

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: Mwansa Mutimushi – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

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

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APPROVAL

The captioned 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: 05 November 2019



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FULL YEAR RESULTS

In accordance with the requirements of the Securities Act No. 41 of 2016, Zambia Sugar Plc announces its results for the financial period ended August 2019

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months ended August 2019 K '000	Audited 12 months ended August 2018 K '000
Revenue	2 955 958	2 362 468
Operating profit	605 741	387 601
Net finance costs	(299 492)	(242 530)
Profit before taxation	306 249	145 071
Taxation	(36 855)	11 323
Profit for the period	269 394	156 394
Profit attributable to:		
Shareholders of Zambia Sugar Plc	263 730	152 642
Non-controlling interest	5 664	3 752
	269 394	156 394
Determination of headline earnings		
Profit attributable to shareholders of Zambia Sugar Plc	263 730	152 642
Adjustments to Headline Earnings	(5 541)	(13 523)
Headline earnings for the period	258 189	139 120
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)	83.3	48.2
Headline earnings per share (ngwee)	81.6	43.9
Dividend per share (ngwee)	8.0	-
- First interim paid	-	-
- Second interim declared	-	-
- Final proposed	8.0	-

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 12 months ended August 2019	Audited 12 months ended August 2018
	<u>K '000</u>	<u>K '000</u>
Revenue		
Sugar production	2 303 391	1 754 074
Cane growing	<u>652 567</u>	<u>608 394</u>
	<u><u>2 955 958</u></u>	<u><u>2 362 468</u></u>
Operating profit		
Sugar production	465 293	390 622
Cane growing	<u>140 448</u>	<u>(3 021)</u>
	<u><u>605 741</u></u>	<u><u>387 601</u></u>

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited August 2019	Audited August 2018
	<u>K '000</u>	<u>K '000</u>
Assets		
Property, plant and equipment	1 901 875	1 913 060
Intangible asset	67 902	67 902
Growing cane	336 745	302 495
Inventories	687 390	666 486
Trade and other receivables	584 477	447 024
Other current assets	42 118	13 077
Cash and bank balances	<u>329 256</u>	<u>200 666</u>
Total assets	<u><u>3 949 763</u></u>	<u><u>3 610 710</u></u>
Equity and liabilities		
Equity attributable to shareholders	1 412 679	1 113 888
Non-controlling interest	-	40 729
Deferred tax liability	138 357	121 262
Long and short-term borrowings	1 631 697	1 614 187
Bank overdraft	16 239	26 737
Current liabilities	<u>750 791</u>	<u>693 907</u>
Total equity and liabilities	<u><u>3 949 763</u></u>	<u><u>3 610 710</u></u>

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Audited August 2019 K '000	Audited August 2018 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	(9,191)	36,242
Cash flow hedges	32,798	(45,433)
Balance at end of the year	23,607	(9,191)
Retained Earnings		
Balance at beginning of the year	875,741	723,099
Adjustment on adoption of IFRS 9	(17,821)	-
Profit for the year	263,730	152,642
Acquisition of non-controlling interest	20,084	-
Balance at end of the year	1,141,734	875,741
Non-controlling Interest		
Balance at beginning of the year	40,729	36,977
Profit for the year	5,664	3,752
Dividends paid	(2,787)	-
Acquisition of non-controlling interest	(43,606)	-
Balance at end of the year	-	40,729
Total Equity	1,412,679	1,154,617

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months ended August 2019 K '000	Audited 12 months ended August 2018 K '000
Cash operating profit	637,806	538,726
Working capital movements	(101,430)	(242,702)
Finance costs, taxation and dividends paid	(308 417)	(248 068)
Net cash inflows from operating activities	227 959	47 956
Net cash outflows from investing activities	(108 442)	(82 394)
Net cash inflows/(outflows) before financing activities	119 517	(34 438)
Net cash inflows from financing activities	17,510	81,471
Increase in cash and cash equivalents	137 027	47 033
Net cash and cash equivalents at beginning of period	173 929	143 376
Net foreign exchange differences	2 061	(16 480)
Net cash and cash equivalents at end of period	313 017	173 929
Comprising of:		
Cash and bank balances	329 256	200 666
Bank overdraft	(16 239)	(26 737)

COMMENTARY FOR THE YEAR ENDED 31 AUGUST 2019

Review

The financial results for the year ended 31 August 2019 show a marked improvement year on year. Despite challenging economic conditions, the company made positive strides towards improving the financial position.

