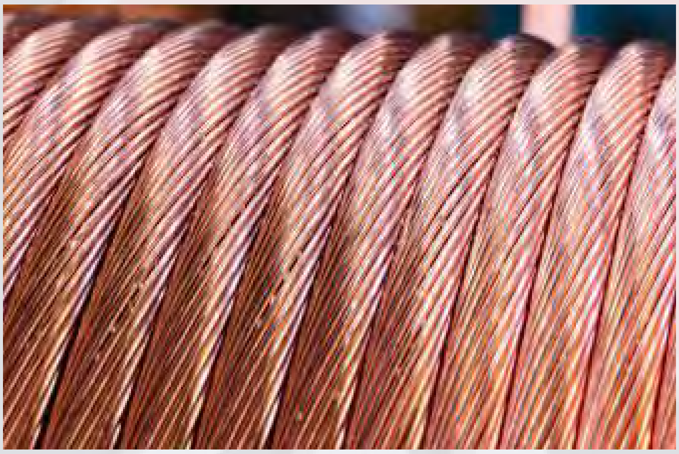
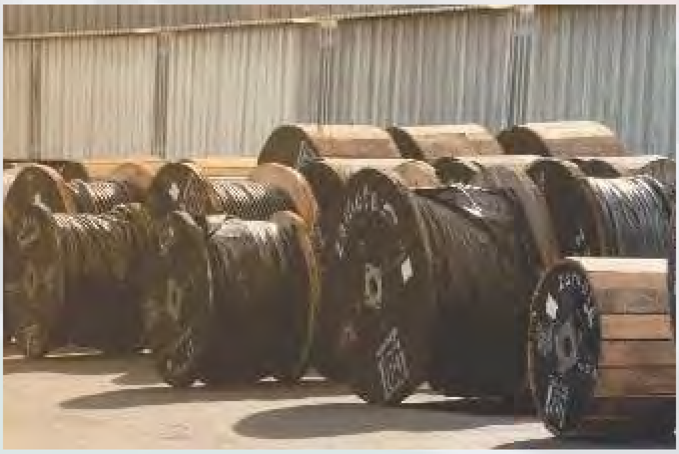
ZAMEFA

Metal Fabricators of Zambia Plc





ANNUAL REPORT 2020

Metal Fabricators of Zambia PLC
Directors’ Report and Consolidated Annual Financial Statements
For the year ended 30 September 2020

Metal Fabricators Of Zambia Plc
(Incorporated in Zambia)

Directors' report and consolidated annual financial statements
For the year ended 30 September 2020

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Company Profile	
Corporate Name	Metal Fabricators of Zambia Plc
Trading As	ZAMEFA
Creation Date	1968
Company Status	Listed on the "Lusaka Securities Exchange"
Principal Shareholder	Reunert International Investments (Mauritius) Limited (75%)
Authorised Share Capital	150,000,000
Activities	Manufacture of Copper Rod and Copper and Aluminum Electrical Conductors
Products	Low Voltage Cables (600/1000V)
	Building Wire
	Bare Copper Earth Wire
	Flexible Cables and Wires
	Aluminum Overhead Conductors
	Aerial Bundle Conductors
	Copper Rod
	Copper Shapes
Certifications	ISO 9001
	ISO 14001
	ISO 45001
	SABS Mark
	ZABS Mark
Website	www.zamefa.com

Metal Fabricators of Zambia plc (ZAMEFA) was incorporated in the Republic of Zambia under the Zambian Companies Act as a public limited liability Company and is domiciled in Zambia. ZAMEFA was incorporated in 1968 and privatized in 1996. The Company was listed on the Lusaka Securities Exchange in September 2004.

Fabcorp (Pty) Limited, a wholly owned subsidiary of Metal Fabricators of Zambia Plc. was registered in 2008 and is domiciled in the Republic of South Africa.

The principal shareholder of ZAMEFA is Reunert International Investments (Mauritius) Limited, incorporated in Mauritius, a wholly owned subsidiary of Reunert Limited incorporated in South Africa and listed on the Johannesburg Stock Exchange (JSE). Reunert International Investments (Mauritius) Limited owns 75% of the total issued shares of ZAMEFA, and the remainder is held by a broad portfolio of investors comprising local, foreign institutions and individuals, including employees of the Company.

Reunert Limited 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 telecommunications utilities as well as the mining, agricultural and industrial sectors.

ZAMEFA continues to hold full certifications for ISO 9001 (for quality management system), ISO 14001 (for environmental management system) and ISO 45001 (for occupational health and safety management system). Additionally the Company continues to hold the South African Bureau of Standards (SABS) and Zambia Bureau of Standards (ZABS) permits for its range of low voltage power distribution cables.

Exports continue to be the main source of revenue for the Company. During the period under review, exports accounted for 73% of the total sales revenue with sales to various sub-saharian countries.

REGISTERED OFFICE

Plot 1400
H. Figov Road
Luanshya
Republic of Zambia

DIRECTORATE

A.E. Dickson - Chairman Non Executive Director (Reunert Ltd Group CEO)
R.M. Chabala (Mrs) - Managing Director
N.A. Thomson - Non - Executive Director (Reunert Ltd Group CFO)
L. de Jager - Non - Executive Director (Resigned 28 May 2020)
P.W. de Villiers - Non - Executive Director (General Manager Africa Operations)
G.J.H. Steyn- Executive Director (Resigned 11 December 2019)
J. M. Chisanga - Independent Non - Executive Director
C. Kabaghe - Independent Non - Executive Director
L.J. du Plessis - Executive Director (Appointed 11 December 2019)

POSTAL ADDRESS

P.O. Box 90295
Luanshya
Republic of Zambia
Telephone: +260 212 591010
+260 212 591114
Facsimile: +260 212 510023

MANAGEMENT TEAM

R.M. Chabala (Mrs) – Managing Director
G.J.H Steyn – Head of Administration - Africa Operations
L.J. du Plessis – Commercial Director
G. Bracho – Plant Manager (Resigned 30 June 2020)
E. Mangoni – Financial Controller
S. Sikombe – Human Resources Manager

AUDITORS

Deloitte & Touche
Deloitte Square
Plot # 2374/13
Thabo Mbeki Road
P.O. Box 30030
Lusaka
Tel: +260 211 228677/8
Fax: +260 211 226915

BANKERS

Rand Merchant Bank Limited
Barclays Bank Zambia Plc
Stanbic Bank Zambia Limited
Citibank Zambia Limited
Standard Bank of South Africa Limited
First National Bank Zambia Limited

TRANSFER SECRETARIES

Sharetrack Zambia Limited

BROKERS

Stock Brokers Zambia Limited

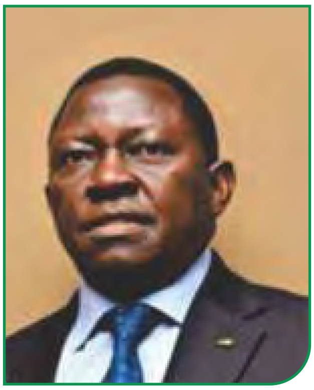
CORPORATE SECRETARIES

BDO Zambia Limited

BOARD OF DIRECTORS

A.E. Dickson
CHAIRMAN

J. M. Chisanga
INDEPENDENT NON-EXECUTIVE DIRECTOR



Chance Kabaghe
INDEPENDENT NON-EXECUTIVE DIRECTOR

R. M. Chabala
MANAGING DIRECTOR

N.A. Thomson
NON-EXECUTIVE DIRECTOR

P. W. de Villiers
NON - EXECUTIVE DIRECTOR

L.J. du Plessis
EXECUTIVE DIRECTOR
(Appointed December 2019)

MANAGEMENT TEAM

R. M. Chabala
MANAGING DIRECTOR

L.J. du Plessis
COMMERCIAL DIRECTOR

G.J.H. Steyn
HEAD OF ADMINISTRATION AFRICA OPERATIONS

S. Sikombe
HUMAN RESOURCES MANAGER

E. Mangoni
FINANCIAL CONTROLLER

A.E. Dickson
CHAIRMAN

Board Matters

The 2020 financial year started off under difficult conditions with the overdue VAT and duty draw back receivables, owed to ZAMEFA by the Zambia Revenue Authority ("ZRA"), at an unsustainable all-time high level. This negatively impacted the liquidity position of the company. These difficult conditions were exacerbated by the unavailability of copper cathode in Zambia during the first half of the financial year and the negative effects of the Covid-19 pandemic that affected the third quarter of the financial year. As mentioned in my previous years Chairman's statement, the build up of the ZRA receivables led to the company taking on significant US Dollar based debt to fund the working capital requirements necessary to protect our company and employees. During the financial year, the Zambian kwacha depreciated by 53% against the US Dollar and due to the fact that the US Dollar debt had to be translated into Kwacha, the company had to contend with significant exchange losses in the year.

The Board recognised that the continued exchange losses suffered by the company over the last couple of years, had resulted in an unsustainable capital structure for the company. The Board, therefore, mandated management to explore options of how to improve the situation. I am happy to report that at the end of July 2020, the Board approved an addendum to the long term loan agreement between the company and the majority shareholder which allows the loan to be classified as an equity loan and the interest rate on the loan has been reduced to 0%. The effect of the reclassification is that the loan will no longer attract foreign exchange losses through the income statement and the reduction of the interest rate will stabilise the profitability of the company going forward.

It is further pleasing to report that management was successful in collecting 63% of the overdue debt from the ZRA during the year under review. However, although the amount due to ZAMEFA was reduced, it is still a sizable portion of the company's working capital which is funded by US Dollar debt. Discussions with various government institutions is continuing in an effort to collect the remaining portion of the arrears and we trust that this will be settled early in the new financial year.

Company Performance

Due to the two factors mentioned above, being the unavailability of copper cathode in Zambia in the first half of the financial year, and the effects of Covid-19 pandemic that negatively affected the third quarter of the financial year, the volumes in the current year were 41% down on the previous year.

Although the demand for product in some of the company's export markets did not decrease materially due to Covid-19, the logistical problems to deliver our products across borders, contributed to the lower volumes during the third quarter of the financial year.

At half year, the company reported an operational loss of K11.4 million. Despite having to deal with the Covid-19 pandemic in the second half of the year, the company managed to reverse the loss and post a small operating profit which is a pleasing turnaround.

The Covid-19 pandemic has impacted life on every level and as a result, events and shows in which ZAMEFA would normally take part, were cancelled. As a result, ZAMEFA did not receive any special recognition or awards during the year. ZAMEFA did however fully subscribed to the Covid-19 prevention regulations that were issued by government and implemented a strict Covid-19 protocol in the company while still fulfilling all customers orders. These measures have paid off as the company, so far, has not had any positive cases.

With regards to manufacturing, our quality management systems based on ISO 9001: 2015, 14001: 2015 and 45001: 2018 remain the pillar to ensure world class standards and responsible business practices. This confirms our commitment to produce quality products to meet the needs of our local and regional customers. In addition, ZAMEFA retained its South African Bureau of Standard (SABS) certification on all its products, while the quality management systems and products remained approved by the Zambian Bureau of Standards (ZABS).

Appreciation

In the economic environment Zambia found itself in, our employees again have experienced a very challenging year and have exhibited great commitment. I would like to thank the employees and the ZAMEFA management team for their efforts. On behalf of the Board, I would like to thank all our customers for their support and give them our commitment that we will continue to strive to meet their requirements in the years ahead. I would like to thank the Board for their support, candid input and the exemplary manner in which they discharged their responsibilities.

R. M. Chabala
MANAGING DIRECTOR

2020 has been a challenging year in the most unique and unexpected way. During the first half of the 2020 financial year, we were faced with the challenge of copper cathode availability from the mines. Our largest supplier, Mopani Copper Mines Plc had shut down production due to an accident that occurred in June 2019. This meant that we needed to look for alternative sources of copper. Konkola Copper Mines Plc also could not supply due to an accident that had occurred at their mine sometime in October 2019 and this meant that there was limited copper supply for the first half of the company's financial year. Efforts to import copper cathode were futile due to customs duties levied on the product which the Government was not willing to wave. This financial year therefore begun on very shaky grounds though with the hope of recovery. In February 2020, things looked brighter, the plant was slowly getting back to normalised production and then came March 2020, when Covid-19 hit and all plans were disrupted.

The Bank of Zambia Monetary Policy Committee (MPC) on 19th May 2020, announced that the International Monetary Fund (IMF) projected that the global economy would contract sharply to -3% in 2020 with hope of recovery to 5.8% in 2021. Barely a month later, the IMF made new projections announcing that the global economy would in fact contract to -5%. This worsened the already challenged domestic environment and Zambia's GDP has been projected to contract by 4.2% in 2020, the lowest in 20 years. Underlying this outlook is the projected contraction of output in tourism, wholesale and retail trade, construction, manufacturing, mining as well as electricity sectors.

Inflation through the year rose to 15% mostly driven by food inflation. Government efforts to keep inflation low include the releasing of K10 billion by the Bank of Zambia for onward lending to businesses especially sectors that have been highly impacted by the pandemic; a further K8 billion bond had been issued to allow Government to liquidate some of its local debt to suppliers as well as VAT refunds. We are happy to report that through the proceeds of this bond ZRA was able to liquidate all the Duty Drawback claims and made substantial payments towards VAT refunds due to ZAMEFA especially in the third quarter of the financial year. Equally, the ZESCO receivables have been brought down to acceptable levels, the lowest it has been in more than a decade.

Interest rates were sustained at about an average of 28.8% at the end of June 2020, which was the same rates as at the end of March 2020. This was a reflection of sustained tight liquidity conditions, high domestic financing requirements by Government and the rise in inflation. The lowered policy rate by Bank of Zambia from 11.5% to 9.25% has seen interest rates come down correspondingly.

The Kwacha came under intense pressure in the third quarter of the company's financial year, reflecting the unresolved macroeconomic challenges associated with high debt service and debt levels, rising fiscal deficits as well as declining foreign reserves. The sovereign credit rating downgrade further weighed on the Kwacha and the COVID-19 outbreak compounded these exchange rate pressures. The Kwacha has depreciated substantially and is currently trading above K20 to a US dollar. This has continued to put pressure on the solvency of the company as foreign exchange losses have continued to escalate.

The price of copper has been steadily going up during the year closing with an average price of $6700/ton. This may be attributed to most countries like China and Europe relaxing their lockdowns and some industries coming back to full operations.

With the company now in a technically solvent position after the restructuring of the company's long term loan to an equity loan, and the increased collections from Government this year which impacted the working capital positively, we can only hope for the best in the coming year. The export markets are slowly opening up and so are the contractors and miners locally which are our major drivers of volume. With no sales restrictions due to improved cash flows, the forecast for the year is to increase production by running two furnaces in the casting plant.

(I) Financial Results

Below is a table of financial highlights for the Group over the last two years. The consolidated financial results incorporate the results of the Company and Fabcorp (Pty) Limited.

	Group		**Company**	
	2020	2019	**2020**	2019
	K' 000	K' 000	**K' 000**	K' 000
Revenue	**995,289**	1,320,930	**995,289**	1,320,930
Gross profit	**57,475**	81,524	**57,475**	81,524
Loss before tax	**(232,940)**	(68,889)	**(232,622)**	(68,843)
Net loss	**(234,368)**	(71,503)	**(233,974)**	(71,582)
Property, plant and equipment	**129,336**	131,980	**129,336**	131,980
Inventory	**181,416**	123,292	**181,416**	123,292
Current assets	**489,855**	550,492	**495,134**	554,300
Total assets	**626,809**	691,517	**632,039**	695,200
Current liabilities	**488,769**	421,657	**488,677**	421,592
Short term loans and bank overdrafts	**132,290**	132,845	**132,290**	132,845
Non-current liabilities	**7,250**	268,522	**7,250**	268,252
Equity	**130,790**	1,338	**136,112**	5,086
Acid test Ratio (Times)	**0.63**	1.01	**0.64**	1.02
EBITDA	**(196,688)**	10,500	**(196,369)**	10,546
Loss per share	**(8.65)**	(2.64)	**(8.64)**	(2.64)

(ii) Commercial

The ZAMEFA commercial effort in the 2020 financial year was negatively impacted by the unavailability of copper cathode in the first half of the financial year and the effects of Covid-19 in the second half of financial the year. The third quarter of the financial year, in particular was the worst affected by Covid-19 where after the situation started to improve slowly.

While all the markets were more or less equally affected by the non-availability of copper in the first half of the financial year, it was evident that the local market was less effected by Covid-19 than the export market in the second half of the financial year.

