

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER



ZAMBIA SUGAR PLC ["ZSUG"]

[Incorporated in the Republic of Zambia]

Company registration number: 2880
Share Code: ZSUG
ISIN: ZM0000000052
Authorised by: Mwanza Mutimushi – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Member of the Lusaka Securities Exchange]

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

Contact Number: +260-211-232456
Website: www.sbz.com.zm

APPROVAL

The captioned Notice or Announcement has been approved by:

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

DISCLAIMER AND RISK WARNING

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

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

ISSUED: 8 November 2018

FULL YEAR RESULTS

In accordance with the requirements of the Securities Act No. 41 of 2016, Zambia Sugar Plc announces its results for the year ended 31 August 2018

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months ended August 2018 K '000	Audited 5 months ended August 2017 K '000
Revenue	2 362 468	912 829
Operating profit	387 601	262 707
Net finance costs	(242 530)	(151 674)
Profit before taxation	145 071	111 033
Taxation	11 323	(19 459)
Profit for the period	156 394	91 574
Other comprehensive income/(loss)		
Total comprehensive income/(loss) for the period	156 394	91 574
Profit attributable to:		
Shareholders of Zambia Sugar Plc	152 642	89 067
Non-controlling interest	3 752	2 507
	156 394	91 574
Total comprehensive (loss)/income attributable to:		
Shareholders of Zambia Sugar Plc	152 642	89 067
Non-controlling interest	3 752	2 507
	156 394	91 574
<u>Determination of headline earnings</u>		
Profit attributable to shareholders of Zambia Sugar Plc	152 642	89 067
Headline earnings for the period	152 642	89 067
Number of shares in issue ('000)	316,571	316,571
Weighted average number of shares in issue ('000)	316,571	316,571
Basic and diluted earnings per share (ngwee)	48.2	28.1
Headline earnings per share (ngwee)	48.2	28.1
Dividend per share (ngwee)	-	-
- First interim paid	-	-
- Second interim declared	-	-
- Final proposed	-	-

LUSAKA STOCK EXCHANGE SPONSORING BROKER



STOCKBROKERS ZAMBIA LIMITED

(MEMBER OF THE LuSE and REGULATED BY THE SECURITIES AND EXCHANGE COMMISSION OF ZAMBIA)

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SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 12 months ended August 2018 K '000	Audited 5 months ended August 2017 K '000
Revenue		
Sugar production	1 754 074	457 851
Cane growing	608 394	454 978
	2 362 468	912 829
Operating profit		
Sugar production	390 622	176 274
Cane growing	(3 021)	86 433
	387 601	262 707

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited August 2018 K '000	Audited August 2017 K '000
Assets		
Property, plant and equipment	1 913 060	1 920 001
Intangible asset	67 902	67 902
Growing cane	302 495	303 806
Inventories	666 486	710 595
Trade and other receivables	447 024	558 896
Other current assets	13 077	60 960
Cash and bank balances	200 666	290 920
Total assets	3 610 710	3 913 080
Equity and liabilities		
Equity attributable to shareholders	1 113 888	1 006 679
Non-controlling interest	40 729	36 977
Deferred tax liability	121 262	143 428
Long and short-term borrowings	1 614 187	1 532 716
Bank overdraft	26 737	147 544
Current liabilities	693 907	1 045 736
Total equity and liabilities	3 610 710	3 913 080

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months ended August 2018 K '000	Audited 5 months ended August 2017 K '000
Cash operating profit	515 415	422 968
Working capital movements	(236 192)	(134 883)
Finance costs, taxation and dividends paid	(248 068)	(157 241)
Net cash outflows from operating activities	31 155	130 844
Net cash (outflows)/inflow from investing activities	(82 073)	(32 635)
Net cash (outflows)/inflows before financing activities	(50 918)	98 209
Net cash outflows from financing activities	81 471	(53 231)
Decrease in cash and cash equivalents	30 553	44 978

FINAL RESULTS
ZAMBIA SUGAR PLC
(INCORPORATED IN THE REPUBLIC OF ZAMBIA)
COMPANY REGISTRATION NUMBER: 2880
SHARE CODE: ZSUG
ISIN: ZM0000000052

