

COMMENTARY FOR THE HALF YEAR PERIOD TO 28 FEBRUARY 2021

Financial Performance Review

Total revenue for the 6 month period to 28 February 2021 was K2.121 billion, 52% above the comparative period last year largely driven by growth in domestic sales volume (28%) and a higher realisation of export sales (39%). Cost escalation continues to be contained through continuous cost saving initiatives.

Operating profit for the 6 month period was K768 million compared to the K235 million operating profit the comparative period in the prior year. This increase is mainly driven by significant growth in the non-cash fair value of growing cane and higher net revenue. The 230% fair value growth of growing cane is as a result of good yields following the good rain season and the strong revenue growth from export sales as a result of the sharp Kwacha depreciation.

The COVID-19 pandemic has had both negative and positive effects on the operations of the business. On the negative side, a key effect has been the escalation of costs due to the adverse effects on global supply chains and commodity prices which have seen an average increase of about 58% in the price of fertilisers, pesticides, process chemicals and factory spares. There has also been a marked increase in transport costs due to increases in both domestic and international transport rates. On the positive side, travel restrictions in the wake of COVID-19 and a weak Kwacha have resulted in the reduction of the flow of illegal imports of sugar into the market. This drop off in the illicit flows has contributed to the 28% increase in domestic sales as more locally supplied sugar is being supplied in the domestic market.

Finance costs have decreased by 37% from K163 million in the 6 months to February 2019 to K102 million in the reported period as a result of repayments of some long term loans. This has led to improved gearing of the business from 40% to 32% for the current reporting period.

Headline earnings for the 6 month period ended 28 February 2021 increased to K579 million from K32 million reported for the corresponding prior year period to 29 February 2020 with earnings per share growing from 10.1 ngwee per share to 183.0 ngwee per share.

Market Performance Review

The domestic market performance has continued on a positive trajectory as a result of continued optimisation of marketing strategies.

Regional market sales volumes have continued to reduce due to the impact of surplus world sugar supply resulting in significant volumes of world market sugar finding its way into the region affecting demand and putting pressure on margins.

Agricultural Season Performance Review

Cane supply has continued to trend above average estimations for the past three years due to improved irrigation and pest control methodologies. This was slightly offset by a drop in Cane quality caused by adverse climatic conditions.

Sugar production for the 2020/21 farming season ended at 393k tons compared to 391K tons in the prior season.

Prospects

The Company expects to face challenges in the second half of the year due to economic uncertainties resulting from a weakening Kwacha and the resulting high inflation. This could lead to further cost escalations. There is also continuing uncertainty with effects of the Coronavirus pandemic with the upcoming winter months.

Sugar production for the April 2021 - March 2022 (2021/22) season is expected to be slightly higher than the April 2020 - March 2021 (2020/21) season by approximately 5% following good rainfall in the past rain season which should improve yields and sucrose content.

Domestic sales are forecast to remain strong while regional export market sales could be affected by changes in the world sugar market as the COVID-19 effects evolve.

Dividend

No interim dividend has been declared for the half year period as the business is using the cash generated to prioritise the repayment of the long term debt and to optimise gearing.

By order of the Board

Harriet Kapekele - Katongo
Company Secretary

HALF YEAR RESULTS

In accordance with the requirements of the Securities Act No. 41 of 2016, Zambia Sugar Plc announces its results for the 6 month period ended February 2021

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended February 2021	Unaudited 6 months ended February 2020
	K '000	K '000
Revenue	2 121 275	1 394 841
Operating profit	768 492	234 732
Net finance costs	(102 428)	(163 264)
Profit before taxation	666 064	71 468
Taxation	(86 687)	(39 355)
Profit for the period	579 377	32 113
Profit attributable to Shareholders of Zambia Sugar Plc	579 377	32 113
579 377	32 113	
Determination of headline earnings		
Profit attributable to shareholders of Zambia Sugar Plc	579 377	32 113
Headline earnings for the period	579 377	32 113
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)	183.0	10.1
Headline earnings per share (ngwee)	183.0	10.1
Dividend per share (ngwee)	-	-
- First interim paid	-	-
- Second interim declared	-	-
- Final proposed	-	-

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

	Unaudited 6 months ended February 2021	Unaudited 6 months ended February 2020
	K '000	K '000
Operating profit		
Sugar production	303 467	173 973
Cane growing	465 025	60 759
	768 492	234 732

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Unaudited February 2021	Unaudited February 2020
	K '000	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	40	23 565
Cash flow hedges	-	(26 523)
Capital redemption reserve	-	40
Balance at end of the year	40	(2 918)
Retained Earnings		
Balance at beginning of the year	1 239 816	1 128 908
Profit for the year	579 377	32 113
Acquisition of non-controlling interest	-	-
Balance at end of the year	1 819 193	1 161 021
Total Equity	2 066 571	1 405 441

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited February 2021	Unaudited February 2020
	K '000	K '000
Assets		
Property, plant and equipment	1 887 380	1 922 498
Intangible asset	67 902	67 902
Growing cane	807 983	465 481
Inventories	729 616	511 317
Trade and other receivables	457 404	494 796
Other current assets	74 866	51 450
Cash and bank balances	62 566	197 608
Total assets	4 087 717	3 711 051
Equity and liabilities		
Equity attributable to shareholders	2 066 571	1 405 441
Deferred tax liability	235 739	124 244
Long and short-term borrowings	955 820	1 476 245
Bank overdraft	81 418	194 862
Current liabilities	748 170	510 260
Total equity and liabilities	4 087 717	3 711 051

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended February 2021	Unaudited 6 months ended February 2020
	K '000	K '000
Cash operating profit	615 654	202 013
Working capital movements	(281 252)	(36 182)
Finance costs, taxation and dividends paid	(223 652)	(236 775)
Net cash inflows/outflows from operating activities	110 750	(70 944)
Net cash outflows from investing activities	(21 526)	(61 760)
Net cash inflows/outflows before financing activities	89 224	(132 704)
Net cash outflows from financing activities	(183 221)	(177 567)
Decrease in cash and cash equivalents	(93 997)	(310 271)
Cash and Bank Balances		
Opening bank and cash balance	75 145	313 017
Closing bank and cash balance	(18 852)	2 746
Movement	93 997	310 271

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