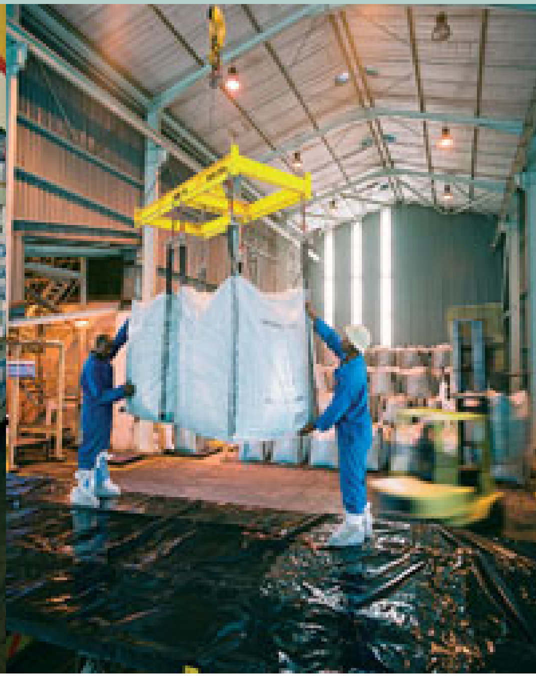
Zambia Sugar

ANNUAL REPORT 2008

SUGAR ILLOVO GROUP

Cover picture: The agricultural operations performed well during the 2007/08 season with an increase in the average cane yield being achieved. The onset of early and heavy summer rains affected harvesting and haulage operations, bringing the crop harvest to a premature end in December 2007.



Production of sugar at the Nakambala factory was constrained by very wet weather late in the season and the earlier than planned mill closure, with final output amounting to 234 000 tons of sugar. The factory operated normally whilst preparations were made during the year for its expansion in the offcrop period.

Concerted efforts to improve domestic market sales in Zambia, including improvements to the company's sugar distribution and depot systems and the promotion of specific pack sizes, resulted in a significant increase in demand, with sales increasing by 17% above those of last year.

Preferential sales to the EU increased by 28% compared to last year, due to additional export tonnages, including quota re-allocations, being awarded to Zambia. The exports included increased tonnages of higher-premium speciality sugars.

ZAMBIA SUGAR EXPANSION

A major agricultural and milling expansion is currently being undertaken at Zambia Sugar whereby an additional 10 500 hectares of irrigated cane fields are being developed by the company and its growers, and the factory expanded to produce 440 000 tons of sugar annually, an increase of 200 000 tons compared to production in 2006/07.

During the year, an additional 2 085 hectares of land were developed to cane by growers, whilst in the current 2008/09 season, a further 7 500 hectares of cane development is being undertaken by the company and its growers.

The agricultural development includes the establishment of a comprehensive irrigation scheme to pump water from the Kafue River to the cane fields. By completion, the total length of canals constructed for the project will measure 31 kilometres.

Milling capacity at the Nakambala factory was increased and sugar production in the 2008/09 season is expected to increase significantly.

The expansion work carried out during the 2007/08 season extended to all parts of the factory. More than 1 500 people have been employed and accommodated on site by Zambia Sugar to effect both the agricultural and factory expansion.

KEY FEATURES

	2008	2007
Revenue (ZK'million)	585 303	570 096
Profit from operations (ZK'million)	69 629	133 371
Profit for the year (ZK'million)	127 780	101 162
Basic and diluted earnings per share (ZK)	23.6	18.6
Year-end market price (ZK)	560	170
Price : earnings ratio (%)	23.8	9.4
Dividends per share (ZK)	14.90	13.00
Number of shares in issue (000)	5 426 938	5 426 938

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COMPANY PROFILE

Zambia Sugar Plc is listed on the Lusaka Stock Exchange. Illovo Sugar Limited of South Africa, through its wholly owned subsidiary Illovo Sugar Cooperatief UA, holds 89.7% of the issued share capital. The balance of shares is held by institutional investors and members of the public, including employees.

Zambia Sugar is the largest sugar producer in Zambia. The Nakambala factory is located in the Mazabuka district and produces sugar from sugar cane grown on its own agricultural estates and from that supplied by independent outgrowers. Approximately 48% of sugar produced is sold on the domestic market for both industrial and home consumption, and about 23% is exported to the European Union under preferential trade agreements. The company also manufactures a range of sugar-based speciality products. Molasses, a by-product of the sugar milling process, is sold mainly as stock feed in to both domestic and regional markets.

All sugar is sold under the Whitespoon label and direct-consumption domestic market sugar is Vitamin-A fortified.

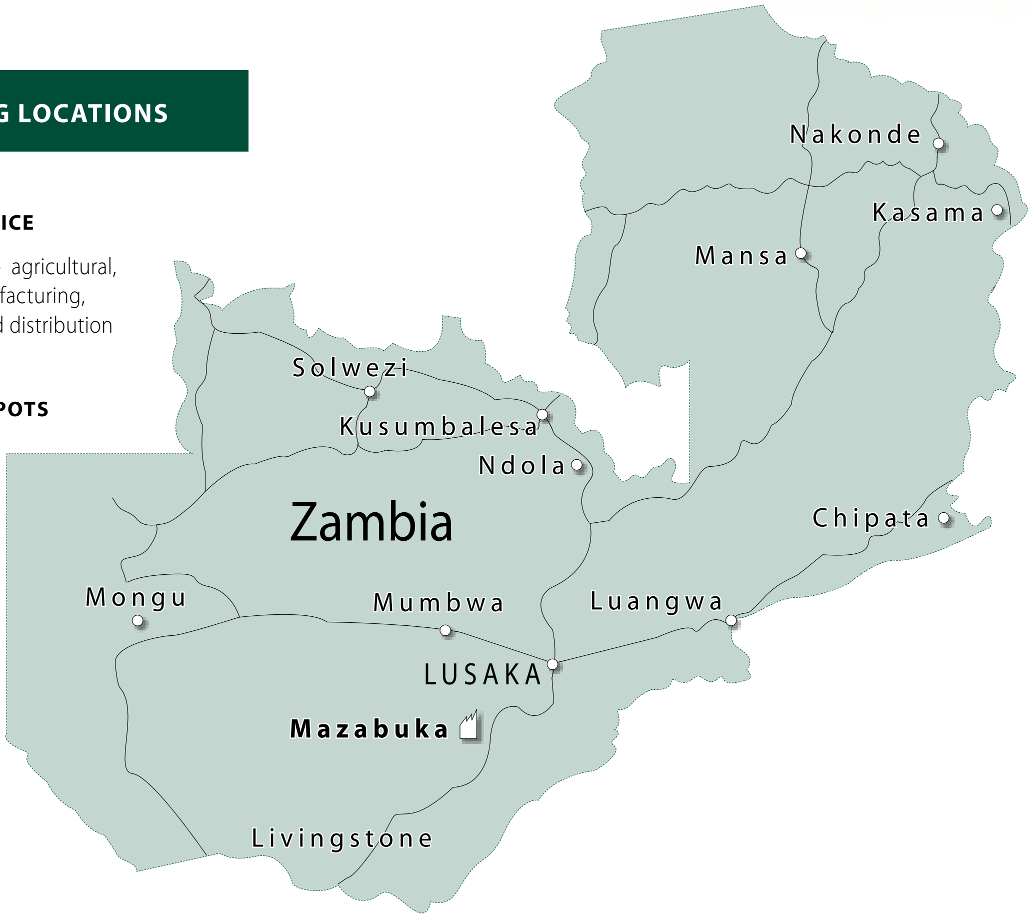
The Illovo Group has extensive agricultural and manufacturing operations in six African countries. It cultivates annually approximately 5.7 million tons of sugar cane on its own agricultural estates and produces around two million tons of sugar, which is sold principally to domestic and preferential markets, as well as to regional and world markets. Value-added operations include the production of furfural (used mainly in lube oil refineries for the purification of oils), furfuryl alcohol (used mainly to produce a resin in the foundry industry as a binder for foundry sands), Agriguard (an agricultural nematicide), diacetyl and 2.3–pentanedione (both used as high-quality natural flavourants), BioMass Sugar (a sugar cane-based fertiliser), ethyl alcohol, lactulose (a natural laxative), syrup and speciality sugars.

OPERATING LOCATIONS

HEAD OFFICE

Mazabuka – agricultural, sugar manufacturing, packing and distribution operations.

