

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

ISSUER



AN ILLOVO SUGAR AFRICA COMPANY

ZAMBIA SUGAR PLC ["ZSUG"]

[Incorporated in the Republic of Zambia]

Company registration number: 2880
Share Code: ZSUG
ISIN: ZM0000000052
Authorised by: MwansaMutimushi – 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]

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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.

FIRST ISSUED: 9 November 2017

FINAL RESULTS

In accordance with the requirements of the Securities Act No. 41 of 2016, Zambia Sugar Plc announces its results for the 5 month period ended 31 August 2017

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 5 months ended August 2017	Audited 12 months ended March 2017
	K '000	K '000
Revenue	912 829	2 479 348
Operating profit	262 707	410 508
Net finance costs	(151 674)	(469 791)
Profit/(Loss) before taxation	111 033	(59 283)
Taxation	(19 459)	(814)
Profit/(Loss) for the period	91 574	(60 097)
Other comprehensive income	13 517	39 802
Total comprehensive income/(loss) for the period	105 091	(20 295)
Profit/(loss) attributable to:		
Shareholders of Zambia Sugar Plc	89 067	(66 609)
Non-controlling interest	2 507	6 512
	91 574	(60 097)
Total comprehensive (loss)/income attributable to:		
Shareholders of Zambia Sugar Plc	102 584	(26 807)
Non-controlling interest	2 507	6 512
	105 091	(20 295)
Determination of headline earnings		
Profit/(loss) attributable to shareholders of Zambia Sugar Plc	89 067	(66 609)
Headline earnings for the period	89 067	(66 609)
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)	28.1	(21.0)
Headline earnings per share (ngwee)	28.1	(21.0)
Dividend per share (ngwee)	-	-
- First interim paid	-	-
- Second interim declared	-	-
- Final proposed	-	-

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 5 months ended August 2017	Audited 12 months ended March 2017
	K '000	K '000
Revenue		
Sugar production	457 851	1 824 021
Cane growing	454 978	655 327
	912 829	2 479 348
Operating profit/(loss)		
Sugar production	176 274	414 170
Cane growing	86 433	(3 662)
	262 707	410 508

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited August 2017	Audited March 2017
	K '000	K '000
Assets		
Property, plant and equipment	1 929 605	1 940 831
Intangible asset	67 902	67 902
Growing cane	303 806	418 654
Inventories	687 313	192 631
Trade and other receivables	570 021	675 186
Other current assets	63 513	80 016
Cash and bank balances	290 920	160 365
Total assets	3 913 080	3 535 585
Equity and liabilities		
Equity attributable to shareholders	1 006 679	904 095
Non-controlling interest	36 977	39 195
Deferred tax liability	143 428	127 585
Long and short-term borrowings	1 532 716	1 585 947
Bank overdraft	147 544	61 967
Current liabilities	1 045 736	816 796
Total equity and liabilities	3 913 080	3 535 585

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 5 months ended August 2017	Audited 12 months ended March 2017
	K '000	K '000
Cash operating profit	468 424	668 851
Working capital movements	(180 339)	45 409
Finance costs, taxation and dividends paid	(157 241)	(480 897)
Net cash inflows from operating activities	130 844	233 363
Net cash outflows from investing activities	(32 635)	(216 167)
Net cash inflows before financing activities	98 209	17 196
Net cash (outflows)/inflows from financing activities	(53 231)	181 621
Increase in cash and cash equivalents	44 978	198 817

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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COMMENTARY FOR THE 5 MONTH PERIOD ENDED 31 AUGUST 2017

Change in financial year

Shareholders were notified of the 100% acquisition of the Illovo Group by Associated British Foods (“ABF”) which took place in the prior financial year. The acquisition of Illovo necessitated an integration process to align all operating models to that of ABF. This 5 month financial period has been necessary to transition the Illovo Group, including Zambia Sugar plc, to the financial year of ABF.

Review

Total sugar cane production for the 5 month period was 2.073 million tons of sugar cane. Miller-Cum-Planter (“MCP”) cane supply was 1.158 million tons, at an average cane yield of 115 tons cane per hectare harvested. Early season cane yields were 3% above the prior season for the same period. Out-growers supplied a total of 915.5 thousand tons of sugar cane at an average yield of 117 tons cane per hectare, 8% down on the previous season yields.

Cane production continues to be challenged by climatic conditions, including prior season drought followed by abnormally high summer rainfall. The excessive rainfall between December and April 2017 resulted in flooding of low lying areas. The cane supply area continues to be affected by the outbreak of pests, including yellow sugar cane aphid, and black maize beetle, which has had a detrimental effect on current season yields. Erratic power supply and load-shedding in the prior year has further impacted on out-grower cane yields in the current season.

Total sugar production was 249 277 tons of sugar, including refined sugar production of 49 998 tons. The Product Alignment and Refinery (“PAAR”) objectives were achieved during the period under review. The factory continues to drive improvement projects that deliver optimisation in asset utilisation, quality, cost reduction and engineering reliability.

Total revenue for the 5 month period to 31 August 2017 was K912.8 million. The financial period has seen illegal sugar imports continue, putting substantial pressure on domestic sales. Despite improvements in economic fundamentals, liquidity in the market remained tight, adversely impacting on domestic demand. Despite strong regional sugar demand in the financial period, revenue was depressed due to low global sugar prices, and local currency strength against the US dollar.

Operating profit for the 5 month period was K262.7 million (2016/17: K410.5 million for 12 month period ended March 2017). This represents an operating margin of 29%. Finance costs for the period were K151.7 million. Finance costs were favourably impacted by the reducing interest rate environment. Closing borrowings decreased to K1.533 billion during the period.

Headline earnings for the five month period ended August 2017 increased by 233% to K89.1 million (2016/17: -K66.6 million for the 12 month period ended March 2017) and headline earnings per share increased 233% to 28.1 ngwee per share. A direct comparison of the growth in earnings across the two periods is not possible as the five month results are influenced by the timing of production as well as the level of overheads and off-crop expenditure still to be incurred over the balance of the sugar season. For this reason, the earnings for the five month period are not reflective of the expected financial performance for the full season or the following 12 month period.

The company continued to be a significant provider of employment, with an average workforce of 5 646 (March 2017: 5 200) during the year, including 2 038 (March 2017: 1 980) permanent employees, with the seasonal workforce peaking at 6 477. The company injected in excess of K527 million (March 2017: K967 million) into the local economy through payments to amongst others, employees, cane growers and government in the form of direct taxation.

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

Mr HK Mambwe resigned from the board as an executive director, effective 22 August 2017, to pursue other interests outside of the Group.

Prospects

Management have taken mitigating actions to improve cane production, including improved bulk water supply through better maintenance programmes, specific pest and disease research to develop an integrated pest management system, and the implementation of proactive agronomic practices. These actions are expected to favourably impact next season's sugar cane yields.

The domestic market conditions are expected to remain challenging, although favourable economic fundamentals are expected to filter through the economy. Strong growth is expected to continue in the regional export markets although margins will remain under pressure from low global sugar prices. Realisations in these export markets are influenced by exchange rate fluctuations.

Dividends

Owing to the major capital investment in the new refinery, high debt levels, and continued difficult commercial environment, a dividend has not been declared.

By order of the Board

Mwansa Mulumba Mutimushi
Company Secretary
3rd November 2017