The ZAMEFA informal market recovered to budget levels in the latter part of the financial year and the improved liquidity in ZESCO allowed ZAMEFA to achieve above budget levels for ZESCO in the last two months of the budget year. Ongoing care and maintenance plans within Zambia's mining sector reduced demand from this market segment in the financial year.

The export market segment was the worst affected by the Covid-19 pandemic with some of the markets being closed for extended periods while other markets were negatively affected by quarantine regulations introduced at some border post which led to intermittent border closures.

At the end of the financial year, it was clear that the negative effects of Covid-19 was tapering off with almost all the market segments returning to a normalised level.

(iii) Manufacturing / operational

Volume issues due to Covid-19 and the associated management and prevention controls to avoid an outbreak in our facilities has been focus areas during this year.

Those activities that were able to be managed by staff working from home were scheduled accordingly.

Power supply has also been an issue due to ZESCO scheduling and cutting power supply for the wire and cable plant for around 36 hrs per week (Fridays afternoon and Saturdays) at the beginning of the year and later on to only 12 hrs on Saturdays.

Despite the above mentioned issues, that created production flow challenges, the operation was focused on using our Lean Enterprise System tools to deliver that best possible outcome in terms of volume output, waste management and reduce variations as much as possible.

Our Quality Management System demonstrated its effectiveness in achieving a major step change, OSHAS 18001:2007 was substituted by ISO 45001:2018 for Safety and Health. This new standard is equivalent to OSHAS 18001 but focused on risk analysis. We also were recertified by Bureau Veritas for our ISO 9001:2015 and ISO 14001:2015.

ZAMEFA retained its South African Bureau of Standards (SABS) certifications for low voltage power cables, house wire and ACSR aluminum products, as well as remaining certified by the Zambia Bureau of Standards (ZABS).

(iii) Manufacturing / operational (Continued)

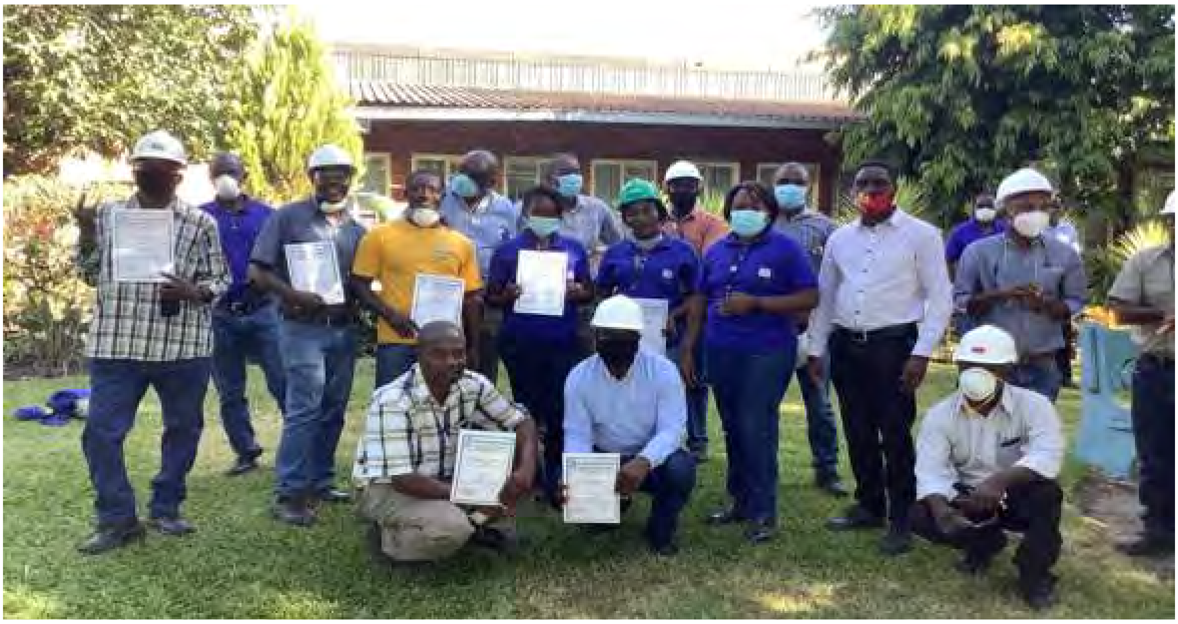
Safety is our number 1 value, and our motto "Zero and Beyond" aims not only to achieve high safety standards in our operations but also to spread this into our community. Our safety performance during the year was according to expectations.

(iv) Human Resources

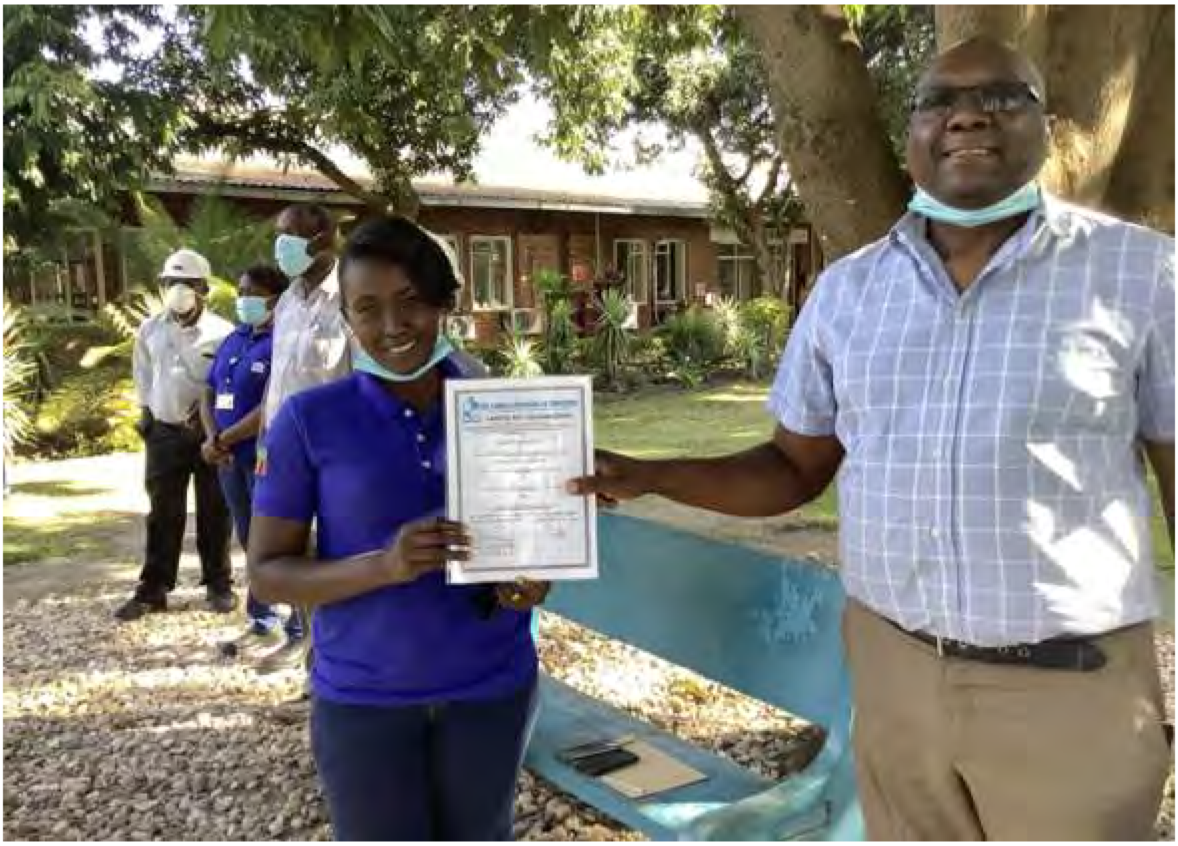
In the fiscal year 2020, ZAMEFA invested in the Company's talent development by recognising and rewarding members of staff in all areas of the shop floor, supervisory and Managerial staff, for outstanding contributions to the growth of the business through strategic linkages. A number of in-house training and development programs were organised and facilitated in order to uplift the skillset of the members of staff in all areas of the business so as to ensure continuity and sustanable progress in the organisation.

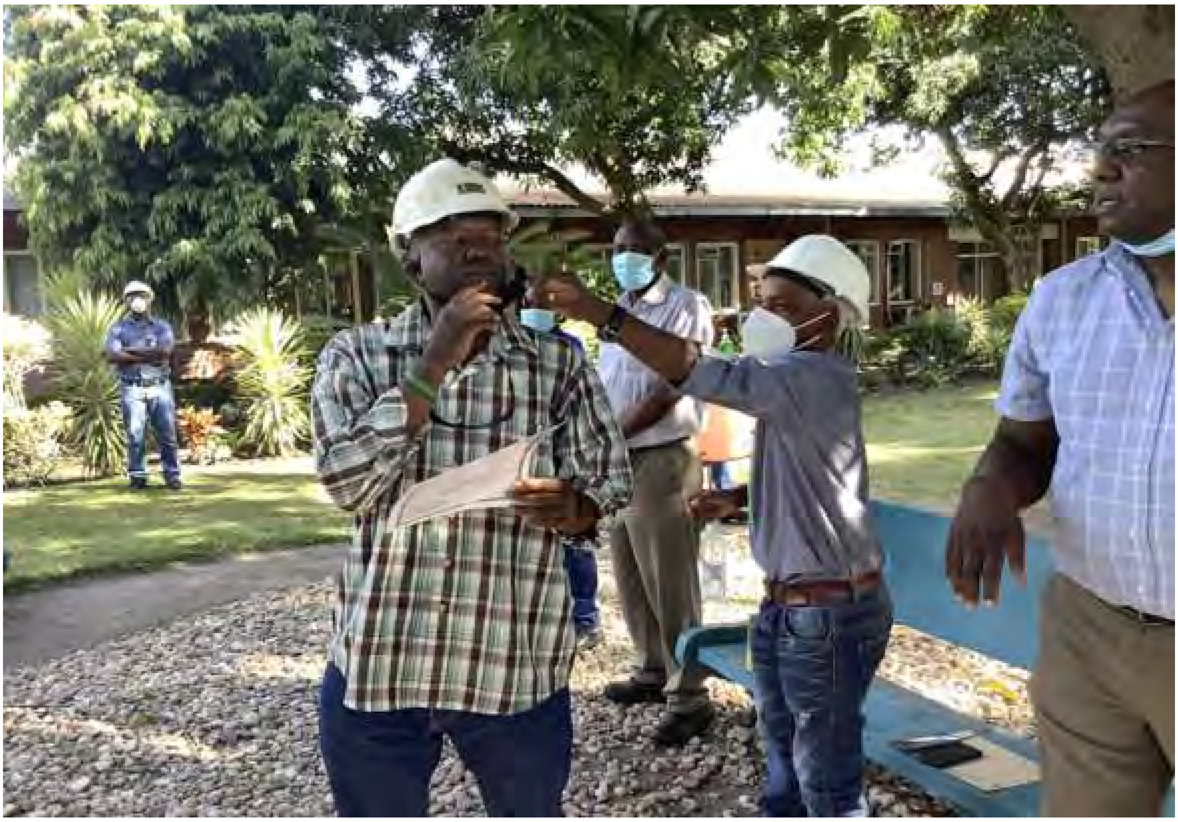
As regards education, training and development of staff members, during the year, ZAMEFA continued with the implementation of its Work Cultural Model, focused on the 6 core values of:

1. **Working safely and caringly:** the Company gives paramount attention to health, safety and our environment
2. **Constantly improving and innovating:** persistently seeking personal and operational excellence
3. **Valuing our people:** inspiring people to go further
4. **Taking ownership:** committed to and accountable for promoting the CBi Brand
5. **Focusing on customers:** believing in long lasting and sustainable relationships
6. **Building a sense of belonging:** strive for open and accessible communication and conversation



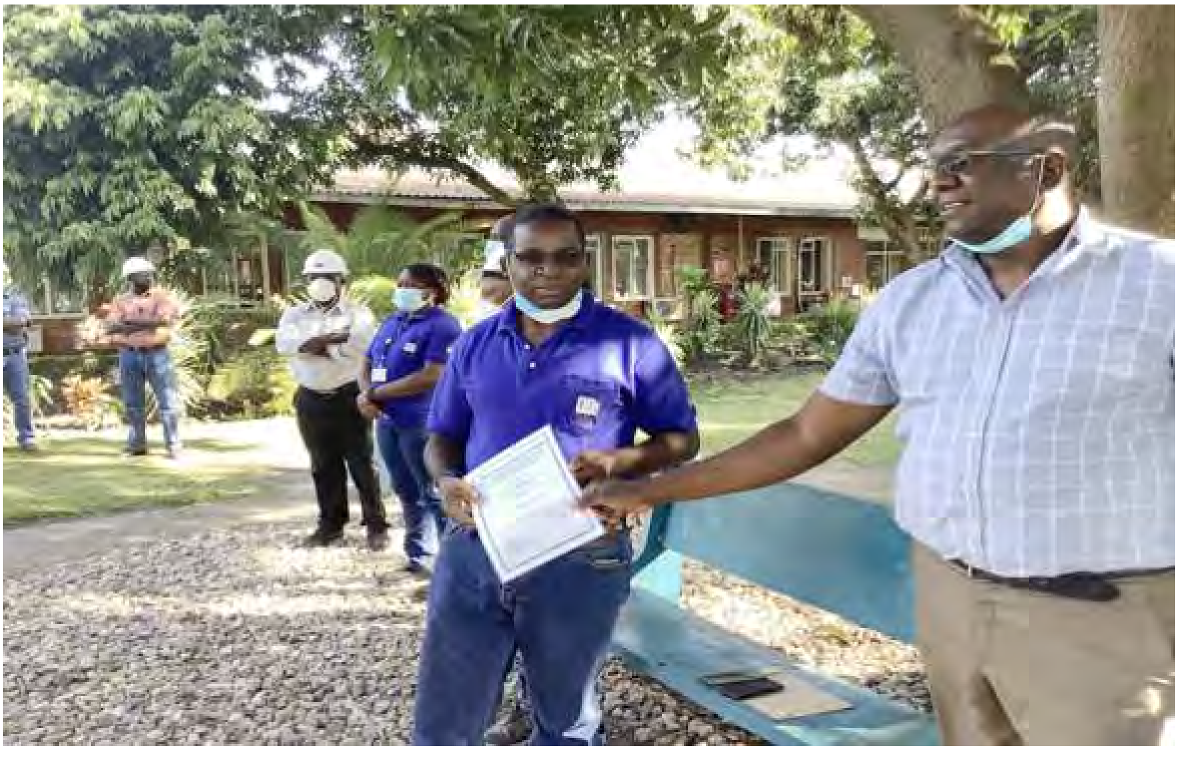
(iv) Human Resources (Continued)





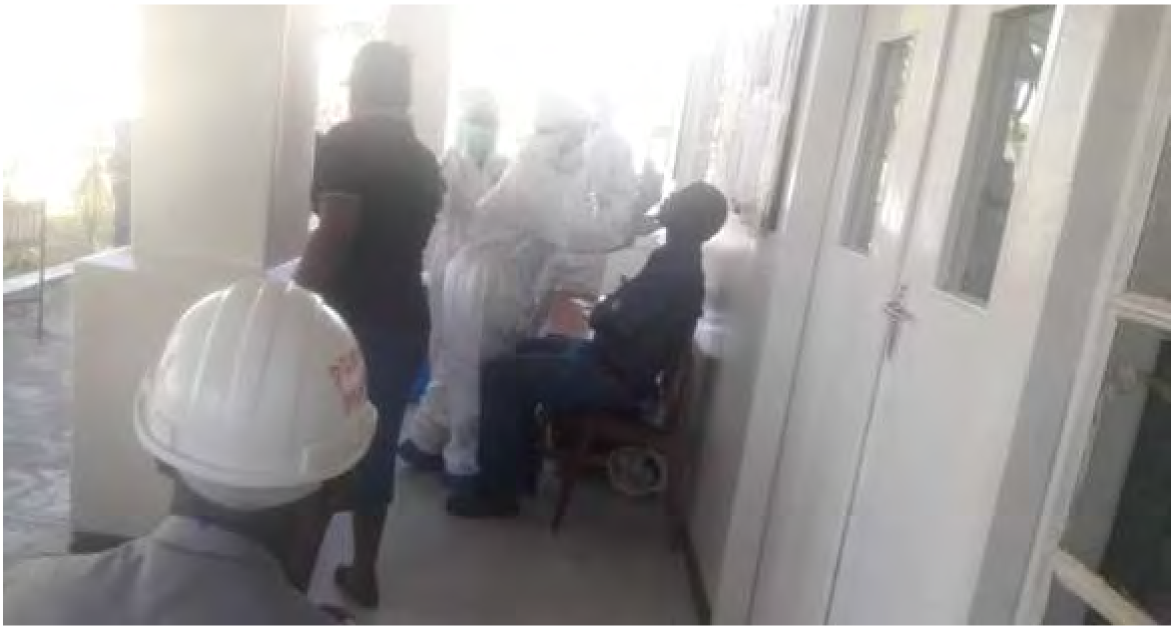
(iv) Human Resources (Continued)

