

SENS ANNOUNCEMENT

(the "Announcement")

ISSUER



Zambeef Products Plc.

Incorporated in the Republic of Zambia]

Company Registration Number: 31824

SHARE CODE: ZAMBEEF

ISIN: ZM0000000201

BROKER



Pangaea Securities Limited

[a member of the Lusaka Securities Exchange]

Regulated and Licensed by the Securities and Exchange Commission Zambia

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AUTHORISATION

Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- The Securities and Exchange Commission Zambia
- Zambeef Products Plc.

DISCLAIMER AND RISK WARNING

The 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.

ISSUE DATE: 6 DECEMBER 2018



Zambeef Products PLC
 (“Zambeef” or the “Group”)

[INCORPORATED IN THE REPUBLIC OF ZAMBIA]
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In accordance with the requirements of the Securities Act No. 41 of 2016, Zambeef Products PLC announces its results for the year ended 30 September 2018

	Audited 2018 K'000	Revised Audited 2017 K'000
ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME		
Revenue	2,780,589	2,435,182
Gross Profit	959,159	798,631
Operating profit	118,270	86,653
Share of loss of equity accounted investment	(742)	-
Finance costs	(70,215)	(87,904)
Exchange differences	(19,302)	6,701
Profit before taxation	28,011	5,450
Taxation	(4,257)	(1,049)
Discontinued operations	(13,261)	(1,133)
Group profit	10,493	3,268
Attributable to:		
Equity holders of the parent	10,601	4,037
Non-controlling interest	(108)	(769)
Other comprehensive income:		
Exchange losses on translating presentational currency	206,425	(31,190)
Revaluation***	-	789,795
Total comprehensive income for the year	216,918	761,873
Attributable to:		
Equity holders of the parent	217,297	762,538
Non-controlling interest	(379)	(665)
Number of shares in issue (million)	3,006	3,006
Earnings Per Share		
Basic Earnings Per Share****	3.49	1.08

***Revaluation – “Prior Year Adjustment”: The surplus on revaluation at property, plant and equipment in the prior year was only included in the statement of changes in equity but has now also been included under the other comprehensive income.

****Basic EPS – The previous calculation was Equity Holders of the Parent divided by Number of Shares (Please refer to the SENS release and “Revised Financials Note” for detailed explanations)

	Audited 2018 K'000	Audited 2017 K'000
ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER		
ASSETS		
Goodwill	166,801	166,801
Property, plant and equipment	2,902,221	2,610,488
Investment in associate	15,412	-
Biological assets	181,674	167,857
Deferred tax assets	47,854	43,368
Inventories	639,811	516,418
Assets held for disposal	-	221,178
Trading and other receivables	156,314	90,792
Amounts due from related companies	50,272	11,422
Income tax recoverable	3,885	1,376
Total assets	4,164,244	3,829,700
EQUITY AND LIABILITIES		
Capital and reserves	3,107,114	2,890,196
Interest bearing liabilities	510,772	466,566
Obligation under financial lease	38,409	47,831
Deferred liability	22,611	16,756
Deferred tax liability	6,909	7,212
Assets held for disposal	-	1,079
Trade and other payables and provisions	339,527	291,843
Amounts to from related companies	232	81
Taxation payable	2,925	2,988
Cash and cash equivalents	135,743	105,148
Total equity and liabilities	4,164,244	3,829,700
ABRIDGED GROUP STATEMENT OF CASH FLOW		
	Audited 2018 K'000	Audited 2017 K'000
Net cash inflow/(outflow) from/on operating activities	79,635	188,028
Net cash inflow/(outflow) on investing activities	7,658	(218,294)
Net Cash (outflow)/inflow from financing activities	(137,044)	(111,415)
Increase/(decrease) in cash and cash equivalents	(49,751)	(141,681)
Cash and cash equivalents at the beginning of the year	(105,148)	64,806
Effects of exchange gains on balances held foreign currencies	19,156	(28,273)
Cash and cash equivalents at the end of the year	(135,743)	(105,148)

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

In Zambian Kwacha	Issued share capital ZMW'000	Share premium ZMW'000	Preference share capital ZMW'000	Foreign exchange reserve ZMW'000	Revaluation reserve ZMW'000	Retained earnings ZMW'000	Total attributable to owners of the parent ZMW'000	Non-controlling interest ZMW'000	Total equity ZMW'000
At 30 September 2017	3,006	1,125,012	1,000	72,227	1,252,142	445,090	2,898,477	(8,281)	2,890,196
Profit for the year	-	-	-	-	-	10,601	10,601	(108)	10,493
Transfer of surplus depreciation	-	-	-	-	(23,418)	23,418			
Other comprehensive income									
Exchange (loss)/gain on translating presentational currency				206,696	-	-	206,696	(271)	206,425
Total comprehensive income	-	-	-	206,696	(23,418)	34,019	217,297	(379)	216,918
At 30 September 2018	3,006	1,125,012	1,000	278,923	1,228,724	479,109	3,115,774	(8,660)	3,107,114

Performance Overview

- Zambeef remains unwavering in its strategic focus on the core divisions that generate strong cash flows: Retail and Cold Chain Food Products (CCFP) and Stock Feed divisions
 - 10 new Zambeef Macro retail stores were opened across strategic locations in Zambia along with three in-store Shoprite location. Revenue from Macro outlets grew 63.5 percent in Kwacha terms.
- Zambeef's stockfeed operation trades under the brand name Novatek. Some 20.9 percent of Novatek's stockfeed production (200,846 tons) was sold through Zambeef outlets, compared with 8.3 percent in 2017. A further 27.4 percent of the stockfeed production is consumed in the Company's Cold Chain Food Products divisions. The remaining 50 percent is sold to third-party distributors.
- Zambeef's Mpongwe Farm continues to live up to its reputation as one of the most fertile and productive farms in the region. Overall EBITDA in the division increased by 332 percent from ZMW16.4 million to ZMW70.9 million.
- Demand for day-old chicks produced by Zambeef's Zamhatch subsidiary is currently exceeding supply. Zamhatch incubates approximately 400,000 eggs a week, with an industry-standard 86 percent success rate. We are working on increasing capacity to 500,000 eggs per week in 2019 and then 600,000 per week in 2020 to meet demand.

