

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 Announcement has been approved by:

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

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 2020



METAL FABRICATORS OF ZAMBIA PLC

[Company incorporated in the Republic of Zambia]

Company Registration Number: 5079

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["ZAMEFA" or "the Company"]

In compliance with the Securities Act No. 41 of 2016 and the Listings Requirements of the Lusaka Securities Exchange, Metal Fabricators of Zambia PLC ("ZAMEFA") announces its separate and consolidated results for the year ended 30 September 2020.

Extract from Statement of Profit or Loss and other Comprehensive Income

	Group		Company	
	Year ended 30 September 2020	Year ended 30 September 2019	Year ended 30 September 2020	Year ended 30 September 2019
	Zmw'000	Zmw'000	Zmw'000	Zmw'000
Revenue	995 289	1 320 930	995 289	1 320 930
Gross profit	57 475	81 524	57 475	81 524
Operating Income	1 456	30 620	1 493	30 651
Net Finance costs	(33 608)	(36 837)	(33 608)	(36 837)
Net foreign exchange losses	(200 788)	(28 053)	(200 507)	(28 038)
Impairment of PPE ¹	-	(34 619)	-	(34 619)
Loss before income tax	(232 940)	(68 889)	(232 622)	(68 843)
Taxation	(1 428)	(2 614)	(1 352)	(2 739)
Loss for the year	(234 368)	(71 503)	(233 974)	(71 582)
Other comprehensive income				
<i>Items that will be reclassified subsequently to the profit or loss</i>				
Exchange difference on translation of foreign operation	(1 180)	(161)	-	-
<i>Items that will not be reclassified subsequently to the profit or loss</i>				
Revaluation of land and buildings ²	-	59 308	-	59 308

¹ Property Plant and Equipment

² Net of tax

Total comprehensive loss for the year	(235 548)	(12 356)	(233 974)	(12 274)
Loss per ordinary share	(8.65)	(2.64)	(8.64)	(2.64)

Extract from Statement of Financial Position

	Group		Company	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	Zmw'000	Zmw'000	Zmw'000	Zmw'000
Assets				
Non-current assets				
Property, plant and equipment	129 336	131 980	129 336	131 980
Deferred tax assets	7 618	9 045	7 569	8 920
Total non-current assets	136 954	141 025	136 905	140 900
Current assets				
Other current assets	462 094	534 988	469 396	540 878
Cash and cash equivalents	27 761	15 504	25 738	13 422
Total current assets	489 855	550 492	495 134	554 300
Total assets	626 809	691 517	632 039	695 200
Equity and liabilities capital and reserves				
Share capital	271	271	271	271
Equity loan	365 000	-	365 000	-
Revaluation surplus	112 188	112 188	112 188	112 188
	208	208	208	208
Share based payment reserve				
Foreign currency translation reserve	(1 179)	1	-	-
Accumulated loss	(345 698)	(111 330)	(341 555)	(107 581)
Total equity	130 790	1 338	136 112	5 086
Non-current liabilities				
Long term loan	-	262 006	-	262 006
Share based options ³	404	404	404	404
Retirement benefit obligations	6 846	6 112	6 846	6 112
Total non-current liabilities	7 250	268 522	7 250	268 522
Current liabilities				
Share based options ⁴	818	818	818	818
Current tax liabilities	0	1	0	1
Trade payables	355 661	287 993	355 569	287 928
Bank overdrafts	132 290	132 845	132 290	132 845
Total current liabilities	488 769	421 657	488 677	421 592

³ To be settled through ordinary shares in Reunert Limited (The group's ultimate parent company)

⁴ To be settled through ordinary shares in Reunert Limited (The group's ultimate parent company)

Total liabilities	496 019	690 179	495 927	690 114
Total equity and liabilities	626 809	691 517	632 039	695 200

