



Zambia Sugar



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

UNAUDITED HALF-YEAR RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

In accordance with the requirements of the Securities and Exchange Act No. 38, Zambia Sugar Plc announces its results for the six month period ended 30 September 2015

**Summary Consolidated Statement of Comprehensive Income**

	Unaudited Six Months		Audited 12 Months
	September 2015 ZMW'000	September 2014 ZMW'000	March 2015 ZMW'000
<b>Revenue</b>	<b>1 067 257</b>	965 880	1 907 169
<b>Operating profit</b>	<b>180 423</b>	149 047	329 803
Net finance costs	(98 085)	(74 620)	(163 900)
<b>Profit before taxation</b>	<b>82 338</b>	74 427	165 903
Taxation	(9 288)	(10 508)	(20 122)
<b>Profit after tax</b>	<b>73 049</b>	63 919	145 781
Other comprehensive (expense)/income	(41 948)	15 859	(7 979)
<b>Total comprehensive income</b>	<b>31 101</b>	79 778	137 802
<b>Profit attributable to:</b>			
Zambia Sugar's shareholders	69 458	61 840	141 309
Non-controlling interest	3 591	2 079	4 472
	<b>73 049</b>	63 919	145 781
<b>Total comprehensive income attributable to:</b>			
Zambia Sugar's shareholders	27 510	77 699	133 330
Non-controlling interest	3 591	2 079	4 472
	<b>31 101</b>	79 778	137 802
<b>Determination of headline earnings</b>			
Profit attributable to shareholders of Zambia Sugar Plc	69 458	61 840	141 309
<b>Headline earnings for the year (ZMW)</b>	<b>69 458</b>	<b>61 840</b>	<b>141 309</b>
Headline earnings per share (ZMW)	0.22	0.20	0.45
Basic and diluted earnings per share (ZMW)	0.22	0.20	0.45
Dividends per share (ZMW)	-	0.08	0.23
Weighted average number of shares ('000)	316 571	316 571	316 571
Number of shares in issue ('000)	316 571	316 571	316 571

<b>Quality of Earnings Adjustment</b>			
Operating profit	180 423	149 047	329 803
<b>Adjusted for:</b>			
Change in fair value of cane roots and growing cane	(108 967)	(8 368)	(34 728)
<b>Operating profit less fair value changes</b>	<b>71 455</b>	<b>140 679</b>	<b>295 075</b>

**BASIS OF PRESENTATION**

As the sugar season runs from 1 April to 31 March, operating profits incorporated in the results comprise one half of the latest estimate for the year ending 31 March 2016.

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## **INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

### **Review**

The company experienced a slow start to the 2015 season due to unseasonal rainfall that delayed factory start-up to the second week of April. Operations have since stabilised notwithstanding power outages that have negatively affected bulk water irrigation operations. The factory performance in the first six months has been well supported by improved cane throughput. However sugarcane yields and sucrose in cane have been below expectations mainly due to the dry conditions experienced in November and December 2014, power interruptions and the outbreak of the yellow sugarcane aphids. The reduction in sucrose in cane has resulted in sugar production to September 2015 of 307 000 tons which was lower than expected and 7 300 tons lower than the same period last year. Management continues to improve plant reliability and optimise factory time efficiencies.

Domestic sugar sales for the half year increased by 9% relative to the prior year, around 25% of which was supplied to industrial customers. Conversely exports to regional markets and to the European Union were lower than the same period last year but are expected to improve in the second half. Sugar prices in export markets remain depressed although the impact on export earnings has been ameliorated, to an extent, by favourable exchange rate movements.

Revenue attributable to the half year increased by 10% to ZMW1.1 billion, primarily from growth in the domestic market. Profit from operations increased by 21% to ZMW180 million, mainly due to the higher fair value of growing crops. Pressure on margins from declining export prices continues to be a factor and this is associated with the present sugar surplus on the world market and in the European Union. Kwacha earnings have benefitted from the considerable weakening of the Kwacha against major currencies. However, this has also led to an increase in foreign denominated input costs across the business and in exchange losses incurred on foreign denominated trading balances. Consequently net cash inflows have been impacted negatively but this should normalise towards the end of the season. Finance costs increased by 31% to ZMW98 million as a result of high local interest rates and an increase in working capital requirements. The profit after taxation attributable to shareholders of Zambia Sugar has increased by 14% to ZMW73 million. Headline earnings increased from ZMW0.20 to ZMW0.22 per share.

### **Prospects**

Anticipated sugar production for the full year will be negatively impacted by lower cane yields and considerably reduced sucrose levels. This lower than expected cane throughput and sucrose in cane will be partially mitigated by improved factory performance but overall sugar production is expected to be considerably lower than in the previous year. The earlier end to the season will improve cane age for the next season. Notwithstanding difficult market conditions, domestic market sales are expected to remain favourable, with strong growth year on year. Margins in both the regional and EU export markets are expected to remain under pressure from surplus sugar stocks on the world market. Realisations in these markets will continue to be influenced by exchange rate movements. Pressure on margins is set to

continue, working capital levels are expected to increase and management will remain focussed on cost control and productivity improvements to drive down the unit cost of production

### **Dividends**

As highlighted in the Quality of Earnings Statement included in the consolidated income statement, and notwithstanding the increase in operating profit, a considerable element of the operating profit for the period under review relates to a non-cash fair value movement on growing crops. Owing to weather-related crop decline, difficult commercial environment, increased working capital levels, major capital expenditure and the operating profit having a considerable non-cash element, an interim dividend has not been declared (2014: ZMW0.08). A distribution will be considered in May 2016 for the year ended 31 March 2016.

### **By order of the Board**

Mwansa Mutimushi  
Company Secretary  
27<sup>th</sup> November 2015