In accordance with the requirements of the Securities Act No. 41 of 2016, Zambia Sugar Plc announces its results for the year ended 31 August 2018

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Audited August 2018 K '000	Audited August 2017 K '000
Share capital and share premium		
Balance at beginning and end of the year	247,338	247,338
Non-Distributable Reserves		
Balance at beginning of the year	36,242	22,725
Cash flow hedges	(45,433)	13,517
Balance at end of the year	(9,191)	36,242
Dividend Reserve		
Balance at beginning of the year	-	-
Dividends paid	-	-
Balance at end of the year	-	-
Retained Earnings		
Balance at beginning of the year	723,099	634,032
Profit for the year	152,642	89,067
Balance at end of the year	875,741	723,099
Non-controlling Interest		
Balance at beginning of the year	36,977	39,195
Profit for the year	3,752	2,507
Dividends paid	-	(4,725)
Balance at end of the year	40,729	36,977
Total Equity	1,154,617	1,043,656
Check	0	0

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COMMENTARY FOR THE YEAR ENDED 31st AUGUST 2018

Review

The financial year ended 31 August 2018, represents the first full year results since the change in the company's year-end to August and thus the comparison is for a 12 month period against a 5 month period.

The Company faced significant headwinds in the financial period under review that impacted its trading performance negatively. These included the availability of surplus sugar on the world markets which is finding its way into the Company's primary regional markets, negatively affecting demand and putting pressure on pricing and margins. The domestic market has not been spared as we saw increased incidences of smuggled sugar, particularly in the first half of the year.

However, despite this challenging trading environment, the negative impacts outlined above were mitigated by a strong second half performance which benefited from management interventions taken during the year.

Management took several actions such as improving route to consumer capabilities and enhanced in trade execution within the domestic market. Cane supply and quality improved as a result of enhanced crop husbandry, stringent pest management controls, improved bulk water supply and infield irrigation and stable power generation and supply.

Cane delivered to the factory across the two growing seasons was 2,909 million tons resulting in sugar production of 351 050 tons. The 2018 cane yields are performing at an estimated 120 tons cane per hectare which is 4% above the previous season.

The cost reset project called Project 400 implemented by management resulted in some significant savings in particular the voluntary separation program that was launched in the last half of the year with the aim of reducing manpower costs.

These interventions yielded positive results with direct contribution to the Company's bottom line.

Total revenue for the year ended 31 August 2018 was K2 362 million, K1 450 million above the comparative period whilst operating profit ended at K388 million compared to K263m achieved in the year ended August 2017.

Finance costs in the reported period were K243 million compared to K152 million in the previous year reflective of the stable interest rates and Bank of Zambia monetary policy rates.

Headline earnings for the year ended August 2018 increased by 71% % to K153 million and headline earnings per share increased from 28.1 to 48.2 ngwee per share.

The increase in earnings is due to the comparable period to 31 August 2017 being a 5 month period following the change in the company's year-end to August.

The company continued to be a significant provider of employment, with an average workforce of 4 456 during the year with numbers peaking at 6 427.

The company remains committed to being a responsible and relevant corporate citizen and continues to contribute meaningfully in the areas of primary health care, education, sport and cultural activities.

Directorate

During the period under review the following changes were made to the Board:

Mr John P. Hulley resigned from the Board as a non-executive director, effective 22 February 2018 and to replace him Mr. Nelis Saayman was appointed effective 1 May 2018.

Ms. Faith Mukutu was appointed to the board as an executive director, effective 20 February 2018

Prospects

The implementation of various agro practices and improved climatic conditions have had a positive impact on cane yields and quality. We expect to end the season on a positive note and this is expected to continue to impact favourably on the next season's sugar cane yields.

Sugar production for the March 2019 season is expected to exceed the March 2018 seasonal production.

The positive performance in the domestic market, experienced in the second half of the year, is expected to continue, and reflects measures management has taken to protect market share.

In addition, management remains resolved towards maximising production, lowering the cost base and reducing debt levels within the business.

Growth is expected to continue in the regional export markets although margins will remain under pressure from low global sugar prices.

Dividends

Owing to high debt levels, and the continued difficult macroeconomic environment, a dividend has not been declared.

By order of the Board

Mwansa Mulumba Mutimushi
Company Secretary
8th November 2018