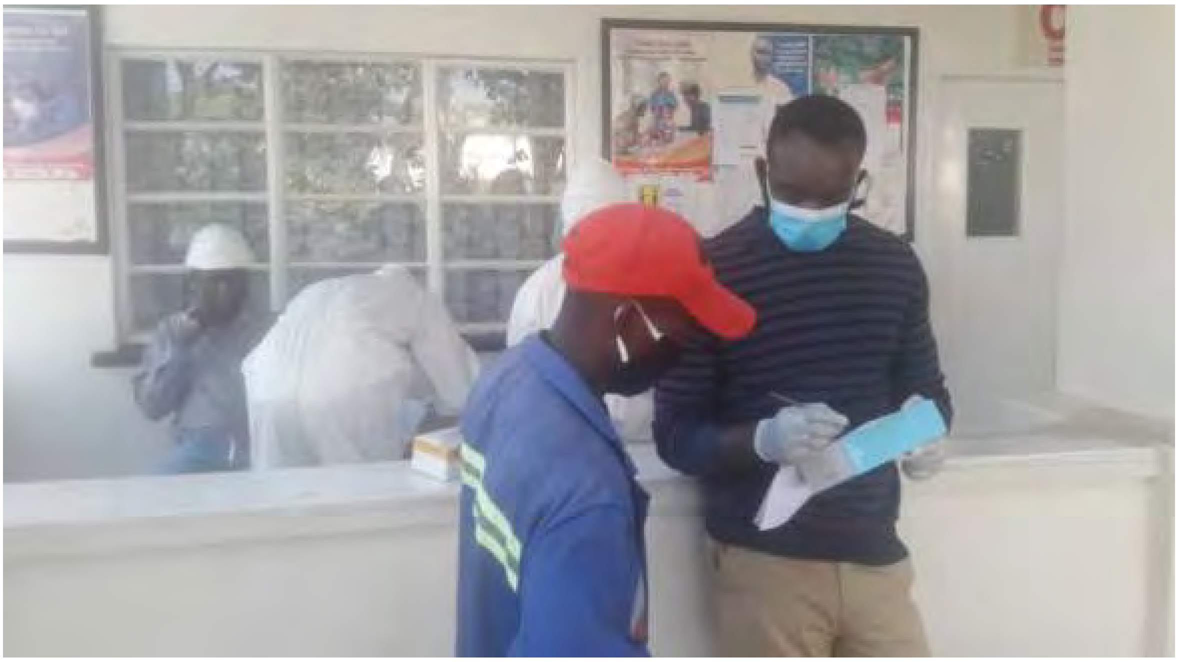
Even under the hitherto unforseen negative effects of Covid-19 that raveged the Country, the Company continued in its quest to recognise outstanding and deserving employees in different disciplines and categories of competence at the annual Labour Day commemoration celebrations by awarding those who excelled in their performance contributions to the ZAMEFA during the year under review.



(iv) Human Resources (Continued)

ZAMEFA continued to innovate regarding employee relations and welfare by advancing the tenets of Wellness and Employee Health and Wellbeing through sports and recreation programs such as team building initiative as part of its investment in combating non-communicable diseases like diabetes, hypertension and obesity. As part of its advocacy for justice and fairness in the employment arena, the company conducted a number of wellness initiatives aimed at motivating its staff to advance health and safety at the workplace. Therefore during the period under review, working in conjunction with Ministry of Health and other stakeholders management periodically arranged counseling, testing and practical exercises for the staff, their immediate families and local community as part of the awareness campaign for good health practices to combat and mitigate ailments such as Hypertension, HIV/AIDS, Malaria, Diabetes and Cervical Cancer.





(iv) Human Resources (Continued)

Average remuneration and number of employees

The total remuneration paid to employees during the year amounted to **K41,381,000** (2019: K45,702, 000).

Manpower Status

The Group's man power status was as shown in the table below:

Type of Employment	2020	2019
Contract – Hourly		
Male	**169**	171
Female	**12**	13
Total – Contract Hourly	**181**	184
Contract -Salaried		
Male	**86**	86
Female	**27**	27
Salaried -total	**113**	113
Total employees	**294**	297
Students on attachment		
Male	**2**	4
Female	**5**	5
Students on attachment total	**7**	9
Total Compliment	**301**	306

The average number of employees during the year were as follows:

Month	Number	Month	Number
October	297	April	291
November	296	May	287
December	296	June	287
January	293	July	286
February	291	August	286
March	293	September	294

(iv) Human Resources (Continued)

Our People

Key Human Resource sustainability risks and opportunities

Material	Risk/Opportunity	Mitigating Measure
Staff	The Industrial Relations atmosphere in ZAMEFA was generally calm with no disturbances recorded during the financial year under review. Management worked very well with the union leadership and there were regular consultative meetings held between the two social partners. ZAMEFA continues to provide subsidised health services on cost-sharing basis to all employees and their families as well as complying with the statutory requirements of pensions' contributions for all its eligible employees toward National Pension Scheme Authority (NAPSA).	Regular feedback communication with the staff through monthly management updates as well as meetings with the works committee in which measures to mitigate are employed in order to sustain the performance of the company in these unpredictable situations.

Corporate Membership

ZAMEFA actively participates and contributes to national organisations where our executives hold significant positions and participate and share their knowledge in working groups and conferences planned by these establishments. The organisations in which we hold membership are:

(a) Zambia Association of Manufacturers (ZAM)
(b) Zambia Federation of Employers (ZFE)
(c) Engineering Institute of Zambia (EIZ)
(d) Zambia Institute of Chartered Accountants (ZICA)
(e) Zambia Institute of Marketing (ZIM)
(f) Zambia Institute of Human Resources Management (ZIHRM)
(g) American Chamber of Commerce (AMCHAN)

Our association with the above organisations provides opportunities to engage and interact with diverse stakeholders.

(v) Corporate Governance

The Company recognises its responsibility for fostering a strong ethical environment so that its affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterised and reflected in the Code of Business Ethics and Policies, which is distributed throughout the Company and has been subscribed to by all employees.

The Board composition is balanced so that no one individual can dominate decision making. The depth of experience and diversity of the Board ensures robust deliberations on all issues of material importance to the Company. The roles of Chairman and Managing Director are separate. The Chairman is a Non-Executive Director appointed by the Board.

(vi) Corporate Social Responsibility (CSR)

The Company remains committed to the principles of good corporate citizenship and has continued in its quest to invest in structured social programs to address specific needs of its surrounding communities in which it conducts business. Working in partnership with local government authorities the Company considers various social projects on the basis of sustainability and ability to benefit the majority of residents in the community.

In line with the above-mentioned framework the Company undertook and supported the following community based projects:

(a) Keep Zambia Clean

The Company recognises its responsibility for fostering a strong ethical environment so that its affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility was exhibited by participation in the "Keep Zambia Clean, Green and Healthy" campaign a monthly program in which the corporate business partners with government at district level to ensure cleanliness of the city it does business in. The initiative launched in 2018 and conducted on the last Saturday of every month has seen ZAMEFA participate fully in the cleaning campaign to inspire the local residents of Luanshya in ensuring a healthy living environment.

(vi) Corporate Social Responsibility (CSR) (Continued)

(b) Gifts and Donations

As part of our corporate social responsibility program, we continued to render material and financial support to charitable and non-political institutions in the district of Luanshya. During the period under review, the Group made donations to charitable causes in an aggregate sum of **K33,107** (2019:K20,486).

(vii) Safety, Health and Environment

The Group is certified to ISO 14001: 2015 (Environmental Management System) ISO 9001:2015 (quality management system and ISO 45001:2018 (Occupational Health and Safety Management system).

A virtual external re-certification audit for the three (3) management system standards was conducted and ZAMEFA passed the audit.

Monthly Safety, Health and Environmental Management meetings are held to review performance as well as results from six (6) Safety, Health and Environmental committees. This addresses participation, consultation as well as legal and compliance obligations.

Pro-active safety tools are used daily to address unsafe behaviours and unsafe conditions.

ZAMEFA is currently enjoying 2 years and 8 months without a recordable injury.

Conclusion

As a company, our highest value is on our people because without them none of the achievements we are reporting this year would have happened. I would also like to take this opportunity to thank the ZAMEFA workforce for trusting management during the period of the pandemic and committing to continue to work under very difficult circumstances. Indeed, our zero and beyond motto for safety came in handy during the height of the pandemic and ZAMEFA has been fortunate so far for not recording any positive cases. My gratitude goes to my colleagues from the shop floor to the Executive team who worked tirelessly and selflessly under very challenging circumstances to achieve the commercial and financial results which we are reporting to our shareholders. To the Board members, we remain indebted for all the counsel and guidance you offer through the year. Last but not the least, these results would not have been possible if not for Government's support, resolve and deliberate effort to liquidate their dues in support of the company. We continue to value our cordial relations and partnerships in ensuring the development of Zambia. The worst has hopefully happened and so, we can only look forward to a better year in 2021.

Directors' Report

The Directors have pleasure in submitting to the shareholders, their report on the Group and separate financial statements for Metal Fabricators of Zambia Plc (the Company) for the year ended 30 September 2020.

The Company continued to be listed on the Lusaka Securities Exchange (LuSE) and is the holding Company for Fabcorp (Pty) Limited, a company registered in the Republic of South Africa.

1 The Group

As at 30 September 2020, the Company held 100% of the issued share capital in Fabcorp (Pty) Limited, a dormant Company. The subsidiary has been dormant for over five (5) years.

2 Principal activities

The principal activities of the Company continue to be the manufacture of copper rod and copper and aluminum electrical conductors for sale to customers in the domestic and foreign markets. The Company also continues to sell telecommunications cables which are sourced from within the Reunert group of companies.

In the opinion of the Directors, all the activities of the Company substantially fall within the manufacturing sector.

3 Share capital

The authorised and issued and fully paid share capital of the Group is:

	2020 Number of Authorised shares	**Issued**	**Value**
The Company	150,000,000	27,090,099	K270,901
Fabcorp (Pty) Limited	1,000	100	K51

As at 30 September 2020, the shareholder analysis of the Company was as follows:

	2020	2019
Reunert International Investments (Mauritius) Limited	**20,317,580**	20,317,580
Private Individuals/Institutions	**6,772,519**	6,772,519
	27,090,099	27,090,099

4 Significant shareholders in the Company

As at 30 September 2020, shareholders with substantial shareholding (5% or more) in the Company's share capital were as follows:

- Reunert International Investments (Mauritius) Limited
- National Pensions Scheme Authority

5 Going Concern

During the year, the Group made a net loss of **K234,368,000** (2019:K71,503,000). As at year end the Groups's net current assets exceeded its current liabilities by **K1,086,000** (2019: K128,835,000).

The 2020 financial year started under difficult conditions with the overdue VAT and duty draw back receivables, owed to ZAMEFA by the Zambia Revenue Authority ("ZRA"), at an unsustainable all-time high level. This negatively impacted the liquidity position of the company. These difficult conditions were exacerbated by the unavailability of copper cathode in Zambia during the first half of the financial year and the negative effects of the Covid-19 pandemic that affected the third quarter of the financial year. The build-up of the ZRA receivables led to the company taking on significant US Dollar based debt to fund the Company's working capital requirements. During the financial year, the Zambian kwacha depreciated by 53% against the US Dollar and due to the fact that the US Dollar debt had to be translated into Kwacha, the company had to contend with significant exchange losses in the year.

Towards the end of the financial year, the Company managed to collect more than 60 % of the overdue debt from the ZRA, which was used to reduce the US Dollar based funding and thereby reducing the exposure of the Company to the negative effects of the weakening kwacha.

In addition, the Company was successful in converting an interest bearing long-term loan from the majority shareholder into an equity loan with an interest rate of 0%. As the equity loan will no longer attract foreign exchange losses that need to go through the income statement, it reduces the exposure of the Company further to the volatility of the Zambian kwacha against the US Dollar.

The restructuring of the long-term loan to an equity loan had a positive effect on the net asset value of the group with the Group's net equity improving from K1.3 million to K130.8 million at the end of the financial year.

Based on the continued support from the majority shareholder and the enhanced cash flows that will arise from upliftment of sales volumes to more sustainable levels, the expected reduction in finance cost and the reduced exposure to the currency volatility, the Directors are of the opinion that the Group and Company will continue to be a going concern for the next 12 months.

5. Going Concern (Continued)

The table below highlights resources that were available to the Group for working capital financing as at 30 September 2020. (See note 19)

Bank	Type of Facility	Maximum	Utilised	Available Amount
		US$'000'	US$'000'	US$'000'
Barclays Bank Zambia Plc	Bank overdraft	3,500	-	3,500
Rand Merchant Bank Ltd	Revolving facility	30,000	18,527	11,473

Refer to note 3(b) on pages 49 and 50 for more information on going concern.

6. Investments in subsidiary

During the year, the Company retained its 100% equity interest in Fabcorp (Pty) Limited.

7. Capital expenditure

The Group's capital expenditure strategy and decisions continued to be focused on minimizing and managing business risks, enhancing customer satisfaction and enhancing future business activities. The Group spent a total of **K Nil** compared to K594,000 spent in 2019.

8. Insurance

The Group has insured its operational assets against property damage and business interruption. The Group also maintains Directors liability insurance for its Directors in respect of their duties as Directors of the Company. Besides the foregoing, the Group has cover for employer's liability, public and product liability, group personal accident, group life assurance and motor vehicle. Total premiums paid during the period for the Group was **K3,142,000** (2019: K3,644,000).

9. Directors' Fees and Executive Management Remuneration

The Group paid **K3,633,000** (2019:K4,133,000) to Executive Managers as remuneration and **K1,160,000** (2019:K547,000) to the Independent Non-Executive Directors as Directors' fees. Non-Executive members of the Board were not entitled to any form of retirement benefits.

10. Corporate Governance

The Board recognises its responsibility for fostering a strong ethical environment throughout the Group so that its affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterised and reflected in the Code of Business Ethics and Policies, which is distributed throughout the Group and has been subscribed by all employees.

11. Meetings of Directors

The table below sets out the number of **Board meetings** held by the Company during the period under review and those attended by each Director.

Director		Meetings held	Meetings attended
A. E. Dickson	- Chairman	6	6
R. M. Chabala	- Managing Director	6	6
N. A. Thomson	- Non - Executive Director	6	6
L. de Jager	- Non - Executive Director	6	4*
P. W. de Villiers	- Executive Director	6	5
L. J. du Plessis	- Executive Director	6	2***
G. J. H. Steyn	- Executive Director	6	4**
J. M. Chisanga	- Independent Non-Executive Director	6	6
C. Kabaghe	- Independent Non-Executive Director	6	6

* Resigned from the Board on 28th May 2020

** Resigned from the Board on 11th December 2019

*** Appointed to the Board on 11th December2019

12. Compliance

The Directors confirm to the best of their knowledge and believe that the Company is not in violation of any laws and regulations that would have a material adverse effect on the operation of the business and that the Company has obtained all material licences and permits that are necessary to enable it to carry out its business.

13. Other material facts, circumstances and events

The Directors are not aware of any material facts, circumstances or events which occurred between the date of the statement of financial position and the date of this report, which might influence an assessment of the Company's financial position or the results of its operation.

14. The Board

14.1 Membership

The membership of the Board as at 30 September 2020 was as follows;

Non-Executive Directors
A. E. Dickson - Chairman
N. A. Thomson
P. W. de Villiers

Independent Non-Executive Directors
J. M. Chisanga
C. Kabaghe

Executive Directors

R. M. Chabala
L.J. du Plessis

14.2 Board Governance

14.2.1 Overview

The Articles of Association of the Company provide for a Board of 8 members. As at 30 September 2020, the Board comprised of five non-executive Directors (including the Chairman). Two of the non-executive Directors are independent Directors. The Board has two executive Directors, composed of the Managing Director and the Commercial Director.

14. The Board (Continued)

14.2 Board Governance (Continued)

14.2.1 Overview (Continued)

The Board has a Charter which clearly establishes its role and responsibilities. The primary role of the Board is to provide strategic guidance to the Company and effective oversight of management and Company performance. To assist in the performance of its role, the Board has established a number of Committees which have specific roles and responsibilities in key areas.

