



Zambia Sugar

FINAL RESULTS



In accordance with the requirements of the Securities and Exchange Act No. 38, Zambia Sugar Plc announces its results for the year ended 31 March 2010

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Audited 2010 ZK'million	Audited 2009 ZK'million
Revenue	907 963	532 478
Operating profit	159 006	78 048
Net financing cost	(46 285)	-
Profit before taxation	112 721	78 048
Taxation	(15 081)	59 068
Net profit for the year	97 640	137 116
Attributable to non-controlling interest	1 464	-
Profit for the year attributable to shareholders of Zambia Sugar Plc	96 176	137 116
<u>Determination of headline earnings</u>		
Profit attributable to Zambia Sugar's shareholders	96 176	137 116
Adjusted for:		
Net gain/(loss) on sale of property, plant and equipment	1 133	(688)
Headline earnings for the year	95 043	137 804
Number of shares in issue ('000)	6 331 428	5 426 938
Weighted average number of shares in issue ('000)	5 977 066	5 426 938
Basic and diluted earnings per share (ZK)	16.09	25.27
Headline earnings per share (ZK)	15.90	25.39
Dividend per share (ZK)	7.50	12.60
- First interim paid	5.00	5.60
- Second interim declared	2.00	6.00
- Final proposed	0.50	1.00

Abridged
SEGMENTAL ANALYSIS

	Audited 2010 ZK'million	Audited 2009 ZK'million
Revenue		
Sugar production	641 095	425 070
Cane growing	266 868	107 408
	907 963	532 478
Profit before taxation		
Sugar production	115 933	28 202
Cane growing	43 073	49 846
	159 006	78 048

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	Audited 2010 ZK'million	Audited 2009 ZK'million
Assets		
Property, plant and equipment	1 303 376	1 115 712
Intangible asset	67 902	-
Cane roots	204 826	162 595
Deferred tax asset	17 982	31 037
Current assets	423 979	311 341
Cash and bank balances	59 146	119 777
Total assets	2 077 211	1 740 462
Equity and liabilities		
Capital and reserves	704 546	433 392
Non-controlling interest	27 368	-
Deferred tax liabilities	34 329	-
Borrowings	1 231 550	1 155 345
Current liabilities	79 418	151 725
Total equity and liabilities	2 077 211	1 740 462

Abridged
CASH FLOW STATEMENT

	Audited 2010 ZK'million	Audited 2009 ZK'million
Cash generated from operations	69 285	37 202
Finance costs, taxation and dividends	(182 014)	(68 158)
Net investment in future operation	(152 063)	(587 048)
Acquisition of Nanga Farms Plc	(162 575)	-
Other movements	9 932	1 700
Net cash outflow before financing activities	(417 435)	(616 304)
Net cash inflow from rights issue	244 624	-
Net cash inflow from from financing activities	112 180	586 698
Net decrease in cash and cash equivalents	(60 631)	(29 606)

REVIEW OF OPERATIONS

The significant expansion of Zambia Sugar's operations has been completed and the expanded factory was successfully commissioned in April 2009. The agricultural expansion, together with the acquisition of Nanga Farms in the year has more than doubled estate cane supply and resulted in the estate supplying more than 65% of the total cane supplied to the Nakambala factory in the 2009/10 season. The expansion saw factory capacity increase by nearly 70%, enabling sugar production to be lifted to 440 000 tons per annum at full capacity. His Excellency Mr Jacob Gedleyihlekisa Zuma, President of the Republic of South Africa formally inaugurated the Nakambala Expansion Project on Wednesday 9 December 2009. He was accompanied to Nakambala Estate by His Excellency Mr Rupiah Bwezani Banda, President of the Republic of Zambia.

A further highlight during the year was the 6:1 Rights Issue completed by the Company in September 2009, with proceeds applied to reduce borrowings related to the acquisition of Nanga Farms and the expansion project at Nakambala. In terms of the rights offer, Illovo Sugar partially renounced its rights and reduced its shareholding in Zambia Sugar Plc from 89.71% to 81.55%, thereby increasing public ownership in the Company.

