

**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](http://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: 28 March 2019**

## CAVMONT CAPITAL HOLDINGS ZAMBIA PLC

### The consolidated results of the group for the 6 months ended 31 December 2018



CAVMONT CAPITAL HOLDINGS ZAMBIA PLC

#### GROUP FINANCIAL PERFORMANCE

##### Operational overview

Cavmont Capital Holdings Zambia Plc (“the Group”), with Cavmont Bank Limited (“the Bank”) as its wholly owned subsidiary, reported a set of results which demonstrate recovery from the previous 6 months ended 30 June 2018. The Group reported a loss of K15.7m for the six months ended 31 December 2018 (June 2018: loss of K50.0m; December 2017: profit of K0.3m).

Net interest income for the period ended 31 December 2018 reduced slightly on the back of low growth in interest-bearing assets, while cost of funding increased as a result of low market liquidity. Asset growth will continue to be selective with a focus on quality assets to protect earnings from material impairment charges.

Non-interest income reported the strongest growth at 20.7% compared to the six months ending 31 December 2017. This is mainly attributable to increased trading volumes and improved margins on foreign exchange transactions due to volatility experienced in the Kwacha during the period under review.

The performance of the Group has, however, been adversely impacted by increased impairment charges and operating expenses.

Impairment charges for the period are higher mainly on account of the implementation of IFRS 9 on 1 July 2018, which increased impairment provisions across the entire industry. The impact of IFRS 9 was material, reducing opening reserves on 1 July 2018 by K53.3m and accounting for most of the K8,5m increase in impairment losses in the statement of comprehensive income.

Operating expenses increased by K19.5m year-on-year on the back of increased investment in infrastructure and in staff in order to upskill the Group’s workforce which included the on-boarding of key new human capital resources as a performance enhancement strategy and to remain relevant within the industry. Following an investment period of high expense growth, the expectation is for expenses growth rates to taper down in future as the Group now focuses on achieving operational efficiencies and improving business processes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
for the 6 months to December		
	2018	2017
	K'000	K'000
<b>Net interest income</b>	<b>34,557</b>	<b>36,095</b>
Impairment losses on loans and advances	(8,544)	(93)
<b>Net interest income after loan impairment</b>	<b>26,013</b>	<b>36,002</b>
Non-interest income	30,065	25,154
<b>Operating income</b>	<b>56,078</b>	<b>61,156</b>
Operating expenses	(80,176)	(60,722)
<b>Profit / (loss) before income tax</b>	<b>(24,098)</b>	<b>434</b>
Income tax (Debit) Credit	8,434	(152)
<b>Profit / (Loss) for the period</b>	<b>(15,664)</b>	<b>282</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>(15,664)</b>	<b>282</b>
<b>Basic and Diluted (loss) /earnings per share (Kwacha per share)</b>	<b>(0.1373)</b>	<b>0.0025</b>

Asset growth remained subdued with held-to-maturity investments showing the largest growth of 23.5%. 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 5.6% growth in its customer deposits for the period to 31 December 2018 closing at K820.0m compared to K776.1m as at 31 December 2017. Preference shares of K76.0m, which meets the requirements for classification as tier 1 capital were issued by the Bank during December 2018 which ensured that it continued to meet minimum regulatory capital requirements.

##### Capital

The Bank remains well capitalised with a capital adequacy ratio of 15.8% as at 31 December 2018. Regulatory capital exceeded the regulatory minimum of K104.0m for local banks by K36.6m 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.

The Group is confident that the investments that have been made to improve the infrastructure and upskill the work force will contribute positively to turning around the business and to achieve sustainable results for its various stakeholders.

##### Basis of presentation

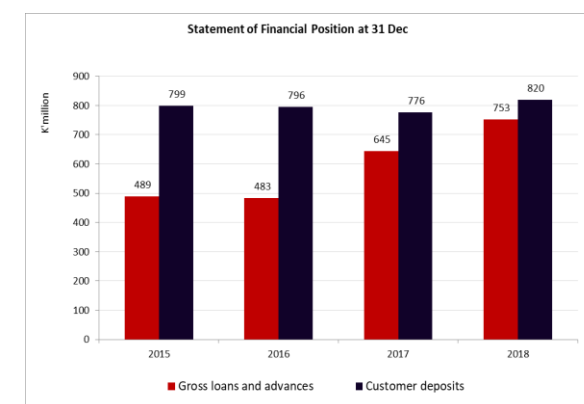
The condensed consolidated interim results of Cavmont Capital Holdings Plc for the six months ended 31 December 2018 from which this information is derived, have been prepared in accordance with International Accounting Standards (IAS) 34: ‘Interim Financial Reporting’ and the requirements of the Companies Act of Zambia. The condensed consolidated interim results are the responsibility of the directors and is unaudited.

#### By Order of the Board

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
As at 31 December			
	2018	2017	
	K'000	K'000	
<b>Assets</b>			
Loans and advances	643,240	639,445	
Investment securities - held-to-maturity	225,651	182,698	
Cash and balances with banks	183,472	190,095	
Other assets	135,344	130,263	
<b>Total assets</b>	<b>1,187,707</b>	<b>1,142,501</b>	
<b>Equity and Liabilities</b>			
Customer deposits	819,973	776,135	
Redeemable preference shares	126,006	50,006	
Other liabilities	234,900	198,597	
Shareholders' Equity	6,828	117,763	
	<b>1,187,707</b>	<b>1,142,501</b>	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS		
for the 6 months to December		
	2018	2017
	K'000	K'000
Net cash generated from/(utilised in) operating activities	(12,648)	3,519
Net cash utilised in investing activities	(32,277)	(75,417)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(44,925)</b>	<b>(71,898)</b>
<b>Cash and cash equivalent at the beginning of the Period</b>	<b>126,766</b>	<b>198,664</b>
(Decrease)/Increase	(44,925)	(71,898)
<b>Cash and cash equivalents at the end of the period</b>	<b>81,841</b>	<b>126,766</b>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY			
	Share Capital and premium	Reserves	Total
	K'000	K'000	K'000
<b>Balance as at 1 July 2018</b>	<b>149,554</b>	<b>(73,728)</b>	<b>75,826</b>
Impact of IFRS 9 adoption	-	(53,334)	(53,334)
Restated Opening Balance under IFRS 9	149,554	(127,062)	22,492
Comprehensive income for the period	-	(15,664)	(15,664)
<b>Balance as at 31 Dec 2018(unaudited)</b>	<b>149,554</b>	<b>(142,726)</b>	<b>6,828</b>



By Order of the Board

Rita Mapara Ndhlovu  
Company Secretary

Issued in Lusaka, Zambia on 28 March 2019

Lusaka Securities Exchange Sponsoring Broker



STOCKBROKERS ZAMBIA LIMITED

T | +260-211-232456

E | [advisory@sbz.com.zm](mailto:advisory@sbz.com.zm)

W | [www.sbz.com.zm](http://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 28 March 2019