SALES DEPOTS



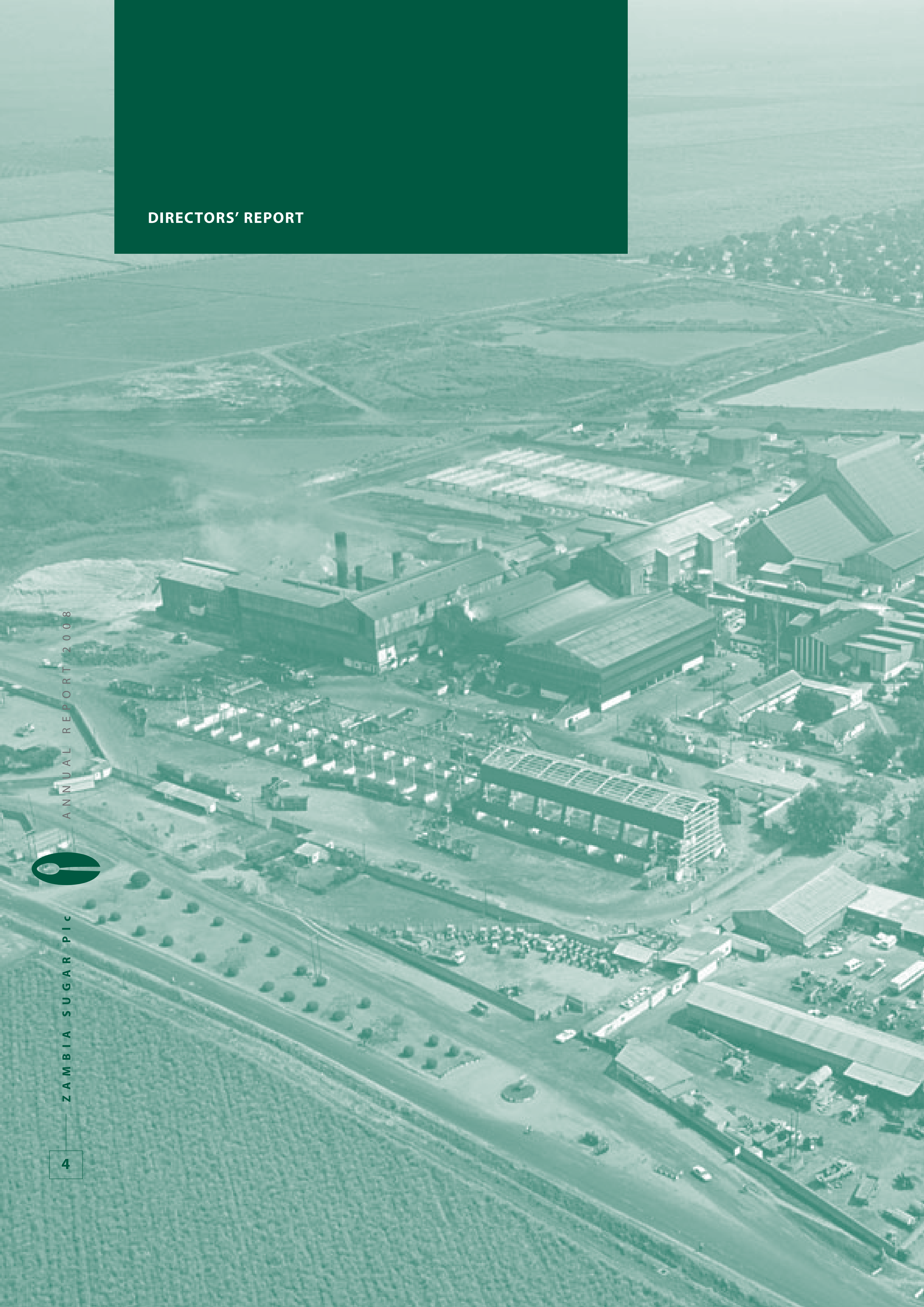
DIRECTORATE

Name	Qualifications	Appointed	Position
Non-executive Chairman			
G J Clark (52)*^#	B.Acct.(Hons.), A.C.A.	2001	Operations Director – Illovo Sugar
Executive Directors			
J P M de Robillard (61)#	Dip. Sugar Tech.	2005	Managing Director
J A Blumberg (48)	B.Compt., M.B.L.	2005	Financial Director
D M Kabunda (45)	B.A.(Pub.Admin.), M.B.A.	2008	Human Resources Director
R M L Katowa (47)	B.A., M.B.A.	2002	Marketing Director
S D Langton (47)	Pr.Eng., B.Sc.Eng.	2008	Operations Director
Non-executive Directors			
F M Banda	A.C.I.S., F.C.M.A.	2002	Director of companies
A B Chikwanda*^	B.Sc.(Econ.)	2001	Director of companies
D G MacLeod^#	B.Com., A.M.P.(Oxon)	2001	Managing Director – Illovo Sugar Ltd
A R Mpungwe	B.A.(Hons.)	2007	Director of companies
M D Mwanakatwe	B.A., A.C.C.A., F.Z.I.C.A.	2005	Director of companies
D Patel		2006	Director of companies
K Zarnack*#	C.A.(S.A.)	2005	Financial Director – Illovo Sugar Ltd

SENIOR MANAGEMENT

Name	Qualifications	Joined	Operating responsibility
L Sievu (46)	F.C.C.A., F.Z.I.C.A., A.C.M.A.	2004	Corporate affairs
R Dehrmann (41)	H.N.D. Mech.Eng.	2007	Factory
H P Veenstra (51)	M.Ag.Mgt.(Ag.Econ.)	2003	Agriculture

* - Audit Committee Member
^ - Remuneration Committee Member
\# - Risk Management Committee Member



DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the company are the cultivation of sugar cane and the production of sugar for sale in to local and export markets.

REVIEW OF OPERATIONS

The company's operations recorded a net profit after taxation of ZK127 780 million. It produced 233 569 tons (2007: 244 850 tons) of sugar in the 2007/08 season, with sales of 243 023 tons (2007: 249 978 tons), supplemented from existing stocks.

During the year Zambia Sugar spent capital of ZK13 953 million on the replacement of assets and ZK411 192 million on the further expansion of the business. A total of ZK19 500 million was spent on the refurbishment and overhaul of factory plant and machinery to ensure that the factory is kept in sound condition, that strategic plant is adequately protected against breakdown and that product quality meets global standards.

AGRICULTURE

The agricultural operations performed well with an increase in the average cane yield being achieved. The onset of early and heavy summer rains affected harvesting and haulage activities, bringing the crop harvest to a premature end during December 2007. Consequently, cane production of 1 088 000 tons for the season was substantially less than that achieved last year. The weather conditions during the growing period have been favourable and a good crop is forecast in the coming season.

PRODUCTION

Overall factory performance for the season was disappointing due to a number of operational and mechanical problems. Production was further constrained as a result of the very wet conditions late in the season and the earlier than planned mill closure, with final sugar output of 234 000 tons being achieved. Good progress continues in upgrading skills of the factory maintenance and operational staff and similar efforts are planned for the new season.

MARKETING

Concerted efforts to improve domestic market sales in Zambia, including improvements to the company's sugar distribution and depot systems and the promotion of specific pack sizes, resulted in a significant increase in demand, with sales increasing by 17% above those of last year. Preferential sales to the EU increased by 28% compared to last year, due to additional export tonnages, including quota re-allocations, being awarded to Zambia. The exports included increased tonnages of higher-premium speciality sugars. Sales were also made into the SACU market in terms of SADC Sugar Protocol arrangements. The supply of sugar to regional markets decreased during the year under review due to the increased domestic demand and preferential sales.

EU SUGAR REGIME REFORM

The reform of the EU continues to take effect and since implementation domestic sugar quota renunciations have amounted to 5.6 million tons. The EU Commission had set a target for quota withdrawals of six million tons, and is able to make a final 'across-the-board' cut in quotas in 2010, if there is an imbalance between supply and demand at that time. However, it appears likely that following the latest renunciations, the European market will stabilise. Negotiations to establish a number of interim regional Economic Partnership Agreements (EPA's) between the EU and African, Caribbean and Pacific (ACP) States have been concluded. Zambia is included in the East and Southern African EPA. Whilst the interim EPA's will be finalised during the course of 2008, they became operative on 1 January 2008.

The elements of market access for sugar included in the EPA's are as follows:

The EU will bring to an end the existing ACP Sugar Protocol arrangements on 30 September 2009;

The "Everything But Arms" (EBA) quota for Least Developed Countries (LDC's) in 2008/09 will be increased to cover a deferment of duty-free / quota-free access from 1 July 2009 to 1 October 2009. Import licensing during this period will continue;

The "Complimentary Quantity" of approximately 230 000 tons, presently allocated to ACP states, will remain in place for 2007/08, in addition to a new duty-free tonnage of the same amount being made available to those ACP states concluding regional EPA's for supply in 2008/09;

With effect from 1 October 2009, LDC's will have full duty-free / quota-free access to the EU for sugar with no volume limits applicable, but only subject to surveillance if fraud or abnormal volume surges occur;

With effect from 1 October 2009, quotas will no longer apply and ACP–non-LDC states, which are signatories to an EPA, will be entitled to deliver duty-free / quota-free tonnages to the EU, up to various volume limits;

As a mechanism to protect the market, a minimum price from 1 October 2009 to 30 September 2012 will be established as a "floor price", below which importers will be denied an import licence. Thereafter, no minimum price will apply.