Strategic Progress Summary

- Successful completion of a number of capacity expansion and efficiency improvement capex projects, including:
 - More new Shoprite/Zambeef butchery counter concessions opened;
 - Zambeef's total retail network increased from 195 outlets to 206 outlets.
 - Completion of Zambeef technology project installing of new plant sales software in all Zambeef outlets which allow vastly more detailed and valuable management information.
 - Cold Chain Food Product volume increased by 5.7 percent driven by strong performance in the chicken and beef sectors.
 - Beef volumes increased by 7.6 percent from 16.8 million kgs to 18.1 million kgs.
 - Chicken volumes rose by 9.1 percent from 11.7 million kgs to 12.8 million kgs.
 - The new 120,000 M.T. annual capacity stock feed mill at Mpongwe, which will service the Copperbelt and DRC markets is operating at 44 percent capacity (TBC)
- Zambeef's management will continue to focus resources on the Group's profitable business divisions, while improving those divisions that need additional attention to ensure that all areas of the business contribute fully to Group profitability.

Key Financial Highlights

- Turnover increased by 14.2 per cent. in ZMW from ZMW2,435 to ZMW2,780 million (9.6 per cent. in USD from USD256 to USD280 million), while gross profit margins also increased from 32.8 percent to 34.5 percent, resulting in gross profit increase of 20.1 per cent. in ZMW from ZMW798.6 million to ZMW959.2 million (increasing by 15.3 per cent. in USD from USD84 million to USD97 million).
- Operating profit increased by 36.5 per cent. in ZMW from ZMW87 million to ZMW118 million (31 per cent. in USD from USD9.1 million to USD11.9 million).
- Adjusted Profit Before Tax from continuing operations (after adjusting for unrealised exchange gains and losses) of ZMW51.1 million (USD5.2 million) compared with an Adjusted Profit Before Tax of ZMW1 million (USD0.11 million) in the previous year.
- Profit After Tax of ZMW23.8 million (USD2.4 million), compared with Profit After Tax of ZMW4.4 million (USD0.5 million) for the same period last year.
- Retail and Cold Chain Foods Products division delivered a very satisfactory EBITDA of ZMW 193.5 million (USD 19.5 million), versus a prior year comparative of ZMW 132.7 million (USD 13.9 million). EBITDA margin increased by 9.7 per cent]
- The finance costs of the Group decreased by 20.1 percent in ZMW from ZMW 87.9 million to ZMW 70.2 million (USD 9.2 million to USD 7.1 million). The reduction was a result of a reduction in net debt following the receipt of USD 16 from IDC on the completion of the Zampalm transaction.
- Group net debt at year end was USD56 million, versus a prior year comparative of USD64 million. No additional term finance was sourced.

Revised Financials Note

- Following the completion of the post audit technical review by the external auditors, a number of changes were made to the 2018 Annual Financial Statements to ensure full compliance with IFRS. Although the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position remain materially unchanged, the EBITDA figure included in the Consolidated Statement of Cash Flows increased by ZMW 65.5 million (US\$ 6.6 million) as a result of revised disclosure. However, the Cash and Cash Equivalents amount as at the end of the financial year remain unchanged. The following announcement is otherwise unchanged from that published by the Company on 21 November 2018.

Leadership Succession

- Frank Braeken joined the board as a Non-Executive Director on July 27, 2018, as the second nominee of the CDC Group.

Commenting on the results, Chairman Dr. Jacob Mwanza, said:

The macro-economic climate is anticipated to be more challenging for Zambia in 2019, including high national debt levels and an increasingly volatile Kwacha exchange rate, which could impact on the growth of the Zambian economy.

Despite these macro concerns, the new financial year has started well for Zambeef with continued revenue, margin and volume growth. The Group expects to continue to grow US\$ earnings in 2019, and generate positive free cash in the financial year. It remains committed to employing EBITDA to fund working capital, capital expenditure for the financially viable projects, and to service debt and, as a result, the Group does not intend to raise further debt in the near future. In line with its stated strategic objectives, it plans to continue to reduce its debt levels in the medium term, which will help mitigate foreign exchange and interest rate risk.

In conclusion, I wish to thank all Management and Staff in the Group for their on-going commitment and professionalism during what has been another challenging year. Their contribution, at every level, is greatly appreciated, and helps make Zambeef one of the pre-eminent Zambian companies.

I would also like to thank my Board colleagues for their wisdom and guidance, and look forward to working with them in the coming year.

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Accordingly, investors in Zambeef Products PLC are advised to exercise caution when trading in the Company's shares and should seek the professional advice of a broker or investment advisor for guidance.

Further information can be found on www.zambeefplc.com

Sponsoring Broker:



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