information on voting procedures, see the notes on the proxy information sheet.

Proxy information

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