The successful conclusion of these negotiations with the EU is considered a reasonable outcome taking into account the various divergent positions of the parties involved, with the new arrangements providing significant future EU market access for both ACP states and LDC's, including Zambia.

ZAMBIA SUGAR - EXPANSION PROJECT

A major agricultural and milling expansion is currently being undertaken at Zambia Sugar whereby an additional 10 500 hectares of irrigated cane fields are being developed by the company and its growers, and the factory expanded to produce 440 000 tons of sugar annually, an increase of 200 000 tons compared to production in 2006/07. Milling capacity has been increased for the 2008/09 season, whilst an additional 2 085 hectares of land have been developed to cane by growers. In the final phase of the expansion programme, to be undertaken during the current season and the 2008/09 offcrop, factory milling capacity will be further increased, with additional cane land development of around 7 500 hectares being undertaken by the company and its growers.

HUMAN RESOURCES

Human resource management and operational strategy are determined by the business needs of the operation. The company is committed to being a world-class organisation, which requires skilled and committed employees who are challenged to make a difference in their areas of work.

The continued development of employees through wide-ranging training initiatives to ensure that personnel are competent in their areas of operation, both from a managerial and technical perspective, remains an area of focus.

The Illovo Business Understanding Programme is scheduled to be presented to all permanent employees and cane cutters during the first half of 2008 and continues to be an important part of the company's strategic intent and employee involvement process. Technology transfer and upgrading of local skills was a priority throughout the season. While development programmes encompass positions at all levels, emphasis was again placed on the upliftment of artisan and operator skills. The company continues to benefit from participation in the Illovo Group training initiatives such as the Leadership and Development Programme for senior managers.

Management trainees are following the group's programme developed for this category of employees. Several junior managers have benefited from periods of secondment and technical visits to Illovo operations in South Africa.

The upgrading of the estate infrastructure and amenities continued during the year, including the second phase of the village electrification programme.

HEALTH, SAFETY AND WELFARE

The co-ordinated occupational health and safety programme has shown encouraging results with the company maintaining its NOSA 2-star platinum award for safety and its ISO 9001:2000 quality management accreditation.

Health care is provided to all employees mostly through access to company-run clinics. The company takes a pro-active stance against life-threatening epidemics such as HIV/AIDS and malaria. The diseases are being actively managed, largely on a preventative basis, to negate their impact on the business and the employees themselves.

Zambia Sugar's co-ordination of the group-initiated HIV/AIDS Wellness Programme amongst its people is ongoing. The programme involves high-profile education and awareness campaigns, effective treatment and prevention of sexually transmitted diseases, use of peer counsellors in the process of preventative activities and education, voluntary counselling and testing, use of prophylactic antibiotics, effective screening for tuberculosis and the promotion of a healthy lifestyle. In a new initiative, the Illovo group has commenced implementing government-funded HIV-Anti-Retroviral Treatment programmes at its mill-based medical facilities. This programme is due for implementation at Zambia Sugar during the 2008/09 season.

DIRECTORATE AND SECRETARY

The directors who held office during the year were:

Non-Executive Directors

G J Clark*^#	: Chairman of the Board
D G MacLeod^#	: Chairman of the Remuneration Committee
	: Chairman of the Risk Management Committee
K Zarnack*#	: Chairman of the Audit Committee

Non-Executive and Independent Directors

A B Chikwanda*^
F M Banda
A R Mpungwe
M D Mwanakatwe
D Patel

Executive Directors

J P M de Robillard#	: Managing Director
J A Blumberg	: Financial Director
D M Kabunda	: Human Resources Director
R L Katowa	: Marketing Director
S D Langton	: Operations Director

* Member of the Audit Committee
^ Member of the Remuneration Committee
# Member of Risk Management Committee

D M Kabunda was appointed a director on the 1st January 2008
S D Langton was appointed a director on 24th April 2008

Company Secretary

L M Sievu

DIRECTORS' INTERESTS

No director had any material interest in any contract with the company during the year under review.

The beneficial interests of the directors holding office at the end of the year under review in the issued ordinary share capital of the company as at 31 March 2008 were as follows:

	2008 No of shares	2007 No of shares
F M Banda	100 000	193 342
A B Chikwanda	200 000	200 000
D M Kabunda	300 000	300 000

SHARE CAPITAL

There was no change to the authorised and issued share capital of the company.

ANALYSIS OF SHAREHOLDERS

	Number of holders	Number of shares	%
Individuals			
1 - 250 000	3 312	69 591 905	1.28
250 001 - 500 000	35	12 219 334	0.23
500 001 - 750 000	7	4 095 238	0.08
750 001 - 1 000 000	6	5 697 269	0.10
1 000 001 - 2 000 000	2	2 648 727	0.05
2 000 001 and above	1	2 278 000	0.04
	3 363	96 530 473	1.78
Banks, Nominees and Trusts	27	32 785 666	0.60
Pensions Funds	16	410 002 408	7.55
Companies	49	18 660 546	0.34
Illovo Sugar Cooperatief U.A.	1	4 868 358 942	89.71
	93	5 329 807 562	98.21
Total	3 456	5 426 938 035	100.00

DIVIDENDS

An interim dividend of ZK7.45 per share (2007: ZK5.10) was paid to shareholders on the 4 January 2008. Notice is hereby given that a second interim dividend of ZK6.45 per share (2007: ZK7.25) has been declared in respect of the year ended 31 March 2008. This dividend is payable on the 13 June 2008 to shareholders registered at the close of business on 16 May 2008.

At the forthcoming Annual General Meeting to be held on the 27 June 2008, the Directors will propose a final dividend for the year ended 31 March 2008 of ZK1.00 per share (2007: ZK0.65). This will result in a total dividend for the year of ZK14.90 per share (2007: ZK13.00)

SOCIAL INVESTMENT

The company has an active social investment programme structured to address the specific needs of its surrounding communities. Prospective projects are considered on the basis that they are motivated by members of the local community and employee-appointed company representatives. To gain company support, projects must be shown to be meaningful and sustainable, to reach and benefit as many people as possible, and to have on-going community participation.

Ongoing projects are diverse in nature and include, either in the form of cash funding or direct assistance, the sponsorship of major sporting events, donations to the disabled, the uplifting of facilities at district hospitals, police stations, orphanages, government schools, sports and social clubs, the local radio station, and maintenance of municipal roads.

EMPLOYEES

The average number of employees employed throughout the year under review was as follows:

April	2 186	October	5 613
May	4 933	November	5 396
June	4 979	December	4 440
July	5 139	January	2 986
August	5 518	February	2 833
September	5 750	March	2 440

The total remuneration paid in respect of the above employees was ZK125 982 million for the year ended 31 March 2008 (2007: ZK116 561 million)

RESEARCH AND DEVELOPMENT

The company continues to benefit from well-established in-house group resources which provide technical expertise in both agricultural production and sugar and downstream product manufacture, in order to optimise the return from existing installed capacity.

The company is a member of the South African Sugarcane Research Institute and the Sugar Milling Research Institute of South Africa, and benefits from ongoing research undertaken by these institutions.

AUDITORS

Deloitte & Touche were the Company's auditors during the year.

CORPORATE GOVERNANCE

The Directors and employees of Zambia Sugar strive to ensure that the Company is managed in an efficient, accountable, responsible and moral manner. The board of directors endorses the Lusaka Stock Exchange Corporate Governance Code for listed and quoted companies (The Code) and believes that in all material respects the Company complied with the principles of the Code throughout the year under review.

THE BOARD AND BOARD COMMITTEES

The Company has a unitary board of directors, which has a predominance of non-executive directors. The roles of the Chairman and chief executive are separated and the Chairman is non-executive. The Company's board of directors is accountable to shareholders and responsible for ensuring compliance with standards of corporate governance comparable with international best practice and for ensuring that the Company's internal control system is regularly reviewed and is effective.

The board of directors is responsible to the shareholders for setting the direction of the Company through the establishment of strategic objectives and key policies. During the year, the board has met to consider issues of operational strategy, capital expenditure, major projects and other matters having a material effect on the Company. The board of directors has four regular meetings a year where the Executive Committee of Management present matters for board discussion and approval. There was full attendance at all meetings other than D Patel who attended one meeting, D G MacLeod and M D Mwanakatwe who attended two meetings each and A R Mpungwe who attended three meetings. In addition, there is provision in the Company's Articles of Association for decisions taken between meetings to be confirmed by way of directors' resolution.

AUDIT COMMITTEE

The Audit Committee of the board comprises a chairman, who is a non-executive director, and two other non-executive board members. The Committee operating within approved terms of reference, is responsible for the review of the procedures and policies of internal control and the review of the accounting principles and policies and practices adopted in the preparation of the statutory financial statements.

The internal audit department operates under an approved Internal Audit Charter. Both the internal and external auditors have unrestricted access to the Audit Committee.

The Committee has two meetings a year, and in the past year there was full attendance by its members at both meetings.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three non-executive directors. The Committee is responsible for the review of compensation of executive directors and members of the executive Committee of management. The Committee met once during the past year and there was full attendance.