Operational performance for the financial year showed an improvement from previous years. Cane supply increased by 15% to 3,356,000 tons, and resultant sugar production increased to 399,000 tons, from 351,000 tons in the previous year.

In agriculture operations, continuous improvement initiatives have played an important role in increasing sugar cane yields thereby increasing overall cane supply and reducing cost. These initiatives continue to be rolled out to a wider area in order to further grow the cane supply to satisfy factory capacity. Enhanced crop husbandry, improved irrigation through stable bulk water supply with strict pest and disease management resulted in a strong agricultural performance in the current season.

Factory reliability has been a challenge in the current season with lost time availability exceeding the previous season. Management continues to implement robust maintenance programmes to increase factory performance and overall time efficiency whilst striving to achieve factory design capabilities.

The business continues to improve its route to consumer and product offering to the market, including the introduction of small affordable pack sizes which had a positive impact on the financials. In light of these commercial initiatives, domestic sales volumes grew by 7% to 182,000 tons in a difficult economic environment. The prevalence of illegally imported and counterfeit sugar in the local market continues to concern the Board and management. We are confident that Government will continue to tackle this problem and ensure the long-term stability and sustainability of the local sugar industry.

Regional market demand was strong during the year, and the company was able to supply a total of 233,000 tons into regional markets. The world sugar price remains depressed, although a weakened local currency resulted in improved Kwacha realisation from export proceeds.

The improvement in technical performance and sales volumes translated into a positive financial performance in the year under review. Revenue increased by 25% to K2.96 billion (2018: K2.36 billion) and operating profit improved by 56% to K606 million (2018: K388 million) while earnings per share improved by 73% to 83.3 ngwee per share. Management continues to focus on driving cost control, and improving efficiencies to increase profitability and delivering shareholder returns. In view of the improved financial performance, the Board will be proposing a dividend at the Annual General Meeting.

The company remains heavily indebted, with total debt of K1.6 billion. Associated finance costs amounted to K299 million during the financial year. All debt commitments were met during the year and the external syndicated loan repayments of K140 million were made. This external loan will be repaid in full by July 2020, whilst intercompany loans are scheduled for repayment by 2023. The company endeavours to improve cash flow and pay down long term debt as a key strategic imperative.

Directorate

During the financial year the following changes to the Board took place:

Mr Norman Mbazima was appointed to the Board on 26 February 2019 as an independent non-executive director.

Ms Monica Musonda resigned from the Board with effect 16 May 2019.

Mr Mohammed Abdul-Samad resigned from the Board effective 31 July 2019 following his resignation from Illovo Sugar Africa (Pty) Ltd. Mr Craig Taylor was appointed to replace him on the Board.

Ms Faith Mukutu resigned from the Board effective 31 August 2019. The appointment of her replacement in the position of executive director will be announced in due course.

Prospects

The implementation of various agricultural and continuous improvement practices have had a positive impact on cane yields. We expect to end the season on a positive note, although the impact of load shedding will be detrimental

to cane supply in the 2020 season. Notwithstanding, sugar production in 2020 is expected to exceed this year's production.

The challenging economic conditions in the country driven by drought, high inflationary pressure, increasing interest rates and a weak local currency are expected to impact the domestic market. Management will continue to drive the implementation of the commercial strategy to increase market penetration and grow market share.

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

Management will continue to focus on maximising production, lowering the cost base and reducing debt levels within the business.

Dividends

A final dividend of 8 ngwee per share has been proposed by the Board for approval at the annual general meeting.

By Order of the Board

Mwansa Mulumba Mutimushi
Company Secretary

Issued in Lusaka, Zambia on 05 November 2019

Lusaka Securities Exchange Sponsoring Broker



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Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

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