

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 Raphael Chipoma – 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

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The Notice or Announcement contained herein contains information that may be of a price sensitive nature.

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ISSUED: 04 November 2020



ZAMBIA SUGAR PLC

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AN ILLOVO SUGAR AFRICA COMPANY



An AB Sugar company

In accordance with the requirements of the Securities Act No. 41 of 2016, Zambia Sugar Plc announces its results for the 12-month period ended 31st August 2020.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Audited 12 months ended August 2020 | Audited 12 months ended August 2019 |
|---|---|---|
| | K '000 | K '000 |
| Revenue | 3 334 924 | 2 955 958 |
| Operating profit | 774 841 | 605 741 |
| Net finance costs | (325 891) | (299 492) |
| Profit before taxation | 448 950 | 306 249 |
| Taxation | (214 076) | (36 855) |
| Profit for the period | 234 874 | 269 394 |
| Profit attributable to: | | |
| Shareholders of Zambia Sugar Plc | 234 874 | 263 730 |
| Non-controlling interest | - | 5 664 |
| | 234 874 | 269 394 |
| <u>Determination of headline earnings</u> | | |
| Profit attributable to shareholders of Zambia Sugar Plc | 234 874 | 263 730 |
| Headline earnings for the period | 234 874 | 263 730 |
| 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) | 74.2 | 83.3 |
| Headline earnings per share (ngwee) | 74.2 | 83.3 |

| | | |
|----------------------------|--------------|-----|
| Dividend per share (ngwee) | 24.0 | 8.0 |
| - First interim paid | - | - |
| - Second interim declared | - | - |
| - Final proposed | 24.00 | 8.0 |

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Audited August 2020 | Audited August 2019 |
|-------------------------------------|--------------------------------|------------------------|
| | K '000 | K '000 |
| Assets | | |
| Property, plant and equipment | 1 891 307 | 1 901 875 |
| Intangible asset | 67 902 | 67,902.0 |
| ROU Assets | 42 385 | - |
| Growing cane | 384 444 | 336 745 |
| Inventories | 940 388 | 687 390 |
| Trade and other receivables | 487 741 | 584 477 |
| Other current assets | 7 107 | 42 118 |
| Cash and bank balances | 77 155 | 329 256 |
| Total assets | 3 898 429 | 3 949 763 |
| Equity and liabilities | | |
| Equity attributable to shareholders | 1 567 724 | 1 412 679 |
| Non-controlling interest | - | - |
| Lease Liabilities | 65,933 | - |
| Deferred tax liability | 229 432 | 138 357 |
| Long and short-term borrowings | 1 134 022 | 1 399 704 |
| Bank overdraft | 2 010 | 16 239 |
| Current liabilities | 899 308 | 982 784 |
| Total equity and liabilities | 3 898 429 | 3 949 763 |

SUMMARISED STATEMENT OF CHANGES IN EQUITY

| | Audited August 2020 K '000 | Audited August 2019 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 | 23,607 | (9,191) |
| Cash flow hedges | (23,567) | 32,798 |
| Balance at end of the year | 40 | 23,607 |
| Dividend Reserve | | |
| Balance at beginning of the year | - | - |
| Dividends paid | (25,326) | - |
| Balance at end of the year | (25,326) | - |
| Retained Earnings | | |
| Balance at beginning of the year | 1,141,734 | 857,920 |
| Profit for the year | 203,937 | 263,730 |
| Acquisition of non-controlling interest | - | 20,084 |
| Balance at end of the year | 1,345,672 | 1,141,734 |
| Non-controlling Interest | | |
| Balance at beginning of the year | - | 40,729 |
| Profit for the year | - | 5,664 |
| Dividends paid | - | (2,787) |
| Acquisition of non-controlling interest | - | (43,606) |
| Balance at end of the year | - | - |
| Total Equity | 1,567,724 | 1,412,679 |

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Audited 12 months ended August 2020 K '000 | Unaudited 12 months ended August 2019 K '000 |
|--|---|---|
| Cash operating profit | 848 682 | 641,888 |
| Working capital movements | (99 950) | (105,512) |
| Finance costs, taxation and dividends paid | (424 029) | (306 356) |
| Net cash outflows from operating activities | 324 703 | 230 020 |
| Net cash outflows from investing activities | (87 020) | (108 442) |

| | | |
|--|-------------------------|------------------|
| Net cash outflows before financing activities | 237 682 | 121 578 |
| Net cash outflows from financing activities | <u>(475 554)</u> | 17,510 |
| Decrease in cash and cash equivalents | <u>(237 872)</u> | 139 088 |
| Cash and Bank Balances | | |
| Opening bank and cash balance | 313,017 | 173,929 |
| Closing bank and cash balance | <u>75,145</u> | 313,017 |
| Movement | <u>237,872</u> | (139 088) |

COMMENTARY FOR THE FULL YEAR ENDED 31 AUGUST 2020

Financial Performance Review

Total revenue for the year ended 31 August 2020 was K3.334 billion, 13% above the prior year comparative, largely driven by 15% growth in domestic sales volume and a higher realisation of export sales due to a 51% depreciation of the kwacha against the US dollar over the year. This was however partially offset by a 27 % reduction in export sales volumes.