RISK MANAGEMENT COMMITTEE

The Company's Risk Management Committee comprises three non-executive directors and one executive director and is chaired by a non-executive director. Meetings are attended by all senior managers of the Executive Committee of Management. The Committee meets twice a year.

The Committee has formal terms of reference approved by the board. The Committee is responsible for reviewing the Company's risk philosophy, strategy and policies, and ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the Company's risk management function; ensuring the implementation of an ongoing process for risk identification, mitigation and management; ensuring the establishment of a comprehensive system of controls; pursuing measures for increasing risk awareness throughout the Company; reviewing any significant legal matters; and reviewing the adequacy of insurance coverage.

EXECUTIVE COMMITTEE OF MANAGEMENT

The Executive Committee of Management is empowered and responsible for implementing the strategies and policies determined by the board, managing the business and affairs of the Company, prioritising the allocation of technical and human resources, and establishing best management practices.

MANAGEMENT REPORTING

The Company has established management reporting procedures, which include the preparation of annual strategic plans and budgets. Actual results are reported monthly against approved budgets and compared to the prior year. Profit and cash flow projections are reviewed regularly whilst working capital and borrowing levels are monitored on an ongoing basis.

INTERNAL CONTROL

The control systems are designed to safeguard the Company's assets, maintain proper accounting records and ensure the reliability of management and financial information produced by the Company. Control systems are based on established Illovo Sugar Group policies and procedures and are implemented by trained personnel with an appropriate segregation of duties.

The effectiveness of these internal controls and systems is monitored by the internal audit department and with the aid of self-assessment audit checklists. The independent auditors through the audit work they perform confirm that the abovementioned monitoring procedures are being effectively applied.

Nothing has come to the attention of the directors or the independent auditors to indicate that any material breakdown in the functioning of abovementioned internal controls and systems has occurred during the year under review.

ETHICS

The Company has introduced a Code of Conduct and Business Practices to which all senior personnel must subscribe. The aim of the Code is for the Company to conduct business with honesty and integrity in accordance with the highest legal and ethical standards, and to provide guidance to employees to achieve these aims.

INSIDER TRADING

Directors and officers of the Company who have access to unpublished, price sensitive information in respect of the Company are prohibited from dealing in the shares of the Company during defined restricted periods, including those periods immediately prior to the announcement of interim and final financial results.

PRODUCTION & SALES			2008 Tons '000	2007 Tons '000	2006 Tons '000	2005 Tons '000	2004 Tons '000
Own estate cane produced			1 088	1 242	1 291	1 260	1 218
Total cane milled			1 860	1 877	1 894	1 799	1 788
Sugar production			234	245	248	231	229
Cane sugar ratio			7.96	7.66	7.65	7.78	7.79
Sugar sales			243	250	239	231	237
Local			116	99	92	106	118
Export			127	151	147	125	119
Molasses sales			55	51	47	49	45
Local			42	40	40	35	29
Exports			13	11	7	14	16

FINANCIAL	Notes		2008 ZK million	2007 ZK million	2006 ZK million	2005 ZK million	2004 ZK million
Income statement							
Revenue (net of VAT)			585 303	570 096	501 833	486 083	432 357
Profit from operations			69 629	133 371	105 702	120 131	124 669
Net financing costs			446	1 903	2 777	843	4 171
Profit before taxation			69 183	131 468	102 925	119 288	120 498
Income tax (refund)/expense			(58 597)	30 306	24 085	30 169	26 429
Profit for the year			127 780	101 162	78 840	89 119	94 069
Balance sheet							
Property, plant and equipment			531 792	118 128	103 119	101 921	98 131
Cane roots			69 850	63 759	66 251	52 899	40 413
Current assets			200 199	187 667	203 608	224 402	178 365
Cash and bank balances			149 383	108 376	50 399	49 765	48 412
Deferred tax liabilities			28 031	47 442	46 654	43 343	39 766
Retirement benefit obligation			-	2 075	2 639	2 887	3 778
Current liabilities			101 886	105 791	96 727	121 830	84 574
Long term borrowings			454 209	-	-	-	-
Net asset value			367 098	322 622	277 357	260 927	237 203
Profitability and asset management							
Operating margin		%	11.9	23.4	21.1	24.7	28.8
Return on net assets	1	%	11.5	39.0	33.3	42.3	52.6
Liquidity and borrowings							
Current ratio	2	times	3.4	3.0	2.6	2.2	2.7
Interest cover	3	times	156.1	70.1	38.1	142.5	29.9
Gearing	4	%	83	-	-	-	-
Earnings and dividends per share							
Gain on disposal of fixed assets		ZMK	754	580	542	258	48
Basic and diluted earnings per share	5	ZMK	23.6	18.6	13.4	16.5	17.3
Dividend per share	6	ZMK	14.9	13.0	10.2	11.5	10.4
Dividend cover	7	times	1.6	1.4	1.3	1.4	1.7
Dividend paid		ZMK 'm	83 304	55 897	62 410	65 395	40 159
LUSE statistics							
Ordinary shares in issue		'000	5 426 938	5 426 938	5 426 938	5 426 938	5 426 938
Net asset value per share	8	ZMK	67.6	59.4	51.1	48.1	43.7
Market price per share at year-end		ZMK	560	170	150	110	41
Dividend yield at year-end	9	%	2.7	7.4	6.8	9.2	24.0
Price : earnings ratio	10	%	23.8	9.4	10.3	6.7	2.4

1. **Return on net assets**

   Profit from operations expressed as a percentage of average net operating assets.

2. **Current ratio**

   Current assets divided by current liabilities.

3. **Interest cover**

   Profit from operations divided by net financing costs.

4. **Gearing**

   Long term borrowings (net of cash) expressed as a percentage of total equity.

5. **Basic and diluted earnings per share**

   Profit for the year divided by the weighted average number of ordinary shares in issue.

6. **Dividend per share**

   Dividends (interim - paid and declared; final - proposed) divided by the weighted average number of ordinary shares in issue.

7. **Dividend cover**

   Earnings per share divided by dividends per share (interim - paid and declared; final - proposed).

8. **Net asset value per share**

   Total assets less total liabilities divided by the number of shares in issue.

9. **Dividend yield at year-end**

   Dividends per share (interim - paid and declared; final - proposed) as a percentage of the year-end market price.

10. **Price : earnings ratio**

    Year-end market price divided by earnings per share.

VALUE ADDED STATEMENT

The value added statement reflects the wealth the Company has generated through its agricultural, manufacturing and selling operations, and the subsequent distribution and reinvestment in the business.

Wealth created in the current financial year was ZK207 765 million, of which 82% was distributed to employees, providers of capital and the Government. 61% of the wealth created was paid to employees. The balance of the wealth created was retained and reinvested in the company for the replacement of assets and the ongoing development of operations.

	2008 ZK'million	2007 ZK'million
Wealth created		
Revenue	585 303	570 096
Financing income	673	232
Paid to outgrowers for cane	(113 443)	(101 590)
Manufacturing and distribution costs	(264 768)	(206 320)
	207 765	262 418
Wealth distributed		
To employees as salaries, wages and other benefits	125 982	116 561
To banking institutions as finance costs	1 119	2 135
To shareholders as dividends	83 304	55 897
To government as taxation (refund)/paid	(39 186)	29 518
	171 219	204 111
Wealth re-invested		
Retained profits	44 476	45 265
Depreciation	11 481	12 254
Deferred taxation	(19 411)	788
	207 765	262 418
Amounts paid to government for taxation excludes the following:		
Employees tax deducted from remuneration	21 252	23 230
Net VAT amounts paid to government	12 961	11 270
Customs and excise duties	8 325	6 925
Withholding taxes collected on behalf of government	1 021	926

ZAMBIA SUGAR Plc

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2008

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STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

Section 164(6) of the Companies Act, 1994 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the affairs of the Company and the profit or loss for that period.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information, which have been audited by the independent external auditors, Deloitte & Touche.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Directors:

- the income statement is drawn up so as to give a true and fair view of the profit of the Company for the financial year ended 31 March 2008;
- the balance sheet is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2008; and
- there are reasonable grounds to believe that the Company will be able to pay debts as and when they fall due.

G J Clark
Chairman

J P M de Robillard
Managing Director

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF ZAMBIA SUGAR PLC

Report on the financial statements

We have audited the accompanying financial statements of Zambia Sugar Plc, which comprise the balance sheet at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zambia Sugar Plc as of 31 March 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal requirements

The Zambian Companies Act, 1994 requires that in carrying out our audit, we consider and report to you on the following matter: we confirm that, in our opinion, the accounting and other records and registers required by the Act have been properly kept in accordance with the Act.