14.2.2 Board Charter

14.2.2.1 Introduction

The Board of Directors ("the Board") of Metal Fabricators of Zambia Limited ("the Company") primarily derives its authority in respect of responsibilities and duties to the Company from:

- the Companies Act, 2017 (no 10 of 2017) ("the Companies Act")
- the LuSE Listings Requirements
- the Company's Memorandum and Articles of Association
- the Zambian common law

14.2.2.2 Purpose

The purpose of this charter is to amplify certain aspects of the Board's duties and responsibilities. The charter does not provide a list of such duties or responsibilities nor does it replace any applicable requirement or prescription in the Companies Act, the LuSE Listings Requirements, the Memorandum and Articles of Association or other applicable Zambian law.

14.2.2.3 Charter to form part of appointment terms

This charter, as amended from time to time, forms part of each Director's conditions of appointment as a Director.

14.2.2.4 Integrity and reputation

Each of the Board members recognises that their professional and personal reputation has a direct and material impact on their involvement with the Company. Therefore, each of the Directors undertakes to conduct themselves, both professionally and personally, with integrity, in accordance with the ethics and values of the Company and the laws of Zambia.

Each of the Directors will conduct themselves at all times with due regard to the reputation and interests of the Company.

14. The Board (Continued)

14.2 Board Governance (Continued)

14.2.2 Board Charter (Continued)

14.2.2.5 The Lusaka Securities Exchange (LuSE) Corporate Governance Code

Unless indicated otherwise, the Board considers itself bound to and is responsible for the implementation of the LuSE corporate governance code. The duties and responsibilities of the Board, its committees and the Company secretary, as contemplated in the LuSE corporate governance code, apply to the Board (unless indicated otherwise) and, although not repeated in this charter, are binding on the Board and its individual members.

The Board is responsible to publish a report, at least annually, on the Company's compliance status of the LuSE corporate governance code.

14.2.2.6 Sustainability

In addition to its fiduciary duties, the Board recognises its responsibility to conduct and grow the Company and its interests in a sustainable manner, with due regard to all stakeholders.

14.2.2.7 Composition of the Board

In addition to applicable legislation and the Memorandum and Articles of Association, the Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

14.2.2.8 Retirement from the Board

At the annual general meetings of the Company, the non- executive Directors will retire from the Board by rotation. At all annual general meetings held by the Company, one third of the non-executive Directors, or, if one third is not a whole number, the next largest number than one third, shall retire from office.

The non-executive Directors who retire by rotation shall be those who have been longest in office, but, as between those who were appointed on the same day, those to retire (unless they agree otherwise among themselves) be determined by lot.

The Company may, at a meeting at which a Director retires by rotation, appoint a person to fill the office by ordinary resolution.

A retiring non-executive Director is eligible for re-appointment. As provided for in section 101 (4) of the Companies Act, an executive Director shall not, while holding that office, be subject to retirement by rotation.

Executive Directors will retire from the Board no later than the shareholders' meeting after that executive Director reaches the age of 65 and will thereafter only be eligible for election to the Board as non-executive Director. The Board may extend the retirement age for executive Directors in individual instances up to no more than 70 years of age if it believes such extension to be in the best interest of the Company.

14. The Board (Continued)

14.2 Board Governance (Continued)

14.2.2 Board Charter (Continued)

14.2.2.9 Interaction with Shareholders

The Board must deliberate all matters that require shareholder approval before it refers these matters to shareholders for decision making. Where appropriate the Board may make recommendations to shareholders. The Board will provide material and accurate information to shareholders on matters to be considered by shareholders.

The Chairman of the Board, the Chairman of the audit & risk committee, the Chairman of the remuneration & nomination committee, and all executive Directors will be required to attend shareholders' meetings. Other Directors must make themselves available to attend any shareholders' meetings and to answer questions posed by shareholders when requested to do so by the Chairman of the Board.

No Director may interact with shareholders or the media in relation to any reputational or price sensitive matter affecting the Company, without prior approval by the Company's Chairman, or in his absence the General Manager: Africa Operations.

14.2.2.10 Board Committees and Management

The Board is assisted in the governance of the Company by Board committees, executive management and is advised by the Company secretary.

The Board continually monitors and evaluates the performance of the committees and individuals that either advise the Board, or that exercise any delegated function or authority on behalf of the Board. In this regard:

- The Chairman of each Board committee is obliged to report to the Board on that committee's activities.
- The minutes of all committee meetings are provided to the Board for noting.
- The committees are obliged to report to the Board on pertinent findings of any evaluation conducted in respect of the performance of such committee

The Board is entitled to withdraw or amend its mandate to any committee or individual at any time that the Board deems it appropriate.

14.2.2.10.1 Annual Assessment

The Board and each Board committee are obliged to perform an annual assessment of their performance and effectiveness and to report the results of this assessment to the Board. Unless the Board instructs otherwise, the assessment will be conducted through a self-assessment process.

14. The Board (Continued)

14.2 Board Governance (Continued)

14.2.2 Board Charter (Continued)

14.2.2.10 Board Committees and Management (Continued)

14.2.2.10.1 Annual Assessment (Continued)

The Chairman of the Board and the Company secretary are subject to annual evaluations. The Board may, as and when it deems appropriate, conduct additional evaluations of the performance and effectiveness of the Board, any Board committee or any one or more of the members of the Board or any Board committee.

14.2.2.10.2 Board Committees

The extent to which each committee exercises delegated authority and advises the Board is set out in that committee's terms of reference, relevant Board resolutions and legislation (to the extent applicable). The relevant administrative framework for each committee is contained in paragraphs 11.2 and 11.3 of the Charter, the relevant Board committee's terms of reference and applicable legislation (to the extent applicable).

The following are standing committees of the Board:

- Audit & Risk committee
- Remuneration & Nomination committee

14.2.2.10.3 Review of Board Committee's Terms of Reference

The terms of reference of any Board committee may be reviewed by that Board committee at any time on request by any of its members

The terms of reference of all Board committees must be reviewed by these committees at least annually, calculated with reference to the date that the terms of reference were last approved by the Board.

Any amendment to the terms of reference that a Board committee deems appropriate will be recommended to the Board for consideration and approval, if the Board supports such amendment.

14.2.2.10.4 Other Committees

The Executive committee, although not a Board committee, also assist and advise the Board.

The Board may appoint additional standing or ad hoc Board or non-Board committees to the extent that it deems appropriate.

14. The Board (Continued)

14.2 Board Governance (Continued)

14.2.2 Board Charter (Continued)

14.2.2.10 Board Committees and Management (Continued)

14.2.2.10.5 Delegation of authority

The Board issues and annually reviews a formal delegation of authority document, which contains guidance to executive management and committees on particular aspects and levels of delegated authority in respect of transactions and the extent to which such authority is subject to consultation and information requirements.

14.2.2.11 Administration and Meetings

14.2.2.11.1 Frequency

The Board meets at least four times a year. Ad hoc meetings will be arranged in accordance with the requirements of the Memorandum and Articles of Association

Electronic attendance by way of video conference or telephone conference (provided the media employed is enabling each attendee to participate effectively in the meeting) will be regarded as attendance in person. For the avoidance of doubt, the Chairman may chair the meeting electronically.

14.2.2.11.2 Board and Board Committees: Annual work plan

The Board and each of the standing Board committees will agree an annual work plan for the manner in which and the proposed timing of the carrying out of its functions. This plan will inform the number, timing, agenda and length of Board or Board committee meetings, as the case may be. This work plan must be reviewed annually, but may be revised at any time when the Board or the relevant Board committee deems it appropriate.

14.2.2.11.3 Board and Board Committees: Agenda, packs and minutes

The Chairman of the Board, with the assistance of the General Manager: Africa Operations and the Company Secretary, will prepare an agenda for each Board meeting.

Board packs shall be circulated to Directors and any invitees to the meeting at least five working days prior to each meeting.

The Zamefa Company secretary shall be the secretary of the Board and the Board Committees.

The minutes of a Board and Board committee meeting shall:

- Be completed as soon as possible after the meeting and circulated to the Chairman of the Board or the Board committee, as the case may be, for review and comment.
- The minutes must be formally considered and approved, subject to amendment as required, by the Board or the Board committee, as the case may be, at its next scheduled meeting.

14. The Board (Continued)

14.2 Board Governance (Continued)

14.2.2 Board Charter (Continued)

14.2.2.11 Administration and Meetings (Continued)

14.2.2.12 Rights of individual Directors

Typically the interests of the Company are best served if the Board functions as a team. However, any Director may request a meeting with the chairman of the Board.

Any Director may, after consultation with the Chairman of the Board, obtain such external professional advice, at the expense of the Company, as is reasonably necessary for such Director or group of Directors to discharge their duties to the Company.

Any Director may request the General Manager: Africa Operations to arrange such training or information sessions as is reasonably necessary for such Director or any group of Directors to discharge its duties to the Company.

14.2.2.13 Dealing in the Securities of the Company

In terms of the LuSE Listings Requirements, the Company is required to notify the LuSE when any Director deals in the Company's securities. Directors will provide the assistance and information required by the Company to comply with this requirement.

All senior executives of the Company must obtain permission from the Company's General Manager: Africa Operations before dealing in the Company's securities.

All Directors of the Company, other than the Chairman of the Board, must obtain written permission from the Chairman of the Board before dealing in the Company's securities. The Company secretary must be notified, in writing, on conclusion of any securities dealings.

The Chairman of the Board must obtain written permission from the General Manager: Africa Operations, in consultation with the Chairman of the remuneration committee, before dealing in the Company's securities. The Company secretary must be notified, in writing, on conclusion of any securities dealings.

Notwithstanding the above, no Director who is aware of unpublished price-sensitive information or any immediate family member of such Director may deal in the Company's securities.

14.2.2.14 Approval of this Charter

This charter was reviewed, updated and approved by the Board on 28 May 2020

15. Corporate Governance statement

The table below shows the composition of Board Committees as at 30 September 2020.

Audit and Risk Committee

Board Committees

Members
J.M. Chisanga (Chairman)
A. E. Dickson
N. A. Thomson
R. M. Chabala
G. J. H. Steyn

Responsibilities/functions

The Committee provides oversight on the effectiveness of the Company's operational and financial reporting systems and accuracy of information, and sees that the Company's published Financial Statements represent a true and fair reflection.

The Committee is responsible for ensuring that appropriate accounting policies, controls and compliance procedures are in place in the Company and that compliance management and other internal control activities are operating effectively. The committee reviews the Company's going concern statement and its solvency and liquidity position and makes recommendations to the Board as appropriate.

Remunerations & Nomination Committee

Members
A. E. Dickson - Chairman
C. Kabaghe
P. W. de Villiers

Responsibilities/functions

Provides strategic guidance and oversight of /over people management in the Company and is responsible for formulating remuneration policies and principles that promote the success of the Company; for management appointments, organisation structure, reviewing arrangements for succession planning and management development, and determining the remuneration of employees.

15. Corporate Governance statement (Continued)

Board Committees (Continued)

The table below shows attendance of each Director and alternate director at Board and Committee meetings held during the year

Director	Board	Audit & Risk**	Rem & Nom*
A. E. Dickson - Chairman	6	3	2
R. M. Chabala (Mrs) - Managing Director	6	3	N/A
N. A. Thomson - Non - Executive Director	6	3	N/A
L. de Jager - Non - Executive Director	4***	1***	1***
P. W. de Villiers - Executive Director	5	N/A	2
G. J. H. Steyn - Executive Director	2****	3	N/A
J. M. Chisanga - Independent Non-Executive Director	6	3	N/A
C. Kabaghe - Independent Non-Executive Director	6	N/A	2
L.J. du Plessis - Executive Director	4****	N/A	N/A

* The remuneration committee is scheduled to meet twice a year.
** The Audit and risk committee is scheduled to meet three times per year.
*** L. de Jager resigned from the Board on 28th May, 2020.
**** G.J.H Steyn resigned from the Board on 11th December 2019
***** L. J. duPlessis was appointed to the Board on 11th December 2019

16. Zamefa's Compliance status of Corporate governance rules

A review of ZAMEFA's compliance with the LuSE Corporate Governance Code as at 30 September 2020, showed that full compliance rate was at 100%. The summary of the compliance status is shown in the table below.

Category					Total Rules	Applicable to ZAMEFA	Non applicable to ZAMEFA	Full compliance	Partial compliance	Non compliance	% N/A	% FC	% PC	% NC
General matters					15	15	-	15	-	-	-	100%	0%	0%
Chairman & CEO					5	5	-	5	-	-	-	100%	0%	0%
Executive & NED's					4	4	-	4				100%	0%	0%
Directors compensation					9	9	-	9	-	-	-	100%	0%	0%
Share & share dealings					4	4	-	4	-			100%	0%	0%
Board meetings					4	4	-	4	-	-	-	100%	0%	0%
Board evaluations					1	1	-	1	-			100%	0%	0%
Company Secretary					4	4	-	4	-			100%	0%	0%
Board Committees					10	10	-	10	-	-	-	100%	0%	0%
Legal & compliance					2	2	-	2	-	-	-	100%	0%	0%
External audit					6	6	-	6	-	-	-	100%	0%	0%
Internal audit					12	12	-	12	-	-	-	100%	0%	0%
Risk					7	7	-	7	-	-	-	100%	0%	0%
Integrated sustainability reporting					7	7	-	7	-	-	-	100%	0%	0%
Disclosure & stakeholder reporting					4	4	-	4	-	-	-	100%	0%	0%
Organisation integrity					6	6	-	6	-	-	-	100%	0%	0%
					100	100	-	100	-	-	-	100%	0%	0%

17. Auditors

The Company's auditors, Messrs Deloitte & Touche, have indicated their willingness to continue in office. Therefore, in accordance with the Companies Act, a resolution for their reappointment will be proposed at the Annual General Meeting.

By order of the Board

BDO Zambia Limited
Company Secretary
Lusaka

The Companies Act, 2017 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017 and the Securities and Exchange Commission.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2017 and the Securities and Exchange Commission.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error. In addition, the Directors are responsible for preparing the Directors' report.

The Directors are of the opinion that the financial statements set out on pages 40 to 91 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards, the Companies Act, 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017 and the Securities and Exchange Commission.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have identified matters which are material for the business to continue as a going concern for at least twelve (12) months from the date of this statement. Although uncertainties which are material to the going concern status of the business have been identified, the Directors have assessed these uncertainties and concluded that ZAMEFA continues to be a going concern. Please refer to note 3b for additional disclosure on going concern.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework described above.

Approval of the financial statements

The financial statements of the Group and Company, set out on pages 40 to 91, were approved by the Board of Directors on 3 November 2020 and signed on its behalf by:

Director	**Director**
3 November 2020	**3 November 2020**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the members of
Metal Fabricators of Zambia Plc
Report on the audit of the financial statements

Opinion

We have audited the consolidated and separate financial statements of Metal Fabricators of Zambia Plc (the "Company") and its subsidiary (together, the "Group") set out on pages 40 to 91, which comprise the consolidated and separate statements of financial position as at 30 September 2020, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 30 September 2020, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2017 and the Securities and Exchange Commission.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)") and other independence requirements applicable to performing audits of financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to Going Concern

We draw attention to Note 3(b) to the financial statements, which indicates that the Group incurred a net loss of K234,368,000 during the year ended 30 September 2020 (2019: K71,503,000) and, as of that date, the Group's current assets exceeded its current liabilities by K1,086,000 (2019: K128,835,000) and its net cash and cash equivalents position was in deficit of K104,529,000 (2019: K117,341,000). As stated in Note 3(b), the ability of the Group to continue as a going concern is dependant on its ability to return to profitability and the continued support from the holding company to guarantee the bank borrowings and payments to key raw materials suppliers. Failure to return to profitability and obtain the guarantees from the holding company may cast significant doubt on the Group's ability to continue as a going concern. Due to the significance of this matter, we draw attention to it but our opinion is not modified in this regard.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Relating to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in the audit
Valuation and existence of inventory	
The Group as noted in Note 15 to the financial statements had inventory amounting to K181 million as at the year end. The Company's valuation of metal inventory is done in excel spreadsheets which is prone to human error and determination of quantities is subject to judgement. Further, the main raw material copper is highly marketable and is susceptible to theft. Consequently, we considered inventory a key audit matter.	In considering the valuation and existence of inventory, various procedures were performed including, but not limited to the following: • We assessed the design and evaluated the implementation and operating effectiveness of the controls around the valuation of inventory; • We attended the year end stock count where a 100% physical count was conducted. We reconciled the counted inventory to the final valuation worksheet and investigated any significant book to physical count adjustments; • We assessed the appropriateness of the inventory values by considering the cost of the raw materials used, standard quantities applied in manufacturing a product, and the reasonableness of the overheads allocated tothe product; • We re-performed the re-averaging for a sample of selected inventory items; and • With the help of our IT specialists, we tested the General Computer Controls around MIDAS system. This is the system where standard parameters for the make up of cables used in the valuation of cables are stored. We investigated the changes noted in the standard parameters from prior year as applicable. Based on the work done, inventory existed at the year end and is reasonably valued.

