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: ZM000000052

Authorised by Raphael Chipoma – Company Secretary

SPONSOR



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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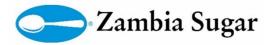
- i. the Lusaka Securities Exchange
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- iii. Stockbrokers Zambia Limited

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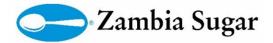
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ISSUED: 04 November 2020



ZAMBIA SUGAR PLC

[Incorporated in the Republic of Zambia] Company registration number: 2880 Share Code: ZSUG ISIN: ZM000000052





AN ILLOVO SUGAR AFRICA 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
<u> </u>	K '000	K '000
Revenue	3 334 924	2 955 958
Operating profit	774 841	605 741
Net finance costs	(325 891)	(299
Profit before taxation	448 950	492) 306 249
Taxation	(214 076)	(36 855)
Profit for the period	234 874	269 394
Profit attributable to: Shareholders of Zambia Sugar Plc Non-controlling interest	234 874 - 234 874	263 730 5 664 269 394
<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) Weighted average number of shares in issue ('000)	316,571 316,571	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	Audited
	August 2020	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	Audited
	August 2020	August 2019
	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	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
Total Equity	1,567,724	1,412,679

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

TLOWS	Audited 12 months ended August 2020	Unaudited 12 months ended August 2019
	K '000	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	(475 554)	17,510
Decrease in cash and cash equivalents	(237 872)	139 088
Cash and Bank Balances		
Opening bank and cash balance	313,017	173,929
Closing bank and cash balance	75,145	313,017
Movement	237,872	(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 4^{th} NOVEMBER 2020

Lusaka Securities Exchange Sponsoring Broker T | +260-211-232456 E | advisory@sbz.com.zm W | www.sbz.com.zm Stockbrokers Zambia Limited (SBZ) is a member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

First Issued on 4th November 2020