Deloitte & Touche

DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS

ALICE JERE TEMBO
PARTNER
24 APRIL 2008

INCOME STATEMENT

for the year ended 31 March 2008

	Notes	2008 ZK'million	2007 ZK'million
Revenue	3	585 303	570 096
Cost of sales		(330 245)	(282 785)
Gross profit		255 058	280 627
Administrative costs		(103 954)	(93 348)
Distribution costs		(82 229)	(54 488)
Gain on disposal of property, plant and equipment		754	580
Profit from operations	4	69 629	133 371
Net finance costs	5	(446)	(1 903)
Profit before taxation		69 183	131 468
Income tax refund/(expense)	6	58 597	(30 306)
Profit for the year		127 780	101 162
Basic and diluted earnings per share (ZK)	7	23.55	18.64

BALANCE SHEET
at 31 March 2008

	Notes	31 March 2008 ZK'million	31 March 2007 ZK'million
ASSETS			
Non-current assets			
Property, plant and equipment	10	531 792	118 128
Cane roots	11	69 850	63 759
Current assets		349 582	296 043
Inventories	12	43 439	42 436
Growing cane	13	113 497	112 234
Factory overhaul costs	14	19 500	14 856
Trade and other receivables	15	21 099	18 141
Current tax assets	6	2 664	-
Cash and bank balances		149 383	108 376
Total assets		951 224	477 930
EQUITY AND LIABILITIES			
Capital and reserves		367 098	322 622
Share capital	16	2 713	2 713
Capital redemption reserve		40	40
Revaluation reserve		14 568	16 389
Dividend reserve		40 431	42 873
Retained earnings		309 346	260 607
Non-current liabilities		471 166	49 517
Long term borrowings	17	443 135	-
Deferred tax liabilities	18	28 031	47 442
Retirement benefit obligations	19	-	2 075
Current liabilities		112 960	105 791
Trade and other payables		80 487	74 079
Current portion of long-term borrowings	17	11 074	-
Amounts due to related parties	20	17 720	13 320
Provisions	21	3 679	3 847
Current tax liabilities	6	-	14 545
Total equity and liabilities		951 224	477 930

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 18. The financial statements on pages 20 to 39 were approved for issue by the Board of Directors on 24 April 2008 and were signed on its behalf by:

G J Clark
Chairman

J P M de Robillard
Managing Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

	Share capital ZK'million	Capital redemption reserve ZK'million	Revaluation reserve ZK'million	Dividend reserve ZK'million	Retained earnings ZK'million	Total ZK'million
Balance at 31 March 2006	2 713	40	18 210	28 220	228 174	277 357
Profit for the year					101 162	101 162
Amortisation of revaluation reserve			(1 821)		1 821	-
Transfer to dividend reserve				70 550	(70 550)	-
Dividends paid				(55 897)	-	(55 897)
Balance at 31 March 2007	2 713	40	16 389	42 873	260 607	322 622
Profit for the year					127 780	127 780
Amortisation of revaluation reserve			(1 821)		1 821	-
Transfer to dividend reserve				80 862	(80 862)	-
Dividends paid				(83 304)	-	(83 304)
Balance at 31 March 2008	**2 713**	**40**	**14 568**	**40 431**	**309 346**	**367 098**

The Capital Redemption Reserve was created on the redemption of preference shares in 1996.

The dividend per share, calculated on a cash basis, amounts to **ZK15.35** (2007 : ZK10.30). The calculation is based on the dividends paid in the year of **ZK83 304 million** (2007: ZK 55 897 million) divided by the number of ordinary shares in issue of **5 426 938 035**.

The dividends declared and proposed amount to **ZK40 431 million** (2007 : ZK42 873 million). The calculation is based on the dividend declared of **ZK6.45 per share** (2007: ZK7.25) and the dividend proposed of **ZK1.00 per share** (2007: ZK0.65), multiplied by the number of ordinary shares in issue of **5 426 938 035**.

CASH FLOW STATEMENT

for the year ended 31 March 2008

	2008 ZK'million	2007 ZK'million
Profit from operations	69 629	133 371
Adjustments for:		
Depreciation	11 481	12 254
Change in fair value of cane roots	(6 091)	2 492
Change in fair value of growing cane	(1 263)	4 192
Provisions raised during the year	138	338
Provisions utilised during the year	(306)	(1 039)
Factory overhaul costs expensed	14 856	15 405
Retirement benefits raised during the year	-	1 241
Retirement benefits utilised during the year	(2 075)	(1 805)
Gain on disposal of property, plant and equipment	(754)	(580)
Operating cash flows before movements in working capital	85 615	165 869
Working capital movements	(12 653)	2 403
(Increase)/decrease in inventories	(1 003)	8 649
Factory overhaul costs incurred	(19 500)	(14 856)
Increase/(decrease) in amounts due to related parties	4 400	(7 877)
(Increase)/decrease in trade and other receivables	(2 958)	2 551
Increase in trade and other payables	6 408	13 936
Cash generated from operations	72 962	168 272
Net financing costs	(446)	(1 903)
Income tax refund/(paid)	21 977	(25 812)
Dividends paid	(83 304)	(55 897)
Net cash from operating activities	11 189	84 660
Investing activities		
Payments for property, plant and equipment	(406 464)	(27 279)
Proceeds from disposal of property, plant and equipment	754	596
Net cash inflow before financing activities	(394 521)	57 977
Financing activities		
Proceeds from borrowings	435 528	-
Net increase in cash and cash equivalents	41 007	57 977
Net cash and cash equivalents at beginning of year	108 376	50 399
Net cash and cash equivalents at end of year	149 383	108 376

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), on a basis consistent with previous years.

These financial statements are presented in Zambian Kwacha in units of Millions of Kwacha

1.1 Revenue

Revenue is measured at fair value of the consideration received or receivable and comprises the selling value of goods delivered during the year net of discounts and sales related taxes. Revenue is recognised when goods are delivered and title has passed.

1.2 Property, plant and equipment

Commercial leasehold land and buildings and fixed plant and machinery are stated in the balance sheet at cost or valuation less accumulated depreciation and any impairment losses. Cost includes professional fees and, for qualifying assets, capitalised borrowing costs. Valuations are performed as and when the Directors deem it necessary to do so but with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Movable plant and machinery, fixtures and fittings and motor vehicles are stated in the balance sheet at cost less accumulated depreciation and any impairment losses.

Increases arising from revaluations of property, plant and equipment are credited to revaluation reserves and form part of equity, except to the extent that a revaluation increase reverses a revaluation decrease for the same asset, and that decrease was recognised as an expense. In this case, the increase is credited to the income statement to the extent of the decrease previously charged.

A transfer is made from the revaluation reserve each year equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation is transferred directly to retained earnings.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant asset.

Assets under construction are carried at cost, less any identified impairment loss. Such assets are initially shown as capital work in progress and transferred to the relevant class of assets when commissioned. Cost includes all costs incurred to bring the asset into use and, where necessary, borrowing costs.

Depreciation is calculated on a straight line basis at rates estimated to write down the asset to its residual value. Depreciation commences when the assets are ready for their intended use.

Effective annual rates of depreciation are :	
Leasehold buildings	2 - 5%
Canals and domestic water works	2 - 2.5%
Furniture, fittings and equipment	25%
Plant and machinery	5 - 10%
Motor vehicles - Commercial	25%
Motor vehicles - Non Commercial	10-14%

Management reviews the residual values annually, considering market conditions and projected disposal values. In the annual assessment of useful lives, maintenance programmes and technological innovations are considered.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

1.3 Cane roots and growing cane

Cane roots are valued at fair value determined by the escalated average cost of each year of planting adjusted for the remaining expected life.

The fair value of growing cane is determined annually, based on the sucrose content in cane valued at the estimated sucrose price for the following season, less estimated costs for harvesting and cane haulage.

1.4 Factory overhaul costs

Factory overhaul costs comprise expenditure actually incurred on plant and equipment for the overhaul of the factory in preparation for the new sugar season commencing after financial year end. This expenditure is written-off in full over its expected useful life.

1.5 Inventories

Sugar inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bring the inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The basis of determining cost is the average method. Maintenance inventory is valued at average cost with obsolete items being written off. Redundant and slow moving inventories are identified and written down to their net realisable value.

1.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

1.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

1.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on the results for the year as adjusted for items which are non-assessable or disallowed for tax purposes.

Deferred taxation liabilities are recognised for all taxable temporary differences. Temporary differences can arise from the recognition for tax purposes of items of income or expense in a different accounting period from that in which they are recognised for financial accounting purposes. The tax effect of these temporary timing differences is computed by applying enacted statutory tax rates to any differences between carrying values per the financial statements and their tax base, and accounted for as deferred tax.

Deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

1.9 Foreign currency transactions

Transactions denominated in foreign currencies are converted into Zambian Kwacha at the rate of exchange ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Zambian Kwacha at the rates of exchange at the reporting date. Gains and losses arising on translation and settlement of such transactions are included in the income statement in the financial year in which they arise.

