

COMMENTARY FOR THE YEAR ENDED 31 MARCH 2016

Review

A number of factors impacted adversely on sugar production in the period under review. These included dry climatic conditions in November and December 2014, power interruptions to irrigation and the outbreak of yellow sugarcane aphids which reduced sugarcane yields by 11% across the entire harvest area. This yield decline was partly offset by a 2% increase in area under cane delivered. Small-holder schemes supplied 10% of the total 3.102 million tons of cane crushed by the Nakambala mill. Consequently, sugar made was reduced by 10% from 424 000 tonnes achieved last year to 380 400 tonnes.

The reduced sucrose in cane was partially offset by improved sugar recoveries in the mill. Refined sugar production also increased to meet growing demand. The season saw a significant improvement in factory throughput, reflecting the benefit of improved equipment reliability and preventative maintenance practices together with a sustained focus on continuous improvement initiatives.

Total revenue, grew by 6% year on year, from K1.91 billion to K2.02 billion, largely due to continued growth in the domestic market where direct consumption increased by 7% and industrial consumption grew by 4%. In order to maximise revenues from reduced production, the sales mix was adjusted by reducing bulk EU exports by 45%. The remaining sugar was sold into regional markets where prices remained under pressure from world market sugar.

Operating profit increased by 11% year on year, from K329.8 million (2014/15) to K366.2 million (2015/16) mainly due to the higher fair value of growing crops. This represents an operating margin of 18%. However, operating profit excluding the impact of fair value gains decreased by 49% from K295.1 million to K150.2 million. Finance costs increased by 35% to K221.9 million as a result of high local interest rates and an increase in working capital requirements. Closing borrowings increased by K509 million to K1.686 billion, mainly due to the higher working capital requirements and the new refinery capital expenditure. Headline earnings decreased by 19% from K141.3 million (2014/15) to K114.4 million (2015/16) and headline earnings per share declined by 19% from 44.6 ngwee to 36.1 ngwee.

The company continued to be a significant provider of employment, with an average workforce of 5 500 during the year, including 1 970 permanent employees with seasonal workforce peaking at 4 800. In terms of wealth creation the company injected in excess of K855 million (2015/16: K730 million) into the local economy through payments to amongst others, employees, cane growers and government in the form of direct taxation. In addition, K450 million of total goods and services excluding cane supply were procured from within Zambia. The company remains committed to a responsible and relevant corporate social responsibility programme and continued to contribute meaningfully in the areas of primary health care, education, sport and cultural activities.

Prospects

The factory commenced crushing in the third week of April and operations have quickly stabilised. Early season sugarcane yields are at expected levels and should improve as the crop matures.

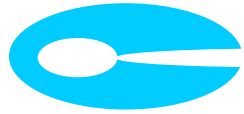
Sugar cane yields and sucrose in cane are expected to remain relatively unchanged in the 2016/17 production season. The crop has been negatively affected by drought conditions, power shortages, the low water levels in the Kafue River and pest infestations due to drought stressed cane. Sugar production is therefore expected to match the previous season. Reasonably strong growth is expected in local market. However, margins in the regional export markets are expected to remain under pressure from surplus sugar stocks on the world market. Realisations in these export markets will continue to be influenced by exchange rate movements. The new expanded sugar refinery will help the company take advantage of the growth in the local and regional industrial sugar markets.

Dividends

As highlighted in the Quality of Earnings Statement included in the summarised consolidated statement of comprehensive income, and notwithstanding the increase in operating profit, a major element of the operating profit for the year ended 31 March 2016, relates to a considerable non-cash fair value movement on growing crops. Owing to the major capital investment in the new refinery, increased working capital levels, difficult commercial environment, weather-related crop decline and the operating profit having a considerable non-cash element, a second interim and final dividend have not been declared (2015: 13.0 ngwee per share – second interim and 2.0 ngwee per share - final).

