

SENS ANNOUNCEMENT

("the Announcement")

ISSUER



METAL FABRICATORS ZAMBIA PLC ("ZAMEFA")
[Incorporated in the Republic of Zambia]

Company registration number:	5079
Share Code:	ZAMEFA
ISIN:	ZM0000000243
Authorised by:	Roseta M. Chabala – Managing Director

SPONSOR



Stockbrokers Zambia Limited
[Founder Member of the Lusaka Securities Exchange]
[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Announcement has been approved by:

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

DISCLAIMER AND RISK WARNING

The 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: 19 November 2018



METAL FABRICATORS OF ZAMBIA PLC

Company incorporated in the Republic of Zambia

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["ZAMEFA"]

In compliance with the Securities Act, Cap 354 of 1993 and the Listing Requirements of the Lusaka Securities Exchange, Metal Fabricators of Zambia PLC (ZAMEFA) announces its separate and consolidated results for the year ended 30th September 2018.

Extract of Statement of Profit or Loss and other Comprehensive Income

	Group		Company	
	Year ended 30 September 2018	Year ended 30 September 2017	Year ended 30 September 2018	Year ended 30 September 2017
	Zmw'000	Zmw'000	Zmw'000	Zmw'000
Revenue	1,201,241	1,184,289	1,201,241	1,183,974
Gross profit	68,881	100,484	68,881	100,430
Operating Income	18,631	58,646	18,659	58,615
Net Finance costs	(27,237)	(17,634)	(27,237)	(17,634)
Net foreign exchange losses	(80,211)	(9,381)	(80,045)	(9,458)
(Loss)/ Profit before income tax	(88,817)	31,631	(88,623)	31,523

Income tax credit/ (charge)	16,475	(7,528)	16,475	(7,473)
(Loss)/ Profit for the year	(72,342)	24,103	(72,148)	24,050
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss				
Exchange difference on translation of foreign operation	(963)	910	-	-
Total comprehensive (loss)/ profit for the year	(73,305)	25,013	(72,148)	24,050
(Loss)/ Earnings per share	(2.67)	0.89	(2.66)	0.89

Extract of Statement of Financial Position

	Group		Company	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	Zmw'000	Zmw'000	Zmw'000	Zmw'000
Assets				
Non-current assets				
Property, plant and equipment	108,837	118,274	108,837	118,274
Deferred tax assets	16,672	145	16,672	145
Total non-current assets	125,509	118,419	125,509	118,419
Current assets				
Other current assets	498,972	389,113	504,706	393,743

Cash and bank balances	21,652	104,789	19,550	103,060
Total current assets	520,624	493,902	524,256	496,803
Total assets	646,133	612,321	649,765	615,222
Equity and liabilities capital and reserves				
Share capital	271	271	271	271
Revaluation surplus	52,880	52,880	52,880	52,880
Holding company share based payment reserve	90	105	90	105
Foreign currency translation reserve	162	1,125	-	-
Accumulated (loss)/ Retained income	(35,455)	36,887	(31,627)	40,521
Total equity	17,948	91,268	21,614	93,777
Non-current liabilities				
Long term loan	244,800	193,300	244,800	193,300
Holding company share based options	1,025	259	1,025	259
Retirement benefit obligation	6,272	4,952	6,272	4,952
Total non-current liabilities	252,097	198,511	252,097	198,511
Current liabilities				
Bank overdrafts	108,625	96,650	108,625	96,650
Trade payables	267,411	222,087	267,377	222,479
Dividend	-	3,792	-	3,792
Current tax liabilities	52	13	52	13
Total current liabilities	376,088	322,542	376,054	322,934
Total liabilities	628,185	521,053	628,151	521,445
Total equity and liabilities	646,133	612,321	649,765	615,222