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, Managing Director's statement, Directors’ report as required by the Securities and Exchange Commission and the Companies Act, 2017 and the statement of responsibility which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by of the Companies Act, 2017 and the Securities and Exchange Commission, 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.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group’s and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group and the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

Auditor's responsibilities for the audit of the financial statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's responsibilities for the audit of the financial statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Sections 250(2) and 259(3) of the Companies Act, 2017 require that in carrying out our audit, we consider and report on whether:

- There is a relationship, interest or debt which we have with and in the Group;
- There are serious breaches of corporate governance principles or practices contained in part VII sections 82 to 112 of the Companies Act, 2017; and
- There is an omission in the financial statements as regards particulars of loans made to a company officer (a director, Company secretary or executive office of a Company) during the year, and if reasonably possible, disclose such information in our opinion.

Part III, Rule 18 of the Securities (accounting and financial reporting requirements) Rules of the Securities Act of Zambia requires that we report on whether:

- The annual financial statements of the Group have been properly prepared in accordance with Securities and Exchange Commission rules;
- The Group has, throughout the financial year, kept proper accounting records in accordance with the requirements of Securities and Exchange Commission rules;
- The statement of financial position and statement of comprehensive income are in agreement with the Group's accounting records; and
- We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In respect of the foregoing requirements, we have no matters to report.

INDEPENDENT AUDITOR'S REPORT (Continued)

Deloitte & Touche
Chartered Accountants

Deloitte & Touche

Alice Jere Tembo
Audit Partner
PC NO. : AUD/F000433

DATE: 18 November 2020

Statements of profit or loss and other comprehensive income

		Group		Company	
	NOTES	**Year ended 30/09/2020**	Year ended 30/09/2019	**Year ended 30/09/2020**	Year ended 30/09/2019
		K '000	K '000	**K '000**	K '000
Revenue	6	**995,289**	1,320,930	**995,289**	1,320,930
Cost of sales		**(937,814)**	(1,239,406)	**(937,814)**	(1,239,406)
Gross profit		**57,475**	81,524	**57,475**	81,524
Distribution costs		**(26,661)**	(20,257)	**(26,661)**	(20,257)
Administrative expenses		**(29,358)**	(30,647)	**(29,321)**	(30,616)
Operating income	7	**1,456**	30,620	**1,493**	30,651
Finance costs	9	**(33,609)**	(36,839)	**(33,609)**	(36,839)
Interest income		**1**	2	**1**	2
Net foreign exchange losses		**(200,788)**	(28,053)	**(200,507)**	(28,038)
Impairment	13	**-**	(34,619)	**-**	(34,619)
Loss before income tax		**(232,940)**	(68,889)	**(232,622)**	(68,843)
Taxation	10	**(1,428)**	(2,614)	**(1,352)**	(2,739)
Loss for the year		**(234,368)**	(71,503)	**(233,974)**	(71,582)
items that will be reclassified subsequently to the profit and loss					
Exchange difference on translation of foreign operation		**(1,180)**	(161)	**-**	-
items that will not be reclassified subsequently to the profit and loss					
Revaluation surplus on property, plant and equipment		**-**	65,098	**-**	65,098
Deferred tax on revaluation surplus on property plant and equipment		**-**	(5,790)	**-**	(5,790)
Total other comprehensive (loss)/profit for the year		**(1,180)**	59,147	**-**	59,308
Total comprehensive loss for the year		**(235,548)**	(12,356)	**(233,974)**	(12,274)
Loss per share					
Basic and diluted loss (Kwacha per share)		**(8.65)**	(2.64)	**(8.64)**	(2.64)

Statements of financial position

		Group		Company	
	NOTES	**2020**	2019	**2020**	2019
		K '000	K '000	**K '000**	K '000
Assets					
Non-current assets					
Property, plant and equipment	13	**129,336**	131,980	**129,336**	131,980
Deferred tax asset	24	**7,618**	9,045	**7,569**	8,920
Total non-current assets		**136,954**	141,025	**136,905**	140,900
Current assets					
Inventories	15	**181,416**	123,292	**181,416**	123,292
Trade and other receivables	16	**280,678**	411,696	**287,980**	417,586
Cash and bank balances	17	**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	20	**271**	271	**271**	271
Equity loan	19	**365,000**	-	**365,000**	-
Revaluation surplus	21	**112,188**	112,188	**112,188**	112,188
Holding company Share based option reserve	22	**208**	208	**208**	208
Foreign currency translation reserve		**(1,179)**	1	**-**	-
Accumulated losses		**(345,698)**	(111,330)	**(341,555)**	(107,581)
Total equity		**130,790**	1,338	**136,112**	5,086
Non current liabilities					
Long term loan	19	**-**	262,006	**-**	262,006
Share based options	22	**404**	404	**404**	404
Retirement benefit obligation	25	**6,846**	6,112	**6,846**	6,112
Total non current liabilities		**7,250**	268,522	**7,250**	268,522
Current liabilities					
Bank overdrafts	19	**132,290**	132,845	**132,290**	132,845
Trade and other payables	18	**355,661**	287,993	**355,569**	287,928
Share based options	22	**818**	818	**818**	818
Current tax liabilities	10	**-**	1	**-**	1
Total current liabilities		**488,769**	421,657	**488,677**	421,592
Total liabilities		**496,019**	690,179	**495,927**	690,114
TOTAL EQUITY AND LIABILITIES		**626,809**	691,517	**632,039**	695,200

The financial statements on pages 40 to 91 were approved for issue by the Board of Directors on 3rd November 2020 and signed on its behalf by:

Director

Director

Statements of changes in equity

Company

	Share capital	Revaluation reserve	Share Based payments Reserves	Accumulated losses	Proposed dividend	Total
	K `000	K `000	K `000	K `000	K `000	K `000
Year ended 30 September 2019						
At start of the year as previously stated	271	52,880	90	(31,627)	-	21,614
IFRS 9 opening transition adjustment (net)	-	-	-	(4,372)	-	(4,372)
At start of the year as restated	271	52,880	90	(35,999)		17,242
Loss for the year	-	-	-	(71,582)	-	(71,582)
Revaluation Surplus	-	59,308	-	-	-	59,308
Recognition of share based payments	-	-	118	-	-	118
At end of the year	**271**	**112,188**	**208**	**(107,581)**	-	**5,086**
Year ended 30 September 2020						
At start of the year	271	112,188	208	(107,581)	-	5,086
Loss for the year	-	-	-	(233,974)	-	(233,974)
Equity loan (Note 19)	365,000	-	-	-	-	365,000
At end of the year	**365,271**	**112,188**	**208**	**(341,555)**	-	**136,112**

Statements of changes in equity (Continued)

Group

	Share capital	Revaluation reserve	Share based Option reserve	Accumulated losses) Retained earnings	Foreign currency translation reserve	Proposed dividend	Total
	K `000	K `000	K `000	K `000	K `000	K `000	K `000
Year ended 30 September 2019							
At start of the year as previously stated	271	52,880	90	(35,455)	162	-	17,948
IFRS 9 opening transition adjustments (net)				(4,372)			(4,372)
At start of the year as restated	271	52,880	90	(39,827)	162		13,576
Loss for the year	-	-		(71,503)		-	(71,503)
Foreign currency translation difference	-	-		-	(161)	-	(161)
Revaluation Surplus	-	59,308	-	-	-	-	59,308
Recognition of share based payments	-	-	118	-	-	-	118
At end of the year	**271**	**112,188**	**208**	**(111,330)**	**1**	**-**	**1,338**
Year ended 30 September 2020							
At start of the year	271	112,188	208	(111,330)	1	-	1,338
Loss for the year	-	-		(234,368)		-	(234,368)
Equity loan (Note 19)	365,000	-	-	-	-		365,000
Foreign currency translation difference	-	-		-	(1,180)	-	(1,180)
At end of the year	**365,271**	**112,188**	**208**	**(345,698)**	**(1,179)**	**-**	**130,790**

Statements of cash flows

		Group		Company	
	Notes	**Year-ended 30/09/2020 K '000**	Year-ended 30/09/2019 K '000	**Year-ended 30/09/2020 K '000**	Year-ended 30/09/2019 K '000
Cash flows from operating activities					
Cash generated from operations	26	**46,421**	6,970	**46,480**	6,990
Interest received	9	**1**	2	**1**	2
Interest expense	9	**(33,609)**	(36,839)	**(33,609)**	(36,839)
Income tax paid	10	**(1)**	(52)	**(1)**	(52)
Net cash generated from/(used by) operating activities		**12,812**	(29,919)	**12,871**	(29,899)
Cash flows from investing activities					
Purchase of property, plant and equipment	13	**-**	(594)	**-**	(594)
Proceeds from disposal of property, plant and equipment		**-**	145	**-**	145
Net cash used in investing activities		**-**	(449)	**-**	(449)
Cash flows from financing activities					
Net cash used by financing activities		**-**	-	**-**	-
Net increase/(decrease) in cash and cash equivalents		**12,812**	(30,368)	**12,871**	(30,348)
Movement in cash and cash equivalents					
At start of the year		**(117,341)**	(86,973)	**(119,423)**	(89,075)
Effects of exchange rate movements		**(59,908)**	(5,460)	**(59,908)**	(5,460)
Movement in cash due to working capital movements		**72,720**	(24,908)	**72,779**	(24,888)
At end of the year	17	**(104,529)**	(117,341)	**(106,552)**	(119,423)
Comprising of:					
Cash and bank balances		**27,761**	15,504	**25,738**	13,422
Bank overdraft		**(132,290)**	(132,845)	**(132,290)**	(132,845)
Net cash and cash equivalents		**(104,529)**	(117,341)	**(106,552)**	(119,423)

Notes to the financial statements

1. Reporting Entity

Metal Fabricators of Zambia Plc (ZAMEFA) is a Public Company incorporated in the Republic of Zambia. The address of its registered office and principal place of business is disclosed on page 1. These group financial statements comprise the Company and it's subsidiary, Fabcorp (Pty) Limited, formerly called Zamefa Metal Fabricators of South Africa (Pty) Limited. The principal activities of the Group are disclosed in the report of the Directors on page 19.

2. Adoption of new and revised Standards

2.1 New and amended Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019.

Impact of initial application of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Directors of the Company reviewed and assessed the Company's existing leases as at 30 September 2020 based on the facts and circumstances that existed as at that date and concluded that the initial application of IFRS 16 had no impact on the Company as the Company did not have any leases during the year under review.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the ‘solely payments of principal and interest’ (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

Notes to the financial statements (Continued)

2. Adoption of new and revised Standards (Continued)

2.1 New and amended Standards that are effective for the current year (Continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs (Continued)

IAS 12 Income Taxes

The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

Notes to the financial statements (Continued)

2. Adoption of new and revised Standards (Continued)

2.2 New and revised Standards in issue but not yet effective (Continued)

The Directors do not expect that the adoption of the ammendments listed above will have a material impact on the financial statements of the Company in future periods.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Statement of compliance

The Group and separate financial statements are prepared in compliance with International Financial Reporting Standards (IFRS).

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are at revalued amounts or fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset of liability at the measurement date.

Fair value for the measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly ; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Zambian Kwacha (K), rounded to the nearest thousand.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 5.

.

The Group and Company made a loss after tax of **K234,368,000** (2019: K71,503,000) and **K233,974,000** (2019: K71,582,000) respectively during the year ended 30 September 2020, mainly due to unrealised foreign exchange losses of K200,788,000 for the Group and K200,507 for the Company which resulted from the re-measurement of the Group's and Company's net foreign currency denominated liabilities due to the weakening of the Zambian Kwacha against the US Dollar during the year. As at 30 September 2020, the Group's and Company's current assets exceeded their current liabilities by **K1,086,000** (2019: K128,835,000) and **K6,457,000** (2019: K132,708,000) respectively and their residual equity at 30 September 2020 amounted to **K130,790,000**(2019: K1,338,000) for the Group and K136,112,000 (2019: K5,086,000) for the Company after converting the controlling shareholder loan from an interest bearing loan to non interest bearing equity loan.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent on a number of factors. The most significant of these being the ability of the Group to return to profitability by increasing its operational profits to levels higher than the financing cost. This will be achieved through the Group returning to normal operating levels now that a significant portion of the government debt has been collected. Further, the Group continues to have access to funding for the ongoing operations of the Company from RMB due to the parent guarantees provided by the Group's ultimate controlling shareholders, Reunert Limited. The holding Company during the year, converted its long term loan of US$20 million into equity loan in kwacha at a nil interest rate. Further, the holding Company confirmed its continued undertaking and ability to provide financial support by continuing to guarantee the Groups bank lines of credit and credit facilities with copper suppliers up to US$ 50 million, thereby enabling the Group to settle its obligations as and when they fall due.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

On the basis of cash flow information prepared by the Directors and after consultation with its shareholders, the Directors consider that the Group will continue to operate for the foreseeable future within the available financial resources. Accordingly, the Directors are of the opinion that the preparation of these financial statements on the going concern basis is appropriate.

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its 100% subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and.
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(c) Basis of Consolidation (Continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(d) Revenue recognition

The Company recognizes revenue from the following major source;

- Sale of goods

Sale of goods

The Company sells goods to both third party and related customers. Revenue is recognised when the Company has fulfilled its performance obligations based on the sales contract, being at the point when goods are delivered at the customer's premises. Payment of the transaction price is due within forty-five (45) calendar days after the delivery of the goods.

Interest income

Interest income from the financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset’s net carrying amount on initial recognition.

(e) Foreign currencies

In preparing financial statements, transactions in currencies other than the Zambian Kwacha are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(e) Foreign currencies (Continued)

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

(f) Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed at least every five years such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees that are capitalized in accordance with Company’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Depreciation on revalued buildings is recognized in the profit and loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Leasehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method as follows:

• Buildings	50 Years
• Plant and machinery	10 Years
• Furniture, fixtures and fittings	4 - 10 years
• Motor vehicles	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Impairment of tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal on impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(h) Financial instruments (Continued)

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

(a) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(b) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(c) Write-off policy

A Company may write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the trade receivables has crossed the law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(d) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

(d) Measurement and recognition of expected credit losses (Continued)

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(e) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(ii) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(h) Financial instruments (Continued)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘other gains and losses’ line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(i) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks.

Derivatives are initially measured at fair value at the date the derivative contracts are entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(j) Employee benefits

Retirement benefit costs and termination benefits

The Company and all its employees contribute to the National Pension Scheme Authority (NAPSA), which is a defined contribution scheme. The Group's contributions to the defined contribution schemes are charged to the profit or loss in the year to which they relate. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company also operates a staff gratuity scheme for its employees. Under this scheme, the employees are entitled to gratuity payment based on the number of years worked and their terminal salaries at end of contract. The liability recognised in the statement of financial position in respect of the gratuity scheme is the past service cost that the Company would have incurred at the reporting date.

Share-based payments

The Reunert group issues equity-settled options to certain employees in the Group. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Fair value is measured by use of a modified binomial option pricing model. The expected lives used in the model have been adjusted,based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(k) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on surpluses arising from the revaluation of property, plant and equipment.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(k) Income tax (Continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Capital and reserves

(i) Share capital

Ordinary shares are classified as equity.

(ii) Equity loan

The terms of the loan now make it a non-monetary item and as such, it is not revalued to period end exchange rates rather, the loan remains valued at the exchange rate ruling on the date when it was converted to an equity loan.

Notes to the financial statements (Continued)

3. Summary of significant accounting policies (Continued)

(m) Capital and reserves (Continued)

(iii) Revaluation reserve

The surplus arising on revaluation of property, plant and equipment is recognised in other comprehensive income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred directly to retained earnings. No transfer is made from the revaluation to retained earnings except when an asset is derecognised.

(iv) Share based option reserve

Refer to note 3 (J).

(v) Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Currency Units) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Dividends

Dividends payable to the Company's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) Finance leases

Assets subject to finance lease agreements, where considered material and where the group assumes substantially all the risks and rewards of ownership, are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at inception of the lease and the corresponding liability is raised.

Notes to the financial statements (Continued)

(p) Finance leases (Continued)

Lease payments are allocated using the rate implicit in the lease to determine the lease finance cost, which is charged to profit or loss over the term of the relevant lease, and the capital payment, which reduces the liability to the lessor.