1.10 Financial instruments

The Company's principal financial instruments are trade receivables, cash and cash equivalent, bank borrowings and trade payables. Trade receivables are stated at cost less provision for impairment. This represents fair value. Cash and cash equivalent are measured at fair value, based on relevant exchange rates at the balance sheet date. Trade and other payables are stated at cost.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

1.11 Retirement benefits

The Company provides retirement benefits for its employees through defined contribution and severance pay schemes. Contributions to defined contribution retirement plans are recognised as an expense in the year in which the related services are rendered by employees.

On 1 February 2000, the National Pension Authority (NAPSA) came into effect. Membership, with the exception of expatriate employees, is compulsory and monthly contributions are made by both employer and employees. The employer's contribution is charged to the income statement.

1.12 Asset impairment review

An assessment is made at each balance sheet date to determine whether there is objective evidence that property, plant and equipment and other assets may be impaired. An estimate of the future undiscounted net cash flows of the related assets over the remaining useful life is used to determine whether the asset value is recoverable and to measure any impairment by reference to fair value. If such evidence exists, the estimated recoverable amount of the asset is determined and any impairment loss on the difference between the recoverable amount and carrying amounts is recognised in the income statement.

1.13 Financial risk management

Interest rate risk

Taking cognisance of the seasonality of the Company's cashflow and long term interest rate forecasts, the risk management committee positions the Company's interst rate exposures according to expected movement in interest rates.

Liquidity Risk

This is monitored on a daily basis by the Financial Director, the Company Treasurer and the Managing Director, and on a weekly basis by the executive committee and controlled through cash flow management which involves the estimation and matching of cash inflows and outflows.

Currency Risk

The Company is exposed to foreign currency risk arising from various currency exposures primarily with respect to the US Dollar, Euro and South African Rand. Currency risk is managed by matching the currency of debts to suppliers with debts due from customers.

The company's exchange rate exposure relates mainly to the US Dollar, Rand and the Euro. The following table details the company's sensitivity to a 10% increase and decrease in the Kwacha against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit or loss and other equity where the Kwacha strengthens against the relevant currency.

10% foreign currency sensitivity

	US Dollar		SA Rand		Euro	
	2008	2007	2008	2007	2008	2007
Monetary assets	(3 892)	(950)	(1 091)	(134)	(4 674)	(1 702)
Monetary liabilities	795	218	3 578	2 256	163	1
	(3 097)	(732)	2 486	2 123	(4 511)	(1 701)

Exchange rates most affecting the performance of the Company are as follows:

	Rates at 31 March		Average for year	
	2008	2007	2008	2007
Kwacha/Rand	450	587	538	541
Kwacha/US Dollar	3650	4275	3865	3818
Kwacha/Euro	5764	5746	5505	4926

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2.1 Critical accounting judgements made by management

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has made the following judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

In making its judgement, management has assessed at each balance sheet date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

2.2 Key sources of estimation uncertainty

In the process of applying the Company's accounting policies, management has made the following key assumptions concerning the future and other key sources of uncertainty at the balance sheet date that have the most significant effect on the amounts recognised in the financial statements.

Property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual values over their anticipated useful lives using the straight line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 10 to the financial statements.

During the financial year the useful life of certain items of plant and equipment were extended. The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to reduce the depreciation expense by ZK 843 million in the current financial year.

Cane roots valuation

The escalated average cost of planting cane roots are adjusted for the remaining expected life. This requires an estimation by management of the average number of ratoons expected from the crop. The carrying value of cane roots is disclosed in note 11 to the financial statements.

Growing cane valuation

Growing cane is valued at the estimated sucrose content valued at the estimated sucrose price for the following season, less estimated costs for harvesting and transport. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess the domestic and export prices as well as related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 13 to the financial statements.

There are no other key assumptions concerning the future or key sources of estimation uncertainty as at the balance sheet date that management have assessed as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

		2008 ZK'million	2007 ZK'million
3.	**REVENUE**		
	Revenue represents proceeds receivable from the following primary business segments:		
	Sugar production	426 381	372 273
	Cane growing	158 922	197 823
		585 303	570 096
	From secondary business segments as follows:		
	Local market	310 003	274 190
	Export market	275 300	295 906
		585 303	570 096
4.	**PROFIT FROM OPERATIONS**		
	Profit from operations has been determined after charging the following:		
	Auditors' remuneration		
	- Audit fees	310	290
	- Fees for other services	2 880	89
	- Other expenses	84	24
	Charitable donations	452	280
	Change in fair value of cane roots	(6 091)	2 492
	Change in fair value of growing cane	(1 263)	4 192
	Depreciation expense	11 481	12 254
	Directors' and key management emoluments:		
	- as directors of the Company	1 426	896
	- in connection with the management of the Company	3 660	4 242
	Employees benefit expenses	122 322	112 628
	Employer contributions to pension funds (see note 23, page 39)	4 528	3 933
	Exchange losses/(gains)	8 859	(8 022)
	Factory overhaul costs expensed	14 856	15 405
	Management fees (see note 20, page 38)	6 931	9 049
5.	**NET FINANCE COSTS**		
	Interest paid	(1 119)	(2 135)
	Interest received	673	232
		(446)	(1 903)

		2008 ZK'million	2007 ZK'million
6.	INCOME TAX REFUND/(EXPENSE)		
	Zambian company taxation		
	- current	-	(30 534)
	- overprovision in prior year	39 186	1 016
	Deferred taxation		
	- current	12 265	(788)
	- tax rate change	7 146	-
	Total taxation	58 597	(30 306)
	Included under current (assets)/liabilities:		
	Payable in respect of the previous year	(14 545)	(10 839)
	Payable in respect of the current year	-	(29 518)
	Tax refund in respect of previous years	39 186	-
		24 641	(40 357)
	Credit utilised during the year	(24 758)	-
	Paid during the year	2 781	25 812
	Taxation receivable/(payable)	2 664	(14 545)
	Reconciliation of taxation rate :	%	%
	Company taxation applicable to agricultural entities	15.0	35.0
	less: increase/(reduction) in charge due to:		
	- Expenses disallowed for tax purposes	2.1	1.8
	- Change in income tax rate from 35% to 15%	(10.3)	-
	- Permanent differences	(34.8)	-
	- Taxation rate differentials between business units	-	(12.9)
	- Overprovision in prior years	(56.6)	(0.8)
	Effective rate of taxation	(84.7)	23.1

		ZK	ZK
7.	BASIC AND DILUTED EARNINGS PER SHARE		
	Earnings per share	23.55	18.64

Earnings per share is based on profit for the year of ZK 127 780 million (2007: ZK 101 162 million) divided by the number of ordinary shares in issue throughout the year of 5 426 938 035

		ZK'million	ZK'million
8.	DIVIDENDS PAID		
	ZK4.00 per share (second interim 2006) - paid 13 June 2006		21 708
	ZK1.20 per share (final 2006) - paid 22 August 2006		6 512
	ZK5.10 per share (first interim 2007) - paid 3 January 2007		27 677
	ZK7.25 per share (second interim 2007) - paid 15 June 2007	39 345	
	ZK0.65 per share (final 2007) - paid 23 August 2007	3 528	
	ZK7.45 per share (first interim 2008) - paid 4 January 2008	40 431	
		83 304	55 897

	ZK	ZK
Dividends declared per share - second interim declared 24 April 2008	6.45	7.25
Dividends proposed per share - final to be proposed at AGM	1.00	0.65
Number of ordinary shares in issue (millions)	5 427	5 427

9. SEGMENTAL ANALYSIS

The primary business segments of the company are classified into sugar production and cane growing as follows:

Year to 31 March 2008	Sugar production ZK'million	Cane growing ZK'million	TOTAL ZK'million
Revenue	426 381	158 922	585 303
Profit before taxation	54 273	14 910	69 183
Property, plant and equipment	355 809	175 983	531 792
Balance at beginning of year	80 060	38 068	118 128
Additions at cost	283 171	141 974	425 145
Depreciation charge for the year	(7 422)	(4 059)	(11 481)
Cane roots	-	69 850	69 850
Current assets	208 972	140 610	349 582
Inventories	19 548	23 891	43 439
Growing cane	-	113 497	113 497
Factory overhaul costs	19 500	-	19 500
Trade and other receivables	17 877	3 222	21 099
Current tax assets	2 664	-	2 664
Cash and cash equivalents	149 383	-	149 383
Current liabilities	67 043	45 917	112 960
Trade and other payables	42 910	37 577	80 487
Short term portion of borrowings	7 198	3 876	11 074
Amounts due to related parties	14 176	3 544	17 720
Provisions	2 759	920	3 679
Non-current liabilities	303 826	167 340	471 166
Long term borrowings	288 038	155 097	443 135
Deferred tax liability	15 788	12 243	28 031
Net asset value	193 912	173 186	367 098