Operating profit for the year was K775 million compared to K606 million operating profit in the previous year. This profit increase was mainly driven by higher net revenue and sustained production levels. After tax profits however declined from K269 million to K235 million due to higher effective tax rate resulting from a change in the business profile.

Escalation of costs remains a major challenge in the business with increases during the period of electricity tariffs (56%) and fuel prices, compounded by higher than expected inflation at 15.5%. The depreciation of the Kwacha also adversely affected direct costs in the factory and sugarcane operations which have significant currency exposure. Extensive periods of electricity load shedding hindered the smooth operation of the production facilities and also adversely affected the ability to fully irrigate the crop as required.

The effects of the COVID 19 pandemic have further exacerbated an already challenging business operating environment. The company faced significant disruptions to the supply chain particularly relating to spares, chemicals and other imported inputs. Significant costs were also incurred on the estate as well as the surrounding community to mitigate the potential effects of an infection outbreak. However proactive cost control measures and business improvement projects have helped to ensure efficient operations, increased productivity and cost containment while still focusing on customer service.

Finance costs have increased in the financial year to K327 million from K300 million in the prior year due to an increase in the loan amounts at the end of the previous financial year. A reduction in finance costs is forecast in the next financial year due to a reduction in the long-term debt settled in the current financial period. Part of the repayment was the full settlement of the borrowing that related to the Product Alignment and Refinery (PAAR) project.

During the period the business was reclassified as both a manufacturing and agricultural entity. The tax base consequently changed to a higher effective tax rate with a resultant increase in the tax charge by K108 million compared to the position in August 2019 and a prior year additional charge of K46 million.

Headline earnings for the year ended August 2020 decreased to K235 million from K263 million reported

for the year ended August 2019.

Market Performance Review

The domestic market performance has continued on a positive trajectory as a result of continued optimisation of marketing strategies and the benefit of reduced illicit sugar flows into the market during lockdown. The market performed 15% above the actual volumes for the previous year ended August 2019.

Regional market sales volumes have reduced 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 in the 1st half of the period. In the 2nd half of the period volumes were impacted by COVID-19 related travel restrictions that impacted on the certification and permits necessary for food exports.

Directorate

Mr. Raphael Chipoma was appointed to the Board as Director on 1 December 2019, replacing Ms Faith Mukutu, who resigned the position on 31 August 2019.

Mr. Marc Pousson was appointed to the position of Executive Director on 1 June 2020 replacing Mr. Graham M Rolfe, who resigned the position on 31 May 2020.

Mr Doug Kasambala and Mrs Roseta Mwape Chabala were also appointed to the Board as Non-Executive Directors effective on 1 February 2020.

Mr Craig Taylor resigned from the Board as a Non-Executive Director, effective 31 January 2020.

Ms Mwansa Mutimushi resigned as Company Secretary effective 30th September 2020.

Prospects

Notwithstanding the continuity of operations as an essential goods producer, the impacts of COVID-19 are expected to persist well into the next financial year with potential adverse effects on the Company's operations. The uncertainty around COVID-19 is further compounded by a shrinking Zambian economy in the current year, in part due to the effects of the pandemic. The sharp depreciation of the Kwacha and growing inflation increase the risk of cost escalation and the consequent pressure on operating profit. Tightening liquidity from both customers and suppliers will continue to put pressure on the Company's working capital

Sugar production for the April 2020 - March 2021 season is expected to be slightly lower than the April 2019 - March 2020 season as per the current seasonal estimations.

Domestic sales are forecast to remain at similar levels with a possibility of a slight drop as consumers' disposable income declines.

Sales into regional export markets are expected to remain at similar levels as the actual amounts sold in the current period due to product availability constraints, however the regional market is currently benefiting from the depreciation of the kwacha.

Dividend

The Board has proposed dividend of 24 ngwee per share to be considered for approval by shareholders at the Annual General Meeting scheduled for 26 November 2020.

By order of the Board

Company Secretary
Raphael Chipoma

Issued in Lusaka, Zambia on 4th NOVEMBER 2020

| Lusaka Securities Exchange Sponsoring Broker | |
|---|---|
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First Issued on 4th November 2020