(q) Comparatives

Where necessary, comparatives figures have been adjusted to conform to changes in presentation in the current year.

4 Financial risk management

The Group's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates risks and interest rates risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the management 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, use of derivative and non-derivative financial instruments and investing excess liquidity.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures especially with respect to the United States Dollar and the South African Rand.

Foreign Currency exposure
Company

	Liabilities		Assets	
	2020	2019	**2020**	2019
	K `000	K `000	**K `000**	K `000
United States Dollar	**463,935**	632,623	**242,407**	198,396
South African Rand	**7,117**	2,687	**4,577**	9,709
	471,052	635,310	**246,984**	208,105

Foreign Currency exposure
Group

	Liabilities		Assets	
	2020	2019	**2020**	2019
	K `000	K `000	**K `000**	K `000
United States Dollar	**463,935**	632,623	**155,764**	195,573
South African Rand	**7,117**	2,687	**1,596**	6,472
	471,052	635,310	**157,360**	202,045

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 30 September 2020, if the Kwacha had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post tax loss for the year for the Company would have been K9,414,000 higher/lower (2019: K18,455,000 higher/lower) and for the Group K13,097,000 higher/lower (2019: K18,575,000 lower/higher), mainly as a result of US Dollar denominated payables, receivables, bank balances and borrowings.

At 30 September 2020 if the Kwacha had weakened/strengthened by 5% against the South African Rand with all other variables held constant, post tax loss for the year for the Company would have been K108,000 lower/higher(2019: K298,000 lower/higher) and K235,000 higher/lower for the Group (2019: K161,000 higher/lower), mainly as a result of Rand denominated trade payables, receivables and bank balances.

(ii) Interest rate risk

The Group's and Company's only interest bearing assets are short term bank deposits. The Group and Company has borrowings at floating rates and certain payables for copper cathode purchases also attract interest at floating rates. At 30 September 2020, an increase/decrease of 50 basis points would have resulted in an increase/decrease in post-tax profit of **K2,179,374** (2019: K3,248,000 decrease/increase).

Credit risk

Credit risk arises mainly from trade and other receivables. The credit risk on liquid funds is limited because counter parties are banks with high credit rating. Exposure to credit risk is managed through trading with customers with an appropriate credit history, regular review of credit limits and debtors recoverability. The Board of Directors is involved in the review of debtors' position.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

Credit risk (Continued)

The Group's maximum exposure to credit risk at 30 September 2020 is as follows:

	Group		Company	
	2020 **K `000**	2019 K `000	**2020** **K `000**	2019 K `000
Trade receivables	**175,985**	157,041	**183,287**	162,931
Cash and bank balances	**27,761**	15,504	**25,738**	13,422
Sundry receivables	**876**	586	**876**	586
	204,622	173,131	**209,901**	176,939

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

The table below analyses the financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Group		Company	
	1-12 months **K `000**	**1-5 years** **K `000**	**1-12 months** **K `000**	**1-5 years** **K `000**
At 30 September 2020:				
- Trade and other payables	**354,554**	**-**	**354,461**	**-**
- Borrowings	**132,290**	**-**	**132,290**	**-**
	486,844	**-**	**486,751**	**-**
At 30 September 2019:				
- Trade and other payables	286,647	-	286,584	-
- Borrowings	132,845	262,006	132,845	262,006
	419,492	262,006	419,429	262,006

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

Liquidity risk (Continued)

The table below analyses the financial assets that are receivable on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Group		**Company**	
	1 – 3 months		**1 – 3 months**	
	2020	2019	**2020**	2019
	K `000	K `000	**K `000**	K `000
Receivables	**176,861**	157,627	**184,163**	163,517
Cash and bank balances	**27,761**	15,504	**25,738**	13,422
	204,622	173,131	**209,901**	176,939

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders 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 or issue new capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total funds. Total debt is calculated as total non current liabilities plus total current liabilities. Total funds comprises of total equity plus total non current liabilities plus total current liabilities.

	Group		**Company**	
	2020	2019	**2020**	2019
The gearing ratio at year end was as follows:	**K `000**	K `000	**K `000**	K `000
Total liabilities as per statement of financial position	**496,019**	690,179	**495,927**	690,114
Total equity and liabilities as statement of financial position	**626,808**	691,517	**632,039**	695,200
Gearing ratio	**79.1%**	99.8%	**78.5%**	99.3%

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

Capital risk management (Continued)

Categories of financial instruments

Financial assets

Loans and receivables:	Group		Company	
	2020	2019	**2020**	2019
	K'000	K'000	**K'000**	K'000
Receivables and cash and cash equivalents	**204,622**	173,131	**209,901**	176,939

Financial liabilities

At amortized cost:				
Payables and borrowings	**486,844**	681,498	**486,751**	681,435

Fair value measurements

Fair value of financial assets and financial liabilities that are not measured at fair value (but where fair value disclosures are required).

Except as detailed in the table below, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate fair values.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

	Company			
	2020		2019	
	K `000		K `000	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets held at amortised cost				
Loans and receivables:				
Trade and other receivables	**184,163**	**184,163**	163,517	163,517
Financial liabilities				
Financial liabilities held at amortised cost:				
Borrowings	**132,290**	**132,290**	394,851	394,851
Trade and other payables	**354,461**	**354,461**	286,584	286,584
	486,751	**486,751**	681,435	681,435

	Group			
	2020		2019	
	K `000		K `000	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets held at amortised cost				
Loans and receivables:				
Trade and other receivables	**176,861**	**176,861**	157,627	157,627
Financial liabilities				
Financial liabilities held at amortised cost:				
Borrowings	**132,290**	**132,290**	394,851	394,851
Trade and other payables	**354,554**	**354,554**	286,647	286,647
	486,844	**486,844**	681,498	681,498

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

Company

	Fair value hierarchy at 30 September 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	K '000	**K '000**	**K '000**	**K '000**
Financial assets				
Financial assets held at amortised cost Loans and receivables:				
Trade and other receivables	-	**184,163**	-	**184,163**
Financial liabilities				
Financial liabilities held at amortised cost:				
Borrowings	-	**132,290**	**-**	**132,290**
Trade and other payables*	-	**354,461**	**-**	**354,461**
	-	**486,751**	**-**	**486,751**

Company

	Fair value hierarchy at 30 September 2019			
	Level 1	Level 2	Level 3	Total
	K '000	K '000	K '000	K '000
Financial assets				
Financial assets held at amortised cost Loans and receivables:				
Trade and other receivables	-	163,517	-	163,517
Financial liabilities				
Financial liabilities held at amortised cost:				
Borrowings	-	394,851	**-**	394,851
Trade and other payables*	-	286,584	**-**	286,584
	-	681,435	**-**	681,435

* This excluded statutory obligations P.A.Y.E, withholding tax, N.A.P.S.A and skills levy.

Notes to the financial statements (Continued)

4 Financial risk management (Continued)

Group

	Fair value hierarchy at 30 September 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	K '000	**K '000**	**K '000**	**K '000**
Financial assets				
Financial assets held at amortised cost				
Loans and receivables:				
Trade and other receivables	-	**176,861**	-	**176,861**
Financial liabilities				
Financial liabilities held at amortised cost:				
Bank overdraft & long term loan	-	**132,290**		**132,290**
Trade and other payables*	-	**354,554**	-	**354,554**
	-	**486,844**	-	**486,844**

	Fair value hierarchy at 30 September 2019			
	Level 1	Level 2	Level 3	Total
	K '000	K '000	K '000	K '000
Financial assets				
Financial assets held at amortised cost				
Loans and receivables:				
Trade and other receivables	-	157,627	-	157,627
Financial liabilities				
Financial liabilities held at amortised cost:				
Bank overdraft & long term loan	-	394,851		394,851
Trade and other payables*	-	286,647	-	286,647
	-	681,498	-	681,498

* This excluded statutory obligations P.A.Y.E, withholding tax, N.A.P.S.A and skills levy

Notes to the financial statements (Continued)

5 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions are as follows:

(i) Income taxes

The Group is subject to income taxes in Zambia and the Republic of South Africa. 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 based on detailed calculations of what tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment losses on trade receivables

Impairment losses are based upon historical patterns of losses. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade receivables before a decrease can be identified with an individual trade receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of trade receivables in their group, or local economic conditions that correlate with defaults on assets in that group.

(iii) Estimate of assets lives, residual values, depreciation methods and impairments review

Property, plant and equipment are depreciated over their useful life taking into account residual values. Useful lives, residual values and carrying amount are assessed annually. Useful lives are affected by technology innovations, maintenance programmes and future productivity. Future market conditions determine the residual values. Depreciation is calculated on a straight line basis which may not represent the actual usage of the asset. The carrying amount of the asset may be sensitive to a range of characteristics and the key source of estimation and uncertainty include cash flow projections. In performing impairment reviews, the Group assesses the recoverable amount of its assets with reference to fair value less costs to disposal. There is judgement in determining the assumption that are considered to be reasonable with those that would be applied by market participants.

Notes to the financial statements (Continued)

6. Analysis of sales by category

	Group		Company	
	2020 **K `000**	2019 K `000	**2020** **K `000**	2019 K `000
Copper rod				
Zambia	**-**	-	**-**	-
Export	**628,877**	788,948	**628,877**	788,948
	628,877	788,948	**628,877**	788,948
Wire and Cables				
Zambia	**245,377**	301,123	**245,377**	301,123
Export	**121,035**	230,859	**121,035**	230,859
	366,412	531,982	**366,412**	531,982
Total Sales	**995,289**	1,320,930	**995,289**	1,320,930

7. Operating income

The following items have been charged in arriving at operating profit:

	Group		Company	
	2020 **K `000**	2019 K `000	**2020** **K `000**	2019 K `000
Inventories expensed	**878,630**	1,174,000	**878,630**	1,174,000
Employee benefits expense (Note 8)	**41,381**	45,702	**41,381**	45,702
Depreciation on property, plant and equipment (Note 13)	**2,644**	7,931	**2,644**	7,931
Directors' remuneration - as Managers	**3,633**	4,133	**3,633**	4,133
- as Directors	**1,160**	547	**1,160**	547
Auditors' remuneration and expenses	**884**	575	**884**	575
Gifts and donations	**33**	20	**33**	20

8. Employee benefits expense

The following items are included within employee benefits expense:

Salaries and wages	**34,615**	38,005	**34,615**	38,005
Retirement benefits costs:				
- Terminal benefits and long service gratuities (Note 25)	**3,767**	5,192	**3,767**	5,192
- National Pension Scheme Authority	**2,999**	2,505	**2,999**	2,505
	41,381	45,702	**41,381**	45,702

The number of persons employed by the Company at year-end was **301** (2019: 306).

Notes to the financial statements (Continued)

9 Finance costs

	Group		Company	
	2020	2019	**2020**	2019
	K `000	K `000	**K `000**	K `000
Interest on loans from related parties	**(20,147)**	(20,538)	**(20,147)**	(20,538)
Interest on bank overdrafts	**(7,539)**	(9,143)	**(7,539)**	(9,143)
Other interest expense	**(5,922)**	(7,158)	**(5,922)**	(7,158)
Finance costs	**(33,609)**	(36,839)	**(33,609)**	(36,839)
Interest income	**1**	2	**1**	2
Net finance costs	**(33,608)**	(36,837)	**(33,608)**	(36,837)

10. Income tax expense

	Group		Company	
	2020	2019	**2020**	2019
	K `000	K `000	**K `000**	**K `000**
Company				
Current income tax	**1**	1	**1**	1
Deferred income tax (note 24)	**1,427**	2,613	**1,351**	2,738
Income tax charge	**1,428**	2,614	**1,352**	2,739
Included under current liabilities				
Payable in respect of the current year	**-**	1	**-**	1
Payable in respect of prior years	**1**	52	**1**	52
Paid during the year	**(1)**	(52)	**(1)**	(52)
At end of the year	**-**	1	**-**	1
Reconciliation of the tax charge				
Loss before income tax	**(232,940)**	(68,889)	**(232,622)**	(68,843)
Tax at **35%** and **15%**	**(34,941)**	(10,333)	**(34,893)**	(10,326)
Tax effect of expenses not deductible for tax purposes:				
Tax rate difference on domestic and export income	**-**	1	**-**	1
Tax rate change	**26,890**	7,096	**26,890**	7,096
Derecognised tax losses	**2,226**	4,814	**2,226**	4,814
Other	**7,253**	1,036	**7,129**	1,154
Income tax charge	**1,428**	2,614	**1,352**	2,739

Notes to the financial statements (Continued)

10. Income tax expense (Continued)

Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 31 December 2013. Self-assessment tax returns have been filed with ZRA for the subsequent year ends. The Company now has accumulated tax losses of **K37.08 million** which are available for carry forward up to a maximum period of five years for offset against future profits from the same source.

Tax losses analysis	**Group**		**Company**	
	2020	2019	**2020**	2019
	K `000	K `000	**K `000**	K `000
2015 tax losses to expire in 2020	**8,428***	8,428	**8,428***	8,428
2015 tax losses expired	**(8,428)**	-	**(8,428)**	-
2018 tax losses to expire in 2023	**34,005****	38,594	**34,005****	38,594
2019 tax losses to expire in 2024	**-**	46,307**	**-**	46,307**
2020 tax losses to expire in 2025	**3,080**	-	**3,080**	-
	37,085	93,329	**37,085**	93,329

* 2015 losses expired during the year.

** The 2018 and 2019 tax losses calculated in the previous year, reduced in the current financial year due to the change on treatment of the foreign exchange losses on the long term loan. During the current financial year, just before submitting the tax return for 2019, it was agreed with the majority shareholder to convert the long term loan into an equity loan with a low possibility of repayment partly or in full within the next 5 years.

As a result, foreign exchange losses previously claimed from tax in the 2018 and 2019 tax calculations were reversed in the tax calculation used for the 2019 tax return. This adjustment resulted in the tax losses initially calculated for 2018 and 2019 being adjusted to the values disclosed above.

11. Loss per share

	2020	2019	**2020**	**2019**
	K `000	K `000	**K `000**	**K `000**
Net loss for the year	**(234,368)**	(71,503)	**(233,974)**	**(71,582)**
Weighted average number of ordinary shares in issue (thousands)	**27,090**	27,090	**27,090**	**27,090**
Basic and diluted (loss) per share (Kwacha)	**(8.65)**	(2.64)	**(8.64)**	**(2.64)**

12. Dividends

At the Annual General Meeting to be held on **11 December 2020**, the Directors propose a dividend payment of K Nil per share in respect of the year ending 30 September 2020. Nil dividend was proposed in respect of the period ended 30 September 2019.

Notes to the financial statements (Continued)

13. Property, plant and equipment

Group and Company

	Land and Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures & equipment	Capital Work in progress	Total
	K '000	**K '000**	**K '000**	**K '000**	**K '000**	**K '000**
COST OR VALUATION						
Balance at 30 September 2018	**74,218**	**100,075**	**2,286**	**5,831**	**512**	**182,922**
Additions	-	495	-	-	99	594
Revaluation surplus	65,098	-	-	-	-	65,098
Eliminated on revaluation	(7,116)	-	-	-	-	(7,116)
Reclassifications	-	99	-	512	(611)	-
Disposal	-	-	(72)	-	-	(72)
Balance at 30 September 2019	**132,200**	**100,669**	**2,214**	**6,343**	**-**	**241,426**
Additions	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Balance at 30 September 2020	**132,200**	**100,669**	**2,214**	**6,343**	**-**	**241,426**
ACCUMULATED DEPRECIATION						
Balance at 30 September 2018	**5,755**	**60,960**	**2,234**	**5,135**	-	**74,084**
Charge for the year	1,581	5,846	52	452	-	7,931
Eliminated on disposal	-	-	(72)	-	-	(72)
Impairment	-	33,863	-	756	-	34,619
Eliminated on revaluation	(7,116)	-	-	-	-	(7,116)
Balance at 30 September 2019	**220**	**100,669**	**2,214**	**6,343**	**-**	**109,446**
Charge for the year	2,644	-	-	-	-	2,644
Balance at 30 September 2020	**2,864**	**100,669**	**2,214**	**6,343**	**-**	**112,090**
CARRYING AMOUNT						
Balance at 30 September 2020	**129,336**	**-**	**-**	**-**	**-**	**129,336**
Balance at 30 September 2019	131,980	-	-	-	-	131,980

In accordance with Section 246 of the Companies Act, 2017 the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the registered office of the Company.

The property, plant and equipment have been pledged to secure borrowings of the Company (See note 19).