9. SEGMENTAL ANALYSIS (continued)

Year to 31 March 2007	Sugar production ZK'million	Cane growing ZK'million	TOTAL ZK'million
Revenue	372 273	197 823	570 096
Profit before taxation	81 229	50 239	131 468
Property, plant and equipment	80 060	38 068	118 128
Balance at beginning of year	63 117	40 002	103 119
Additions at cost	24 389	2 890	27 279
Depreciation charge for the year	(7 435)	(4 819)	(12 254)
Net book value of disposals	(11)	(5)	(16)
Cane roots	-	63 759	63 759
Current assets	172 121	123 922	296 043
Inventories	32 572	9 864	42 436
Growing cane	-	112 234	112 234
Factory overhaul costs	14 856	-	14 856
Trade and other receivables	16 317	1 824	18 141
Cash and cash equivalents	108 376	-	108 376
Current liabilities	81 529	24 262	105 791
Trade and other payables	56 977	17 102	74 079
Amounts due to related parties	11 575	1 745	13 320
Provisions	2 867	980	3 847
Taxation payable	10 110	4 435	14 545
Non-current liabilities	17 145	32 372	49 517
Deferred tax liability	16 193	31 249	47 442
Retirement benefit obligation	952	1 123	2 075
Net asset value	153 507	169 115	322 622

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Capital work in progress	Total
	ZK'million	ZK'million	ZK'million	ZK'million	ZK'million	ZK'million
Cost or valuation						
Balance at 1 April 2006	55 565	62 379	45 907	10 351	2 462	176 664
Additions	-	-	-	-	27 279	27 279
Transfers	1 455	4 218	5 007	413	(11 093)	-
Disposals	-	-	(2 140)	-	-	(2 140)
Balance at 1 April 2007	57 020	66 597	48 774	10 764	18 648	201 803
Additions	-	-	-	-	425 145	425 145
Transfers	2 149	9 623	6 103	686	(18 561)	-
Disposals	-	-	(2 523)	(18)	-	(2 541)
Balance at 31 March 2008	**59 169**	**76 220**	**52 354**	**11 432**	**425 232**	**624 407**
Comprising:						
At valuation	38 926	-	-	-	-	38 926
At cost	20 243	76 220	52 354	11 432	425 232	585 481
	59 169	**76 220**	**52 354**	**11 432**	**425 232**	**624 407**
Depreciation						
Balance at 1 April 2006	13 553	23 574	29 487	6 931		73 545
Charge for year	1 404	3 345	5 916	1 589		12 254
Disposals	-	-	(2 124)	-		(2 124)
Balance at 1 April 2007	14 957	26 919	33 279	8 520		83 675
Charge for year	1 431	2 503	6 692	855		11 481
Disposals	-	-	(2 523)	(18)		(2 541)
Balance at 31 March 2008	**16 388**	**29 422**	**37 448**	**9 357**		**92 615**
Net carrying amount						
Balance at 31 March 2008	**42 781**	**46 798**	**14 906**	**2 075**	**425 232**	**531 792**
Balance at 31 March 2007	42 063	39 678	15 495	2 244	18 648	118 128

Expenditure on assets under construction is initially shown as capital work in progress and is transferred to the relevant class of asset when commissioned.

Buildings were revalued by independent expert valuers on the basis of open market value for existing use, or where appropriate, depreciated replacement cost, at 31 March 1996. The Directors have reviewed the need to revalue leasehold land and buildings and in their opinion, given the consistent and stable economic conditions prevailing in Zambia, there is no reason to consider that there is a material difference between the carrying value and fair value of these assets.

In accordance with Section 193 of the Companies Act, 1994 the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the registered office of the Company.

	2008 ZK'million	2007 ZK'million
10. PROPERTY, PLANT AND EQUIPMENT (continued)		
Borrowing costs capitalised in the financial year to 31 March 2008 included under fixed assets are disclosed as follows:		
Interest accrued on long term borrowings (see note 17)	18 681	-
Interest paid on other short term borrowings	4 125	-
	22 806	-

Assets pledged as security

All leasehold land and buildings and all plant and machinery have been pledged for loans secured by way of a mortgage debenture (see note 17).

	2008 ZK'million	2007 ZK'million
11. CANE ROOTS		
The carrying value of cane roots is reconciled as follows:		
Carrying value at beginning of year	63 759	66 251
Change in fair value	6 091	(2 492)
Carrying value at end of year	69 850	63 759

The area under cane for the purpose of valuing cane roots at the 31 March 2008 was **11 253 hectares** (2007: 11 050 hectares).

	2008 ZK'million	2007 ZK'million
12. INVENTORIES		
Maintenance stores	38 825	24 520
Provision for obsolete maintenance inventory	(3 591)	(2 248)
	35 234	22 272
Finished goods - Sugar	8 205	20 164
	43 439	42 436

	2008 ZK'million	2007 ZK'million
13. GROWING CANE		
The carrying value of growing cane is reconciled as follows:		
Carrying value at beginning of year	112 234	116 426
Change in fair value	1 263	(4 192)
Carrying value at end of year	113 497	112 234

The area to harvest for the following season is **10 659 hectares** (2007: 10 897 hectares) which is anticipated to yield **121 tons cane per hectare** (2007: 116 tons) at a sucrose content in cane of **15.10%** (2007: 15.10%). As at the 31 March 2008 the average maturity of the growing cane was estimated at 67%.

	2008 ZK'million	2007 ZK'million
14. FACTORY OVERHAUL COSTS		
Balance at beginning of year	14 856	15 405
Incurred in respect of the following year	19 500	14 856
	34 356	30 261
Charged to the income statement	(14 856)	(15 405)
Balance at end of year	19 500	14 856

	2008 ZK'million	2007 ZK'million
15. TRADE AND OTHER RECEIVABLES		
Trade receivables comprise amounts receivable in respect of the sale of sugar and molasses.		
Gross trade receivables	17 960	14 786
Provision for doubtful debts	(1 183)	(1 204)
	16 777	13 582
Other receivables	4 322	4 559
Balance at end of year	21 099	18 141
Movement in the provision for doubtful debts.		
Balance at beginning of year	1 204	1 503
Amounts written off during the year	(21)	(299)
Balance at end of year	1 183	1 204

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2008 ZK'million	2007 ZK'million
16. SHARE CAPITAL		
Authorised:		
5,535,000,000 shares of ZK0.50 each	2 767	2 767
Issued and fully paid:		
5,426,938,035 shares of ZK0.50 each	2 713	2 713

Details of major share dealings are disclosed in the Directors' report.

	Years of payment	Effective Interest rate (%)	2008 ZK'million	2007 ZK'million
17. LONG-TERM BORROWINGS				
Related parties - Illovo Sugar Ireland	2007 - 2011	18.09	275 674	-
Financial and other institutions	2008 - 2012	13.38	178 535	-
Total borrowings			454 209	-
Less:				
Current portion			(11 074)	
			443 135	-
The amounts are due for repayment in the following years ending 31 March:				
2009			11 074	-
2010			52 687	-
2011			240 605	-
2012			108 305	-
2013			41 538	-
			454 209	-

(i) The loan from Illovo Sugar Ireland attracts interest at 17.38% per annum being the weighted average rate of 15.38% for the 3 year Government Bond dated 26 October 2007 plus a 2% margin. Interest has been accrued at the 31 March 2008 using the effective interest rate of 18.09%. The loan is repayable in full by November 2011.

(ii) Loans from financial and other institutions attract interest at the ruling 91 day T-Bill rate at the beginning of each interest period of three months plus a 2% margin. The rates applied to date are 13.23%, 12.54% and 12.99%. Interest has been accrued at the 31 March 2008 using the effective interest rate of 13.38%. The aggregate of these loans are fully repayable by December 2012.

(iii) All loans are secured by way of a first legal mortgage and a first fixed charge on all of the company's present and future rights, title and interest in all its fixed and movable property including material contracts, claims under insurances and all proceeds under insurances, and the benefit of all licenses, consents and agreements held or used in connection with the company.

(iv) Borrowing costs accrued on the above loans for the period to 31 March 2008 amounts to **ZK 18 681 million** (see Note 10).

	2008 ZK'million	2007 ZK'million
18. DEFERRED TAX LIABILITIES		
Balance at beginning of year	47 442	46 654
Charged to income:		
- Temporary differences	(12 265)	788
- Changes in tax rate	(7 146)	-
Balance at end of year	28 031	47 442
Analysis of provision:		
Property, plant and equipment	44 574	17 370
Factory overhaul costs	2 925	4 011
Growing cane and cane roots	27 502	26 399
Provisions	(645)	(338)
Tax losses	(46 325)	-
	28 031	47 442

	2008 ZK'million	2007 ZK'million
19. RETIREMENT BENEFIT OBLIGATIONS		
Balance at beginning of year	2 075	2 639
Provision for the year	-	1 241
Amounts paid during the year	(2 075)	(1 805)
Balance at end of year	-	2 075

Retirement benefit obligations previously represented amounts payable in respect of retirement benefits for employees over the age of 50 who were covered by collective agreements (see note 23). These employees have now retired and the company has no further obligation in respect of retirement gratuities.