**Statement of Changes in Equity
Group**

	Share capital	Revaluation reserve	Retained earnings	Foreign currency translation reserve	Share Based Reserve	Proposed dividend	Total
	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000
Year ended 30 September 2018							
At start of the year	271	52,880	36,887	1,125	105	3,792	95,060
Loss for the year	-	-	(72,342)	-	-	-	(72,342)
Share Based Payment	-	-	-	-	(15)	-	(15)
Foreign currency translation difference	-	-	-	(963)	-	-	(963)
Dividend:							
-Final for 2017 paid	-	-	-	-	-	(3,792)	(3,792)
At end of the year	271	52,880	(35,455)	162	90	-	17,948

**Statement of Changes in Equity
Company**

	Share capital	Revaluation reserve	Retained earnings	Share Based Reserve	Proposed dividend	Total
	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000
Year ended 30 September 2018						
At start of the year	271	52,880	40,521	105	3,792	97,569
Loss for the year	-	-	(72,148)	-	-	(72,148)
Share Based Payment	-	-	-	(15)	-	(15)
Dividend:						-
-Final for 2017 paid	-	-	-	-	(3,792)	(3,792)
At end of the year	271	52,880	(31,627)	90	-	21,614

Statements of cash flows	Group		Company	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
Cash flows from operating activities				
Cash generated from operations	(63,310)	63,064	(63,684)	61,667
Net Interest paid	(27,237)	(17,634)	(27,237)	(17,634)
Income tax paid	(13)	(935)	(13)	(639)
Net cash generated from operating activities	(90,560)	44,495	(90,934)	43,394
Net cash used in investing activities				
Net cash used in investing activities	(760)	(1,484)	(760)	(1,484)
Proceeds from long term loan	-	185,736	-	185,736
Dividend paid	(3,792)	(3,792)	(3,792)	(3,792)
Net (decrease)/ increase in cash and cash equivalents	(95,112)	224,955	(95,486)	223,854
Share capital				

There were no changes in the issued share capital of the Company during the period.

Results and dividends

	Group		Company	
	Year ending 30 September 2018	Year ending 30 September 2017	Year ending 30 September 2018	Year ending 30 September 2017
Revenue	1,201,241	1,184,289	1,201,241	1,183,974
Operating profit for the year	18,631	58,646	18,659	58,615
Net (Loss)/ profit for the year	(72,342)	24,103	(72,148)	24,050
Dividends:				
Proposed final dividend for the year	-	3,792	-	3,792

Full Year Commentary

Sales volumes for the year were 19% lower compared to what was achieved in the prior financial year, while the weighted average metal prices were higher by 20%. This resulted in a net increase of 1.4% and 1.5% in revenue for the Group and Company respectively.

The reduction in gross margins from 8.5% to 5.7% resulted mainly from a change in sales mix with copper rod representing a bigger portion of the total sales compared to the corresponding period in the prior year. The material increase in the average copper price compared to the prior year and the lower volumes sold also contributed to the lower margins.

Profit before tax for the Group and Company are lower by 381% compared to the 2017 financial year. This reduction is primarily due to the ongoing slow settlement of export duty and VAT refunds by the Zambia Revenue Authority and slow payments for product by ZESCO. These slow settlements materially increased the borrowing requirements of the company beyond sustainable levels and the group was forced to curtail its operations to remain within its available levels of credit. Due to the extensive dollar borrowing position, unrealised foreign exchange losses were incurred from the re-measurement of the company and group's net foreign currency denominated liabilities due to the weakening of the Zambian kwacha against the US dollar during the year.

Group and Company's earnings per share for financial year 2018 at (minus Zmw2.67) and (minus Zmw2.66) respectively are 400% and 399% lower than those of the prior year both at (2017 - Zmw0.89).

Zamefa's operating environment continued to be characterised by tight liquidity, mainly due to slow settlement of government and quasi government debt.

The Group continues to focus on strategies to improve its liquidity by amongst others engaging Senior Government representatives as well as the ZRA to address arrear receivables. The financial performance for the next financial year is expected to improve provided that the burden placed on the company's working capital by the current VAT system is relieved by the implementation of the General Sales Tax ("GST") system and the group can return to a more normal level of operating activity.

By Order of the Board

BDO Zambia Limited – Company Secretaries

Issued in Lusaka, Zambia on 19 November 2018

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First Issued on 19 November 2018