Notes to the financial statements (Continued)

13. Property, plant and equipment (Continued)

The Company's leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation of the Company's freehold land and buildings was performed by Bitrust Real Estate on 1 September 2019, independent valuers not related to the Company. Bitrust Real Estate are members of the Valuation Surveyors Registration Board, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Details of the Company's land and buildings and information about their fair value hierachy as at 30 September 2020 and 30 September 2019 are as follows:

At 30 September 2020

	Level 2	**Level 3**	**Fair Value as at 2020-09-30**
	K'000	**K'000**	**K'000**
Land and Buildings	-	**129,336**	**129,336**

At 30 September 2019

	Level 2	Level 3	Fair Value as at 2019-09-30
	K'000	K'000	K'000
Land and Buildings	-	131,980	131,980

In the opinion of the Directors, the amounts at which the property, plant and equipment are stated are not in excess of those recoverable from their future use. If the buildings were stated on the historical cost basis, the amounts would be as follows:

	2020	2019
	K'000	K'000
Cost	**14,718**	14,718
Accumulated depreciation	**(2,674)**	(2,380)
	12,044	12,338

Notes to the financial statements (Continued)

13. Property, plant and equipment (Continued)

Sensitivity analysis of Property, Plant and Equipment (PPE) is performed to measure favorable and unfavorable changes in the fair value of PPE which are affected by unobservable parameters. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

The results of the sensitivity analysis for the effect on profit or loss (before tax amount for other comprehensive income or loss) from changes in inputs for PPE which is categorized within Level 3 and subject to sensitivity analysis, are as follows:

	Favourable Changes		Unfavourable Changes	
	Profit or Loss	Equity	Profit or Loss	Equity
2020	**K'000**	**K'000**	**K'000**	**K'000**
PPE at fair value through other comprehensive income	-	-	-	-
2019				
PPE at fair value through other comprehensive income	-	-	**34,619**	-

14. Capital commitments

As at 30 September 2020, there were no Capital commitments contracted but not provided for in the financial statements for the Group and Company.

15. Inventories

	Group		Company	
	2020 **K'000**	2019 K'000	**2020** **K'000**	2019 K'000
Finished goods	**73,419**	50,493	**73,419**	50,493
Work in progress	**42,048**	20,874	**42,048**	20,874
Engineering stores and indirect materials	**39,915**	26,373	**39,915**	26,373
Raw materials	**26,034**	25,552	**26,034**	25,552
	181,416	123,292	**181,416**	123,292

The value of inventory expensed during the year is as disclosed under Note 7.

16. Trade and other receivables

Third party trade receivables	**224,301**	195,775	**224,301**	195,775
Amounts due from related companies (note 28)	**31**	63	**7,333**	5,953
Impairment	**(48,347)**	(38,797)	**(48,347)**	(38,797)
	175,985	157,041	**183,287**	162,931
Duty rebate	**-**	76,702	**-**	76,702
Sundry receivables	**876**	586	**876**	586
Prepayments	**6,429**	4,037	**6,429**	4,037
VAT recoverable	**97,388**	173,330	**97,388**	173,330
	280,678	411,696	**287,980**	417,586

Notes to the financial statements (Continued)

16. Trade and other receivables(Continued)

The following table shows the movement in life time ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9: Analysis of movement in impairment.

	Group		Company	
	2020	2019	**2020**	2019
	K'000	K'000	**K'000**	K'000
Balance as at start of the year	**38,797**	44,426	**38,797**	44,426
IFRS 9 opening transition adjustments (Gross)	**-**	5,143	**-**	5,143
Raised during the year	**9,550**	-	**9,550**	-
Written off against the impairment	**-**	(10,772)	**-**	(10,772)
At end of the year	**48,347***	38,797*	**48,347***	38,797*

* Included in the provision are amounts from Fabcorp (Pty) Limited, a subsidiary of ZAMEFA and VAT receivable from the Zambia Revenue Authority.

The average credit period on sale of goods is forty five (45) days. No interest is charged on the trade receivables.

The entity always measure the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using provision matrix by reference to past default experience of the debtor and an analysis of the debtor 's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The entity has recognised a loss allowance of 0.003% against all third party receivables as at year end.

In addition to the minimum amount calculated from the expected credit loss, the Company added specific provisions bringing the total provision to K9,550,000.

The following table shows the total receivables as per each aging bracket and the expected credit loss.

30 September 2020

	Current	30 days	60 days	90 days	Over 90 days	Total
	K'000	K'000	K'000	K'000	K'000	**K'000**
	157,175	20,566	2,568	5,488	10,279	**196,076**
						0.0029%
Life time expected credit loss						**5.6**

Notes to the financial statements (Continued)

16. Trade and other receivables(Continued)

30 September 2019

Current	30 days	60 days	90 days	Over 90 days	Total
K'000	K'000	K'000	K'000	K'000	**K'000**
89,117	-	40,831	6,034	59,769	**195,751**
					0.0026%

Life time expected credit loss	**5.1**

The Directors believe that the carrying value of trade and other receivables approximates their fair value.

17. Cash and bank balances

	Group		Company	
	2020	2019	**2020**	2019
	K'000	K'000	**K'000**	K'000
Bank balances	**27,672**	15,393	**25,649**	13,311
Cash in hand	**89**	111	**89**	111
	27,761	15,504	**25,738**	13,422
Bank overdraft (Note 19)	**(132,290)**	(132,845)	**(132,290)**	(132,845)
Net Cash and cash equivalents	**(104,529)**	(117,341)	**(106,552)**	(119,423)

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances net of bank overdrafts as above.

Bank balances are held in United States Dollars, South African Rands and Zambian Kwacha current accounts and do not earn interest.

Notes to the financial statements (Continued)

18. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	K '000	K '000	**K '000**	K '000
RMB payable	**224,079**	-	**224,079**	-
Third party trade payables	**89,491**	268,783	**89,399**	268,718
Accrued expenses and other payables	**42,091**	19,210	**42,091**	19,210
	355,661	287,993	**355,569**	287,928

The carrying amount of the payables and accrued expenses approximate to their fair values. Third party trade payables are mainly made up of United States Dollars denominated payables arising from purchase of copper cathode and other direct materials. Certain payables of copper cathode purchases attract interest at floating rates.

19. Borrowings

	Secured - at amortised cost				
(i)	Bank overdraft (note 17)	**132,290**	132,845	**132,290**	132,845
	Unsecured – at amortised cost				
(ii)	Reunert Finance Company Proprietary Limited				
	At start of the year	**262,006**	244,800	**262,006**	244,800
	Exchange losses	**102,994**	17,206	**102,994**	17,206
	Equity loan	**(365,000)**	-	**(365,000)**	-
	Balance at end of the year	**-**	262,006	**-**	262,006

The Company has overdraft facilities with ABSA Zambia Plc (formerly Barclays Bank Zambia Plc) of **US$3.5 million** (2019: US$3.5 million) and Rand Merchant Bank Limited **US$30 million** (2019: US$30 million) respectively. The Barclays Bank overdraft facility is secured against a floating debenture covering all the Company's assets and a mortgage over property on Plot No. 1400 Luanshya while the one from Rand Merchant Bank Limited is secured by a parent company guarantee from Reunert Limited. The overdraft facility for ABSA Zambia Plc carries interest at 2.75% plus 3 months Libor per annum whereas that from Rand Merchant Bank Limited of **US$30 million** carries interest at 1 week LIBOR plus 3.05% per annum.

The Company had a US$15 million long term and US$5 million revolving credit facility from Reunert Finance Company proprietary Limited. Both lines of credit carried an interest rate of 3 months Libor plus 5.7%. The lender was to give 13 months advance notice of repayment of the indebtedness on both facilities. As at reporting date of 30 September 2019, no notice was given. However the capital structure of the Company as at the end of 2019 was not sustainable. As a result the Company agreed with the majority shareholder to change the long term loan and the revolving credit facility into an equity loan with an interest rate of 0%. The agreement was concluded on 6 August 2020.

The equity loan is repayable in part or fully when the Company determines that it is able to make such payment, having due regard to the solvency test specified in the Companies Act, No. 10 of 2017 of Zambia.

Notes to the financial statements (Continued)

20. Share capital

	2020 **K'000**	2019 K'000
Authorised:		
150,000,000 (54,400,000:2019) ordinary shares of **K0.01** each	**1,500**	544
Issued and fully paid:		
27,090,099 ordinary shares of **K0.01** each	271	271

21. Revaluation surplus

The revaluation surplus represents the surplus on the revaluation of buildings net of deferred income tax and is non-distributable.

22. Share-based payment reserves

As a result of IFRS 2- Share- based payment

At the beginning of the year	**208**	90
Share option reserve arising on the expensing of executive share options	**-**	118
At the end of the year	**208**	208

Share-based payment - non current

At the beginning of the year	**404**	404
Share option reserve arising on the expensing of executive share options	**-**	-
At the end of the year	**404**	404

Share-based payment - current

At the beginning of the year	**818**	818
Share option reserve arising on the expensing of executive share options	**-**	-
At the end of the year	**818**	818

Conditional Share Plan

Options to take up Reunert ordinary shares at a strike price of R nil are granted to executives in terms of the Conditional Share Plan (CSP) introduced in 2012. Two broad schemes exist, a performance scheme, granted only to selected senior executives and specialist (key) employees. Senior executives were granted retention options for the first time in November 2014.

Notes to the financial statements (Continued)

22. Equity-settled employee benefits reserve (Continued)

The measurement criteria for the performance scheme are an equal combination of real growth in NHEPS and total shareholder return. These performance units vest after four years from the date of issue.

No performance conditions are attached to the retention options. 50% of the retention options issued from November 2013 vest after four years from the date of issue and the remaining 50% after five years.

The fair value of retention shares granted to employees is measured by use of a log normal method and the fair value of the performance shares granted to senior executives is valued using a bespoke Monte Carlo simulation model.

	Fair value per unit on inception	Number of units unvested at the beginning of the year	Units granted during the year	Units vested during the year	Units expired/ forfeited during the year	Number of units unvested at end of the year
2020						
		K '000'	K '000'	K '000'	K '000'	K '000'
Issued on 21 November 2016 (2016)						
Key - retention	**49.57**	**4**	**-**	**-**	**-**	**4**
Issued on 20 November 2017 (2017)						
Key - retention	**47.21**	**5**	**-**	**-**	**-**	**5**
Issued on 20 November 2018 (2018)						
Executive - retention	**59.25**	**4**	**-**	**-**	**-**	**4**
		13	-	-	-	**13**
2019						
		K '000'	K '000'	K '000'	K '000'	K '000'
Issued on 21 November 2016 (2016)						
Key - retention	**49.57**	**4**	**-**	**-**	**-**	**4**
Issued on 20 November 2017 (2017)						
Key - retention	**47.21**	**5**	**-**	**-**	**-**	**5**
Issued on 20 November 2018 (2018)						
Executive - retention	**59.25**	**4**	**-**	**-**	**-**	**4**
		13	-	-	-	**13**

Notes to the financial statements (Continued)

22. Equity-settled employee benefits reserve (Continued)

The valuations were performed by Financial Modelling Agency.

The fair value of the CSP for key employees and executives with retention options was calculated by assuming the share price movement follows a log-normal distribution over the vesting period. The value at vesting date was discounted back to the valuation date.The fair value of the CSP for executive employees with performance conditions was calculated using a Monte Carlo simulation technique.The volatility of the return on the company share was estimated as the annualised standard deviation of daily log returns of the share price over the four years prior to the valuation date. No forfeitures were used in the models.

The inputs into the models were as follows:

	Share price at issue R	Expected volatility %	Expected option life Years	Expected dividend yield %	Risk free interest rate %
Conditional share plan					
2012					
Retention					
Performance					
2016					
Retention	61.50	24.37	4/5	5.39	The risk free rate for the key and executive options varies from 7.45% (year 1) to 7.88% (year 5) and is and is based on the ZAR zero coupon swap curve produced by BESA on 21 November 2016
Performance	61.50	24.37	4	5.39	
2017					
Retention	65.46	22.96	4/5	7.28	The risk free rate for the key and executive options varies from 7.22% (year 1) to 8.04% (year 5) and is and is based on the ZAR zero coupon swap curve produced by BESA on 20 November 2017
Performance	65.46	22.96	4	7.28	
2018					
Retention	76.58	23.93	4/5	5.79	The risk free rate for the key and executive options varies from 7,19% (year 1) to 7,90% (year 5) and is and is based on the ZAR zero coupon swap curve produced by BESA on 20 November 2017and is based on the ZAR zero coupon swap

23. Subsidiary

Details of the Group's material subsidiaries at the end of the reporting period are as follows;

Name of subsidiary	**Principal activity**	**Place of operation**	**Proportion of ownership interest and voting power held by the Group**
Fabcorp Proprietary Limited	Sale of Copper Rod	South Africa	100%

Fabcorp Proprietary Limited is a wholly owned subsidiary of Metal Fabricators of Zambia Plc.

Notes to the financial statements (Continued)

24. Deferred income tax

Deferred income tax is calculated using the enacted income tax rates of 35% and 15%. The following are the major deferred tax liabilities and assets recognised by the Company and the movement thereon, during the current and prior reporting periods:

Company **Year ended 2020**	**At 01.10.2019**	**Recognised in profit or loss**	**Recognised directly in Equity**	**At 30.09.2020**
	K'000	**K'000**	**K'000**	**K'000**
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	(507)	(233)	-	(740)
- on revaluation surpluses	17,496	-	-	17,496
	16,989	(233)	-	16,756
Deferred income tax assets				
Unrealised exchange (losses)/gains	28	(158)	-	(130)
Provisions	(11,986)	(6,648)	-	(18,634)
Tax losses	(13,951)	8,390	-	(5,561)
	(25,909)	1,584	-	(24,325)
Net deferred income tax asset	**(8,920)**	**1,351**	**-**	**(7,569)**

Year ended 2019	**At 01.10.2018**	**Restated opening balance due to tax rate change**	**Recognised in profit or loss**	**Recognised directly in Equity**	**At 30.09.2019**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**
Deferred income tax liabilities					
Property, plant and equipment:					
- on historical cost basis	7,582	5,687	(8,086)	(3)	(507)
- on revaluation surpluses	11,732	8,799	-	5,764	17,496
	19,314	14,486	(8,086)	5,761	16,989
Deferred income tax assets					
Unrealised exchange (losses)/gains	(9,673)	(7,255)	9,701	-	28
Provisions	(10,491)	(7,852)	(748)	(747)	(11,986)
Tax losses	(15,822)	(11,867)	1,871	-	(13,951)
	(35,986)	(26,973)	10,824	(747)	(25,909)
Net deferred income tax asset	**(16,672)**	**(12,488)**	**2,738**	**5,014**	**(8,920)**

Notes to the financial statements (Continued)

24. Deferred income tax (Continued)

Deferred income tax is calculated using the enacted income tax rates of 35% and 15%. The following are the major deferred tax liabilities and assets recognised by the Company and the movement thereon, during the current and prior reporting periods:

Group **Year ended 2020**	**At 01.10.2019 K'000**	**Recognised in profit or loss K'000**	**Recognised directly in Equity K'000**	**At 30.09.2020 K'000**
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	(507)	(233)	-	(740)
- on revaluation surpluses	17,496	-	-	17,496
	16,989	(233)	-	16,756
Deferred income tax assets				
Unrealised exchange (losses)/gains	28	(158)	-	(130)
Provisions	(11,986)	(6,648)	-	(18,634)
Tax losses	(14,076)	8,466	-	(5,610)
	(26,034)	1,660	-	(24,374)
Net deferred income tax asset	**(9,045)**	**1,427**	**-**	**(7,618)**

Year ended 2019	**At 01.10.2018 K'000**	**Restated opening balance due to tax rate change K'000**	**Recognised in profit or loss K'000**	**Recognised directly in Equity K'000**	**At 30.09.2019 K'000**
Deferred income tax liabilities					
Property, plant and equipment:					
- on historical cost basis	7,582	5,687	(8,086)	(3)	(507)
- on revaluation surpluses	11,732	8,799	-	5,764	17,496
	19,314	14,486	(8,086)	5,761	16,989
Deferred income tax assets					
Unrealised exchange (losses)/gains	(9,673)	(7,255)	9,701	-	28
Provisions	(10,491)	(7,852)	(748)	(747)	(11,986)
Tax losses	(15,822)	(11,867)	1,746	-	(14,076)
	(35,986)	(26,973)	10,699	(747)	(26,034)
Net deferred income tax asset	**(16,672)**	**(12,488)**	**2,613**	**5,014**	**(9,045)**

Notes to the financial statements (Continued)

25. Retirement benefit obligations (Gratuities)

	Group		Company	
	2020	2019	**2020**	2019
	K'000	K'000	**K'000**	K'000
At start of the year	**6,112**	6,272	**6,112**	6,272
Charged to profit or loss (Note 8)	**3,767**	5,192	**3,767**	5,192
Payments during the year	**(3,033)**	(5,352)	**(3,033)**	(5,352)
At end of the year	**6,846**	6,112	**6,846**	6,112

These obligations are accruals for gratuity which are calculated in accordance with the Employment Code Act, No. 3 of 2019 of Zambia.