By order of the Board

Mwansa Mulumba Mutimushi
Company Secretary
4th May 2016



Zambia Sugar

FINAL RESULTS
ZAMBIA SUGAR PLC
 (INCORPORATED IN THE REPUBLIC OF ZAMBIA)
 COMPANY REGISTRATION NUMBER: 2880
 SHARE CODE: ZSUG
 ISIN:-ZM 0000000052



In accordance with the requirements of the Securities Act Cap 354, Zambia Sugar Plc announces its results for the year ended 31 March 2016

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 2016 K '000	Audited 2015 K '000
Revenue	2 015 435	1 907 169
Operating profit	366 219	329 803
Net finance costs	(221 915)	(163 900)
Profit before taxation	144 304	165 903
Taxation	(23 785)	(20 122)
Profit for the year	120 519	145 781
Other comprehensive income	19 938	(7 979)
Total comprehensive income for the year	140 457	137 802
Profit attributable to:		
Shareholders of Zambia Sugar Plc	114 354	141 309
Non-controlling interest	6 165	4 472
	120 519	145 781
Total comprehensive income attributable to:		
Shareholders of Zambia Sugar Plc	134 292	133 330
Non-controlling interest	6 165	4 472
	140 457	137 802
<u>Determination of headline earnings</u>		
Profit attributable to shareholders of Zambia Sugar Plc	114 354	141 309
Headline earnings for the year	114 354	141 309
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)	36.1	44.6
Headline earnings per share (ngwee)	36.1	44.6
Dividend per share (ngwee)	-	23.0
- First interim paid	-	8.0
- Second interim declared	-	13.0
- Final proposed	-	2.0

<u>Quality of Earnings Statement</u>	2016 K '000	2015 K '000
Operating profit	366 219	329 803
<u>Adjusted for:</u>		
Change in fair value of cane roots and growing cane	(215 991)	(34 728)
Operating profit less fair value changes	150 228	295 075

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 2016 K '000	Audited 2015 K '000
Revenue		
Sugar production	1 517 363	1 399 350
Cane growing	498 072	507 819
	2 015 435	1 907 169
Operating profit		
Sugar production	226 564	255 309
Cane growing	139 655	74 494
	366 219	329 803

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 2016 K '000	Audited 2015 K '000
Assets		
Property, plant and equipment	1 732 341	1 227 306
Intangible asset	67 902	67 902
Cane roots	230 392	195 392
Growing cane	496 728	315 737
Inventories	164 331	134 814
Trade and other receivables	585 442	439 599
Other current assets	62 141	49 168
Cash and bank balances	77 694	77 884
Total assets	3 416 971	2 507 802
Equity and liabilities		
Capital and reserves	1 051 422	964 615
Non-controlling interest	39 229	36 360
Deferred tax liability	142 711	120 292
Borrowings	1 686 289	1 004 439
Current liabilities	497 320	382 096
Total equity and liabilities	3 416 971	2 507 802

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 2016 K '000	Audited 2015 K '000
Cash operating profit	207 524	352 054
Working capital requirements	(44 292)	(23 549)
Finance costs, taxation and dividends paid	(282 941)	(234 383)
Net cash (outflow)/inflow from operating activities	(119 709)	94 122
Cash outflow from investing activities	(562 331)	(76 800)
Net cash (outflow)/inflow before financing activities	(682 040)	17 322
Cash inflow from financing activities	681 850	-
(Decrease)/increase in cash and bank balances	(190)	17 322



Zambia Sugar

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SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Audited 2016 K '000	Audited 2015 K '000
Share capital and share premium		
Balance at beginning of the year	247 338	247 338
Balance at end of the year	<u>247 338</u>	<u>247 338</u>
Non-Distributable Reserves		
Balance at beginning of the year	(37 015)	(29 036)
Cash flow hedges	19 938	(7 979)
Balance at end of the year	<u>(17 077)</u>	<u>(37 015)</u>
Dividend Reserve		
Balance at beginning of the year	47 486	34 823
Transfer from retained earnings	-	75 977
Dividends paid	(47 486)	(63 314)
Balance at end of the year	<u>-</u>	<u>47 486</u>
Retained Earnings		
Balance at beginning of the year	706 806	641 474
Profit for the year	114 354	141 309
Transfer to dividend reserve	-	(75 977)
Balance at end of the year	<u>821 160</u>	<u>706 806</u>
Non-controlling Interest		
Balance at beginning of the year	36 360	34 897
Profit for the year	6 165	4 472
Transfer to dividend reserve	(3 296)	(3 009)
Balance at end of the year	<u>39 229</u>	<u>36 360</u>
Total Equity	<u>1 090 650</u>	<u>1 000 975</u>

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T: +260-211-232456

W: www.sbz.com.zm