The estate produced a record cane crop in 2009/10, but the heavy and unseasonal rainfall during the season severely disrupted cane deliveries, particularly towards the end of the year resulting in 3 250 hectares of cane being carried over, to be harvested in the coming year. Despite these disruptions, estate cane deliveries to the mill increased significantly from 720 000 tons in the previous season to 1,7 million tons in the year. Outgrowers lifted their cane deliveries to just short of 910 000 tons, resulting in total delivery to the expanded factory of 2,6 million tons (2009 1,6 million tons), an improvement of approximately 1,0 million tons of cane year on year.

The factory reached rated capacity during the season and achieved reasonable performance in the year, resulting in record sugar production. Despite the disruptions to cane deliveries due to the unseasonal rains, the factory produced a total of 315 000 tons of sugar, a 62% increase compared to 194 000 tons produced in the previous year.

Domestic market sugar demand increased by 10% compared to the previous year, driven by strong local economic fundamentals. Regional sugar deficits were beneficial to export opportunities and prices. Despite the final reduction in EU sugar prices, which became effective on 1 October 2009, following the final element of reform to the EU Sugar Regime, the Company benefited from increased and unrestricted market access to the EU. Zambia is now entitled to duty free and quota free entry into the EU sugar market. EU exports increased from 40 000 tons in the previous year to nearly 90 000 tons in the past season.

Record sugar production together with the increased cane crop from the estate and the Nanga acquisition doubled operating profit from ZK78 billion in the previous year to ZK159 billion in the year ended 31 March 2010. Sales volume increased to 306 000 tons following strong growth registered in the local, regional and EU markets. Realisations from export sales were, however, negatively impacted by the strength of the Kwacha, although the strong currency was of benefit to foreign currency denominated operating costs. Effective cost control and improved sales pricing and volumes benefited margins.

Following completion of the expansion, finance charges, previously capitalized during the expansion project, will now be brought to account in the income statement, and ZK139 billion was charged against operating profit during the past year. This compared to zero in the previous year when all finance charges were capitalized. The strong Kwacha however reduced the value of foreign currency denominated borrowings and resulted in favourable exchange gains of ZK92.7 billion which reduced finance charges for the year. The Company returned to more normal tax levels during the year, (15% applicable to an agricultural enterprise in Zambia), having benefited from expansion related tax credits during the previous two financial years. The effective tax rate for the year was 13.4%, resulting in a tax charge of ZK15.1 billion in the year compared to a credit received in the previous year of ZK59.1 billion, an increase in taxation of ZK64.2 billion year on year. Accordingly profit after tax for the year reduced to ZK97.6 billion from ZK137.1 billion in the previous year.

PROSPECTS

Good climatic conditions and increased cane hectareage will further increase sugar cane deliveries to the mill in the year ahead. The factory is poised to further consolidate expansion gains and another significant increase in sugar production, closer to installed capacity, is anticipated for 2010/11. Operating profit will increase accordingly. Exchange rate movements and weather will continue to influence profits.

Financing costs will continue to impact on earnings in the coming year. However, should the strength of the Kwacha continue, the negative impact of financing costs will be mitigated by exchange gains relating to US dollar denominated expansion related loans.

DIVIDENDS

The Company has previously advised its intention to reduce dividend payouts to 50% of after tax profits whilst servicing the funding requirements arising from the expansion project.

An interim dividend of ZK5.00 per share (2009: ZK5.60) was paid to shareholders on 8 January 2010. Notice is hereby given that a second interim dividend of ZK2.00 per share (2009: ZK6.00) has been declared in respect of the year ended 31 March 2010. This dividend is payable on 14 June 2010 to shareholders registered at the close of business on 14 May 2010.

At the forthcoming Annual General Meeting to be held on 6 August 2010, the Directors will propose a final dividend for the year ended 31 March 2010 of ZK0.50 per share (2009: ZK1.00). This will result in a total dividend for the year of ZK7.50 per share (2009: ZK12.60)

By order of the Board

Lovemore Sievu
COMPANY SECRETARY

29 April 2010