26. Cash generated from operations

Reconciliation of loss before income tax to cash generated from operations:

Loss before income tax	**(232,940)**	(68,889)	**(232,622)**	(68,843)
Adjustments for:				
Interest income (Note 9)	**(1)**	(2)	**(1)**	(2)
Interest expense (Note 9)	**33,609**	36,839	**33,609**	36,839
Depreciation (Note 13)	**2,644**	7,931	**2,644**	7,931
Impairment loss (Note 13)	**-**	34,619	**-**	34,619
Gain on disposal of property, plant and equipment	**-**	(145)	**-**	(145)
Adjustment on share based options	**-**	(6)	**-**	(6)
Increase /(decrease) in provision for doubtful debts (Note 16)	**9,550**	(10,772)	**9,550**	(10,772)
Increase/(decrease) in retirement benefit obligations	**734**	(160)	**734**	(160)
Exchange loss on long term loan (Note 19)	**102,994**	17,206	**102,994**	17,206
Changes in working capital				
-trade and other receivables	**121,468**	(14,642)	**120,056**	(14,799)
-inventories	**(58,124)**	(15,745)	**(58,124)**	(15,745)
- trade and other payables	**67,668**	20,582	**67,641**	20,552
Holding Company share based option reserve	**-**	118	**-**	118
Share based options - Non Current	**-**	(621)	**-**	(621)
Share based options - Current	**-**	818	**-**	818
Foreign Currency Translation Reserve movement	**(1,180)**	(161)	**-**	-
Cash generated from operations	**46,421**	6,970	**46,480**	6,990

Notes to the financial statements (Continued)

27. Contingent Liabilities

The Group had pending legal proceedings at 30 September 2020. The Directors believe that there will be no material losses arising from the pending legal proceedings against the company.

28. Related party transactions

The Company is a subsidiary of Reunert International Investments, a company incorporated in the Mauritius. The ultimate parent of the Company is Reunert Limited, a company incorporated in the Republic of South Africa and listed on the Johannesburg Stock Exchange.

The Company has transacted with the following related Group companies:

Name of related party	Country of registration	Relationship
Reunert Limited	Republic of South Africa	Ultimate Parent
Reunert International Investiments (Mauritius) Limited	Mauritius	Parent
CBi-Electric: African Cables Limited	Republic of South Africa	Fellow subsidiary
BICC-CAFCA Limited	Zimbabwe	Fellow subsidiary
CBI-electric: ATC Telecom Cab Limited	Republic of South Africa	Fellow subsidiary
Reunert Finance Company Proprietary Limited	Republic of South Africa	Fellow subsidiary
Reunert Management Services Limited	Republic of South Africa	Fellow subsidiary

(i) Purchase of goods and services

	Group		Company	
	2020	2019	**2019**	2019
	K'000	K'000	**K'000**	K'000
CBi-Electric: African Cables - Purchase of finished goods, raw materials and plant and machinery	**76,508**	31,978	**76,508**	31,978
Reunert Finance Company proprietary Limited: interest cost on loan (Note 9)	**20,147**	20,538	**20,147**	20,538

Notes to the financial statements (Continued)

28. Related party transactions (Continued)

(ii) Sale of goods and equipment	Group		Company	
	2020	2019	**2020**	2019
	K'000	K'000	**K'000**	K'000
CBI Electric-African Cables	**63,962**	156,128	**63,962**	156,128
CAFCA	**6,586**	2,429	**6,586**	2,429
	70,548	158,557	**70,548**	158,557

(iii) Directors interests in the Company

As at 30 September 2020 (2019: none), none of the of Directors had a shareholding interest in the Company, as recorded on the Lusaka Securities Exchange:

	2020	2019
Total ordinary issued shares of the company	**27,090,099**	27,090,099

(iv) Directors remuneration and key management personnel compensation

A list of members of the Board of Directors is shown on page 3 of the Annual Report under General Company information.

	2020	2019
	K '000	K '000
Salaries	**3,633**	4,133

Independent Non Executive Directors remuneration
Analysis is as follows:
Directors fees

JM Chisanga	**600**	284
C Kabaghe	**561**	263
	1,160	547

Executive Directors annual remuneration
Analysis is as follows:

	2020	2019
Roseta Chabala	**K '000**	K '000
Basic salary	**857**	810
Other allowances	**304**	291
Total	**1,161**	1,101

Notes to the financial statements (Continued)

(iv) Directors remuneration and key management personnel compensation (Continued)

Executive Directors annual remuneration (Continued)

	2020 K '000	2019 K '000
Pieter de Villiers		
Basic salary	**-**	-
Gratuity	**-**	717
Total	**-**	717
Johan Steyn		
Basic salary	**324**	1,879
Gratuity	**-**	436
Total	**324**	2,315
Johan du Plessis		
Basic salary	**1,719**	-
Other allowances	**169**	-
Gratuity	**260**	-
Total	**2,148**	-

(v) Outstanding balances arising from purchases of goods/services/Interest on Loans

	Group		Company	
	2020 **K'000**	2019 K'000	**2020** **K'000**	2019 K'000
Payables to CBI Electric-African Cables	**7,584**	4,046	**7,584**	4,046

(vi) Outstanding balances arising from sale of goods/services

CBI-Electric: African Cables	**31**	63	**31**	63
Fabcorp (Pty) Limited	**-**	-	**7,302**	5,890
	31	63	**7,333**	5,963

(vi) Outstanding from related parties

Equity loan from Reunert Finance Company proprietary Limited: (Note 19)	**365,000**	-	**365,000**	-
Long term loan from Reunert Finance Company proprietary Limited: (Note 19)	**-**	262,006	**-**	262,006

29 Events after reporting date

There were no significant events after the reporting date that require additional disclosure or adjustment to the results presented.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of Metal Fabricators of Zambia PLC in respect of the year ended 30 September 2020 will be held at the Radisson Blu Hotel, Lusaka, Zambia on 11 December 2020 at 09:30 hours.

The proceedings will also be concluded electronically via the following:
Zoom video link provided below.
https://zoom.us/j/94897939184?pwd=cTlzaXduK1JKNVh6MUUxNHRrSytNUT09
Meeting ID: 948 9793 9184
Passcode: 992988

The following business shall be transacted:-

1. **Minutes of the previous Annual General Meeting**
To consider and adopt the minutes of the Annual General Meeting held on 20 February 2020.

2. **Re-election of Directors**

Resolution 2.1
Resolved that NA Thomson be and is hereby re-elected as a Non-Executive Director of the Company(Refer to page 96 for CV)

Resolution 2.2

Resolved that PW de Villiers be and is hereby re-elected as a Non-Executive Director of the Company (Refer to page 96 for CV)

3.1 **Non-executive Directors remuneration**

"Resolved that the increase of 1.4% in remuneration proposed hereunder in respect of independent non-executive directors, be and is hereby approved effective from 1 April 2021.

	Current fee per quarter in US$	Proposed fee per quarter in US$
Chairman of the Board	3,705	3,757
Chairman of the Audit Committee	3,060	3,103
Other independent **Non-Executive** Directors	2,687*	2,725*

*Note that the current Non-Independent Directors do not and will not receive any remuneration for their services as Directors. In the event that the Board resolves to appoint an additional independent Non-Executive Director, the quarterly fee of such a director will not exceed $ 2,687 up to 31 March 2021 where after it will increase to $ 2,725.

3.2 Directors' remuneration for ad hoc assignments

"Resolved that the chairman of the Remuneration Committee is hereby authorised to exercise discretion to pay additional fees to Non-Executive Directors, of no more than USD 2705 (2019: 2705) per Director per annum, in the event that any Non-Executive Director is involved in an ad hoc committee or other assignment on behalf of Zamefa that significantly exceeds the time commitments typically required from Non-Executive Directors in the exercise of their duties to the Board and the standing Committees on which they serve. Resolved further that, should the Chairman have an interest in the matter, the above discretion will be exercised by the Remuneration Committee, excluding the interested individual or individuals."

"The authority granted herewith shall commence on 1 April 2021 and shall endure until the earlier of a superseding resolution being passed by shareholders, or two years from the date of passing of this resolution."

INFORMATION PERTINENT TO RESOLUTION NO 3.2

In terms of the LuSE Corporate Governance Code for listed and quoted companies, directors may not receive fees for their services as directors without prior approval from shareholders. This constrains the ability of the Board to fairly remunerate directors for unforeseen matters that arise during the course of the year and that necessitates significant additional effort from particular directors. The purpose of this resolution no 3.2 is to provide the chairman of the Remuneration Committee with limited discretion to pay additional remuneration to independent non-executive directors, where warranted by the circumstances. In the event chairman of the Remuneration Committee is being considered for this additional remuneration, the Remuneration Committee, excluding the individuals concerned, will exercise this limited discretion.

Any remuneration paid to non-executive directors in terms of this resolution no 3.2 will be disclosed to shareholders as required by section 7.B.7 of the LuSE listing requirements.

The fees proposed in this resolution 3.2 is limited to services as directors and do not allow for consulting or other services to be provided to the group. In addition, Board and Board committee fees do not pertain only to the preparation for and attendance of meetings, but also assumes that the particular director will be reasonably available to consider matters that may arise during the course of the year. The payment of additional fees to non-executive directors can be made only in limited circumstances.

4. Director's Report and separate and Consolidated Financial Statements

To receive and adopt:

- the Director's report - Page 19-32 of the Audited Financial Statements.
- the Audited Financial Statements for the year ended 30 September 2020, page 40 - 91 of the Audited Financial Statements
- the report thereon of the auditors - Page 34-39 of the Audited Financial Statements

5. Dividend

Resolved that the Board of Directors proposal not to pay a dividend be approved - note 12 on page 76 of the Audited Financial Statements.

6. Appointment of Auditors

To re-appoint Deloitte & Touche as the auditors of the Company for the 2021 financial year and to authorise the Directors to set their remuneration.

7. Other Business

To transact such other business as may properly be transacted at an Annual General Meeting of members

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy need not be a member of the company. Proxy forms should be forwarded to reach the Company's registered office or the Transfer Secretaries not less than 48 hours before the time appointed for holding the meeting.

By order of the Board

BDO
Company Secretary
Lusaka

Curriculum vitae for Directors standing for re-election

1. NA Thomson

Mr Thomson served as Partner with Ernst and Young for 18 years before joining Transnet Freight Rail as Chief Financial Officer in 2005. In addition to the normal aspects of the finance portfolio, he chaired the investment committee and acquisition committees and was responsible for the negotiations of major commercial contracts.

In April 2012, Mr Thomson was appointed as group Chief Financial Officer at Afrox Ltd. His responsibilities included the financial portfolio, treasury function, procurement and strategy. He joined Reunert Limited as Chief Financial Officer on 15 June 2015.

2. PW de Villiers

Mr de Villiers started in 1998 as Managing Director for Morris Cranes for 3 years and was responsible for all aspects of both OEM as well as the service division. Since 2000 he has fulfilled various technical and operational management roles at CBi Electric. He has 23 years' experience in the manufacturing, production and trade industry. Since 2016, Mr de Villiers serves as a Director on the ZAMEFA Board first as Executive Director and later as a Non-Executive Director. He also serves on the Remuneration and Nomination Committee. He is currently Executive Head Technical of ZAMEFA'S sister company in South Africa, CBi Electric: African Cables and a member of the executive committee of the Association of Electrical Cable Manufactures in South Africa.

For the 2021 Annual General Meeting

I/We……...............…..

(Name/s in block letters)

of………………………………………………………………………………………………..………........…...............(Address)

Number of votes

Being the shareholder/member of the above named company and entitled to vote

(1 Share = 1 vote)

Do hereby appoint

1. ………………………………………………………of……………………………………………….or failing him/her

2. ………………………………………………………of……………………………………………….or failing him/her

3. The Chairman of the meeting

As my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Radisson blu Hotel, Lusaka, Zambia on 11 December 2020 at 10:00 AM and at any adjournment thereof as follows:

Agenda item	Mark with X where applicable		
	In favour	Against	Abstain
1. Adoption of the minutes of the previous Annual General Meeting			
2. Re-election of Directors **Resolution 2.1** "Resolved that NA Thomson be and is hereby re-elected as a **Non-Executive** Director of the Company"			
Resolution 2.2 "Resolved that PW de Villiers be and is hereby re-elected as a **Non-Executive** Director of the Company"			

For the 2020 Annual General Meeting (Continued)

<table>
<tr><td>Agenda item</td><td colspan="3">Mark with X where applicable</td></tr>
<tr><td></td><td>In favour</td><td>Against</td><td>Abstain</td></tr>
<tr><td>

3. Non-executive Directors remuneration

Resolution 3.1
Resolved that the remuneration proposed hereunder in respect of Independent **Non-Executive** Directors, be and is hereby approved effective from 1 April 2020.

<table>
<tr><td></td><td>Current fee per quarter in US$</td><td>Proposed fee per quarter in US$</td></tr>
<tr><td>1. Chairman of the Board</td><td>3,705</td><td>3,757</td></tr>
<tr><td>2. Chairman of the Audit Committee</td><td>3,060</td><td>3,103</td></tr>
<tr><td>3. Other independent Non-Exective Directors</td><td>2,687*</td><td>2,725*</td></tr>
</table>

*Note that the current Non-Independent Directors do not and will not receive any remuneration for their services as Directors. In the event that the Board resolves to appoint an additional independent Non-Executive Director, the quarterly fee of such a director will not exceed $ 2,687 up to 31 March 2021 where after it will increase to $ 2,725.

</td><td></td><td></td><td></td></tr>
<tr><td>

Resolution 3.2
"Resolved that the Chairman of the Remuneration Committee is hereby authorised to exercise discretion to pay additional fees to Non-Executive Directors, of no more than USD 2705(2019: 2705) per Director per annum, in the event that any Non-Executive Director is involved in an ad hoc committee or other assignment on behalf of ZAMEFA that significantly exceeds the time commitments typically required from Non-Executive Directors in the exercise of their duties to the Board and the standing Committees on which they serve. Resolved further that, in the event that the Chairman of the Remuneration Committee is being considered for this additional remuneration, the Remuneration Committee, excluding the Chairman, will exercise this limited discretion."

</td><td></td><td></td><td></td></tr>
<tr><td>

4. To receive and adopt:
- the Director's report - page **19 – 32** of the AFS
- the audited financial statements for the period ended 30 September 2020 – page **40 – 91** of the AFS
- the report thereon of the auditors – page **34-39** of the AFS.

</td><td></td><td></td><td></td></tr>
<tr><td>

5. Dividend
Resolved that the Board of Directors proposal not to a pay dividend be approved – note 12 on **page 76** of the AFS.

</td><td></td><td></td><td></td></tr>
<tr><td>

6. Appointment of Auditor

To re-appoint Deloitte & Touche as the auditors of the company for the 2021 financial year and to authorise the Directors to set their remuneration.

</td><td></td><td></td><td></td></tr>
</table>

For the 2020 Annual General Meeting (Continued)

Signed at______________________________on this__________________day of___________2020

Signature____

Assisted by me(where applicable) (see note 3)____

Full name/s of signatory/ies if signing in a representative capacity (See note 4) ________________

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his/her guardian.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the Company has already recorded that authority.
5. In order to be effective, proxy forms must reach the registered office of the Company or the Transfer Secretaries not less than 48 hours from the commencement of the meeting.
6. The delivery of the duly completed proxy form shall not preclude any member or his/her duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
7. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.

For the 2020 Annual General Meeting (Continued)

ZOOM HOUSEKEEPING RULES

1. Please ensure you log in with your First and Last name.

2. Shareholder's audio and video will remain off throughout the meeting to ensure a smooth meeting.

3. Please note that only the panelist's videos will show

4. During Questions and Answer time, you will be able to ask your questions via Q and A icon, members will also be able to vote for their favorite questions to enable panelists to pick questions easily.

5. To propose a decision please raise your hand using the Hand Icon and do the same to second the decision. The Hand raised first shall be the one placed on record after confirmation by the Auditor.

6. Questions shall be read out loud.

NOTES

ZAMEFA

Metal Fabricators of Zambia Plc

ANNUAL REPORT

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