**Statement of changes in equity
Group**

	Share capital	Revaluation reserve	Accumulated loss	Foreign currency translation reserve	Share Based Reserve	Total
	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000
Year ended 30 September 2020						
At start of the year	271	112 188	(111 330)	1	208	1 338
Loss for the year	-	-	(234 368)	-	-	(234 368)
Equity loan	365 000	-	-	-	-	365 000
Foreign currency translation difference	-	-	-	(1 180)	-	(1 180)
At end of the year	365 271	112 188	(345 698)	(1 179)	208	130 790

**Statement of changes in equity
Company**

	Share capital	Revaluation reserve	Accumulated loss	Share Based Reserve	Total
	Zmw '000	Zmw '000	Zmw '000	Zmw '000	Zmw '000
Year ended 30 September 2020					
At start of the year	271	112 188	(107 581)	208	5 086
Loss for the year	-	-	(233 974)	-	(233 974)
Equity loan	365 000	-	-	-	365 000
At end of the year	365 271	112 188	(341 555)	208	136 112

	Group		Company	
	30-Sept-20 Zmw'000	30-Sept-19 Zmw'000	30-Sept-20 Zmw'000	30-Sept-19 Zmw'000
Statements of cash flows				
Cash flows from operating activities				
Cash generated from operations	46 421	6 970	46 480	6 990
Net Interest paid	(33 608)	(36 837)	(33 608)	(36 837)
Income tax paid	(1)	(52)	(1)	(52)
Net cash inflow / (outflow) from operating activities	12 812	(29 919)	12 871	(29 899)
Net cash outflow from investing activities	-	(449)	-	(449)
Net increase /(decrease) in cash and cash equivalents	12 812	(30 368)	12 871	(30 348)

Summary of operating results

	Group		Company	
	Year ended 30 September 2020 Zmw '000	Year ended 30 September 2019 Zmw '000	Year ended 30 September 2020 Zmw '000	Year ended 30 September 2019 Zmw '000
Revenue	995 289	1 320 930	995 289	1 320 930
Operating Income	1 456	30 620	1 493	30 651
Loss for the year	(234 368)	(71 503)	(233 974)	(71 582)

Commentary

For the financial year ended 30th September 2020, the loss per share ("LPS") for the Group are 228% higher than the prior year and the for the Company the LPS is 227% higher the prior year.

The increased losses are primarily due to the result of the substantial weakening of the kwacha, against the United States dollar ("USD"), of 53% since the Group and Company's (collectively the "Group") previous financial year-end and the corresponding re-measurement of the Group's USD based liabilities.

The Group's vulnerability to the volatility of the kwacha to the USD is a direct result of overdue VAT and duty draw back refunds due from the Zambia Revenue Authority ("ZRA"), which has required the Group to finance its operations through the utilisation of dollar-based funding.

A significant portion of the overdue amounts due by the ZRA were collected towards the end of the financial year reducing the balance outstanding at the end of the year to Zmw96 million (2019: Zmw250 million) and reducing the Group's net USD exposure.

In addition to the negative impact of the exchange rate volatility, the Group's revenue, and gross profit in the first four months of the year were negatively impacted by the unavailability of copper cathode in Zambia. The adverse impact of the Covid-19 pandemic during the balance of the year on the demand in the Group's export markets and the associated logistics further contributed to the higher "LPS".

The finance costs decreased by 8.77% compared to the prior year due to the restructuring of the long-term loan from the majority shareholder into an equity loan bearing interest at 0%. The restructuring was concluded during the last quarter of the financial year.

The net equity of the Group has been positively impacted by the restructuring of the long-term loan from the majority shareholder into an equity loan. This has resulted in the Group's net equity increasing to Zmw131 million and the Company's net equity increasing to Zmw136 million restoring the Group and Company to a technically solvent position at year end.

The Group and Company's loss per share for the 2020 financial year at (Zmw8.65) and (Zmw8.64) are respectively 227.7% and 227.3% higher than the loss per share for the 2019 financial year both at (Zmw2.64).

By Order of the Board

BDO Zambia Limited
COMPANY SECRETARIES

Issued in Lusaka, Zambia on 19 November 2020

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First Issued on 19 November 2020