

SENS ANNOUNCEMENT
(the “Notice” or “Announcement”)

ISSUER



CAVMONT CAPITAL HOLDINGS ZAMBIA PLC [“CAVMONT”]
[Incorporated in the Republic of Zambia]

Company registration number: 41902
Share Code: CCHZ
ISIN: ZM0000000227
Authorised by: Rita Ndhlovu – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

Contact Person: Chitalu Andrew Kabalika
Contact Number: +260-211-232456
Website: www.sbz.com.zm

APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 26 September 2019

GROUP FINANCIAL PERFORMANCE

Operational overview

Cavmont Capital Holdings Zambia Plc (“the Company”), with Cavmont Bank Limited (“the Bank”) as its wholly owned subsidiary together referred to as (“the Group”), reported a set of results which showed improvement compared to the prior year with a significantly reduced loss before tax compared to the previous period. The Group reported a loss before tax of K16.6m for the year ended 30 June 2019 (June 2018: loss of K50.3m).

Net interest income for the year has grown by 32.9% from the prior year on the back of underlying credit growth on the balance sheet with gross loans and advances of K760m compared to K653m in the previous year. Asset growth will be selective with a focus on quality assets to protect earnings from material impairment charges going forward.

Non-interest reported strong growth at 25.7% compared to the prior year. This is mainly attributable to increased trading volumes and improved margins on foreign exchange transactions on the back of exchange rate volatility.

The Group adopted IFRS 9 on 1 July 2018, which increased impairment provisions across the entire industry. The Group elected not to restate comparative figures which are disclosed under IAS39. The initial adoption of IFRS 9 was material, reducing opening reserves on 1 July 2018 by K58.2m and accounting for most of the reduction in equity for the period.

Operating expenses increased by K24.7m year-on-year on the back of increased investment in infrastructure as well as general inflationary increases. The restructuring exercise carried out after the year end is expected to bring in operational efficiencies and slow down future cost growth whilst still delivering on client expectations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
for the year ended 30 June				
	2019		2018	
	K'000	K'000	K'000	K'000
	Group	Company	Group	Company
Net interest income	82,835	-	62,314	-
Impairment recoveries / (losses) on loans and advances	7,528	-	(18,829)	-
Net interest income after loan impairment	90,363	-	43,485	-
Non-interest income	56,401	259	44,846	-
Operating income	146,764	259	88,331	-
Operating expenses	(163,352)	-	(138,651)	-
(Loss)/ profit before income tax	(16,588)	259	(50,320)	-
Income tax Credit	765	-	8,665	-
(Loss) / profit for the period	(15,823)	259	41,665	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(15,823)	259	41,665	-
Basic and Diluted (loss) (Kwacha per share)	(0.139)	0.002	(0.365)	-

Overall asset growth remained subdued at below 10% when impact of IFRS 9 is taken into account. Despite the minimal growth in net loans and advances, which has been adversely impacted by IFRS 9, the Group remains committed to supporting our customers from all sectors of the economy through responsible and prudent lending.

On the funding side, the Group recorded a 5.8% growth in its customer deposits for the year ended 30 June 2019 closing at K942.6m compared to K890.7m as at 30 June 2018. Preference shares of K76.0m, which meets the requirements for classification as tier 1 capital were issued by the Group during the year which ensured that it continued to meet minimum regulatory capital requirements.

Capital

The Bank remains well capitalised with a capital adequacy ratio of 15.1% as at 30 June 2019. Regulatory capital exceeded the regulatory minimum of K104.0m for local banks by K36.5m on the reporting date.

Prospects

While the operating environment remains challenging, the Group is in the process of executing its turn-around strategy. There is a focus on selective growth to improve the overall quality of the statement of financial position, while particular attention will be paid to operational efficiencies and recoveries and rehabilitation of non-performing loans. Post the financial year end, the Group has undergone a restructuring process to improve operational efficiencies which saw a reduction in the overall number of branches and staff.

Basis of presentation

The consolidated results of Cavmont Capital Holdings Plc for the year ended 30 June 2019 from which this information is derived, have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia of 2017. The condensed consolidated results are the responsibility of the directors.

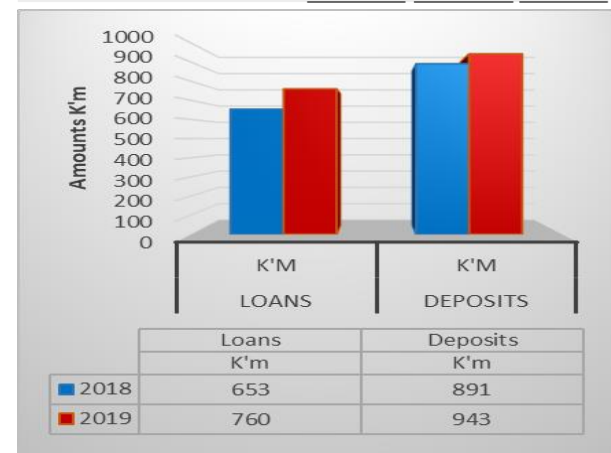
By Order of the Board

Rita Mapara Ndhlovu
Company Secretary

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
As at 30 June					
	2019		2018		
	K'000	K'000	K'000	K'000	
	Group	Company	Group	Company	
Assets					
Loans and advances	686,466	-	635,666	-	
Investment in subsidiary	-	149,750	-	149,750	
Investment securities	196,540	-	181,657	-	
Cash and balances with banks	184,686	106	173,849	102	
Other assets	185,047	-	174,619	109	
Total assets	1,252,739	149,856	1,165,791	149,961	
Equity and Liabilities					
Customer deposits	942,591	-	890,718	-	
Redeemable preference shares	126,006	-	50,006	-	
Other liabilities	183,860	-	149,241	364	
Shareholders' Equity	282	149,856	75,826	149,597	
	1,252,739	149,856	1,165,791	149,961	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS				
for the year ended 30 June				
	2019		2018	
	K'000	K'000	K'000	K'000
	Group	Company	Group	Company
Net cash (utilized)/generated in operating activities	(33,926)	4	11,837	-
Net cash utilised in investing and activities	(34,816)	-	(15,409)	-
Inflows from Financing activities	76,000	-	-	-
Increase/(Decrease) in cash and cash equivalents	7,258	4	(3,572)	-
Cash and cash equivalent at the beginning of the Period	129,288	102	132,860	102
Increase/ (Decrease)	7,258	4	(3,572)	-
Cash and cash equivalents at the end of the period	136,546	106	129,288	102

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY			
	Share Capital and premium	Reserves	Total
	K'000	K'000	K'000
Group			
Balance as at 1 July 2018	149,554	(73,728)	75,826
Impact of IFRS 9 and 15 adoption	-	(59,721)	(59,721)
Restated Opening Balance under IFRS 9	149,554	(133,449)	16,105
Loss for the period	-	(15,823)	(15,823)
Balance as at 30 June 2019	149,554	(142,272)	282
Company			
Balance as at 1 July 2018	149,554	43	149,597
Profit for the period	-	259	259
Balance as at 30 June 2019	149,554	302	149,856



Issued in Lusaka, Zambia on 26 September 2019

Lusaka Securities Exchange Sponsoring Broker



STOCKBROKERS ZAMBIA LIMITED

T | +260-211-232456

E | advisory@sbz.com.zm

W | www.sbz.com.zm

Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

First Issued on 26 September 2019