	2008 ZK'million	2007 ZK'million
20. AMOUNTS DUE TO RELATED PARTIES		
East African Supply (Pty) Ltd	13 348	7 871
Illovo Sugar Ireland	3 023	4 567
Illovo Sugar Limited	1 349	882
	-	-
	17 720	13 320

The following transactions were carried out with related parties:

	Purchases and management services	Interest paid	Total
East African Supply (Pty) Ltd	42 845	884	43 729
Illovo Sugar Ireland	38 004	-	38 004
Illovo Sugar Limited	930	412	1 342
Illovo Sugar (Malawi) Ltd	2 772	-	2 772
	84 551	1 296	85 847

The Company is contracted with Illovo Sugar Ireland for the supply of management services. Management fees are disclosed in note 4.

All related party transactions are conducted on an arms length basis. Securities and guarantees provided in respect of related party transactions are disclosed in note 17, page 36.

All related parties are fellow subsidiaries of Illovo Sugar Limited, the ultimate holding company of Zambia Sugar Plc.

The majority shareholding is held by Illovo Sugar Cooperatief UA, incorporated in the Netherlands, a subsidiary of Illovo Sugar Limited, a Company incorporated in the Republic of South Africa.

	2008 ZK'million	2007 ZK'million

21. PROVISIONS

	2008 ZK'million	2007 ZK'million
At beginning of year	3 847	4 548
Provisions made during the year	138	338
Utilised during the year	(306)	(1 039)
	3 679	3 847
Analysed as follows:		
Provision for leave pay owing to employees	2 392	2 319
Provision for legal fees	1 287	1 528
	3 679	3 847

22. CAPITAL COMMITMENTS

	2008 ZK'million	2007 ZK'million
Approved but not contracted	16 472	838 614
Contracted	328 025	5 203
	344 497	843 817

Capital expenditure will be financed from cash resources and long term borrowings (see note 17).

23. RETIREMENT BENEFITS

Defined contribution pension scheme

With effect from 1 May 2002, Zambia Sugar Plc established a defined contribution pension scheme and the pension costs are recognised when incurred. An amount of ZK 4 528 million (2007: ZK 3 933 million) was expensed during the year in respect of the defined contribution pension scheme.

Gratuity paid on retirement

Zambia Sugar Plc provides for a post retirement gratuity paid to employees on retirement. With effect from 1 April 2003 this gratuity is only paid to employees over the age of 50 at that date and who did not transfer to the defined contribution fund. The gratuity is based on the number of years service at current rates of pay. The movement in the provision is detailed in note 19 to retirement benefit obligations and at 31 March 2008 the balance was nil (2007: ZK 2 075 million). The company has no future obligation in respect of retirement gratuities.

24. CONTINGENT LIABILITIES

There are contingent liabilities in respect of letters of credit amounting to ZK33 896 million and in respect of payment guarantees amounting to ZK72 526 million for the supply of expansion related plant and equipment.

NOTICE OF MEETING

Notice is hereby given that the 46th annual general meeting of members of the Company will be held at the Intercontinental Hotel, Lusaka, Zambia on Friday, 27 June 2008 at 11h00 to transact the following business:

1. Financial statements

   To receive and adopt the annual financial statements for the year ended 31 March 2008.

2. Election of directors'

   To elect Ms D M Kabunda and Messr S D Langton as directors, and to re-elect Messrs A B Chikwanda, D G MacLeod and Ms R M L Katowa and M D Mwanakatwe, who retire by rotation, in terms of the Companies Act, and who, being eligible, offer themselves for re-election.

3. Determination of directors' fees

   That the annual fee payable to directors of the Company be confirmed at ZK 105 million for the year ending March 2008. (March 2007: ZK 105 million)

4. Appointment of auditors'

   That Deloitte & Touche be re-appointed as auditors for the 2008/2009 financial year and that the directors be authorised to fix their remuneration.

5. Declaration of final dividend

   That a final dividend of ZK1.00 per share for the year ended 31 March 2008 recommended by the directors be declared to all shareholders registered in the books of the Company at close of business on 21 July 2008 and payable on 22 August 2008.

6. Other business

   To transact such other business as may be transacted at an annual general meeting of members.

   A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy need not be a member of the Company. Proxy forms should be forwarded to reach the Company's registered office or the transfer secretaries not later than 12h00 on Wednesday, 25 June 2008.

By order of the Board

L M Sievu

Company Secretary

24 April 2008

SHAREHOLDERS' DIARY

Financial year end	March
Annual general meeting	June

Reports and profit statements

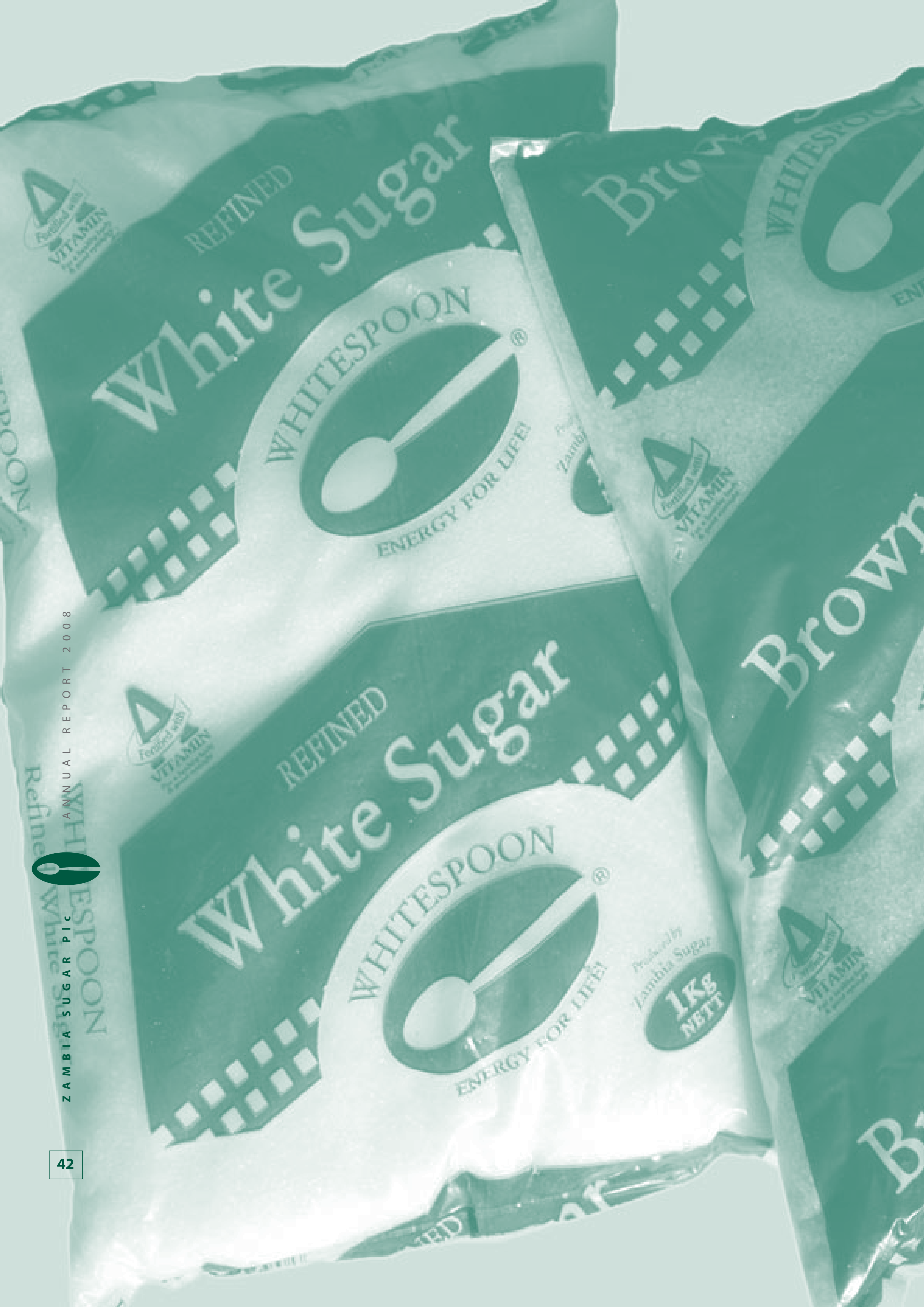
Interim report	October
Profit announcement for the year	May
Annual report and financial statements	June

Dividends

First interim	Declared	October
	Payment	January
Second interim	Declared	April
	Payment	June
Final	Declared	June
	Payment	August

CORPORATE INFORMATION

Secretary	:	Lovemore M Sievu
Business address and registered office	:	Nakambala Estate, Mazabuka, Zambia
Postal address	:	P O Box 670240, Mazabuka, Zambia
Telephone	:	(260) 21 3 230666
Fax	:	(260) 21 3 230385
Email address	:	lsievu@zamsugar.zm
Transfer secretaries	:	Lewis Nathan Advocates
		87 Provident Street, Fairview, Lusaka, Zambia
Postal address	:	P O Box 37268, Lusaka, Zambia
Telephone	:	(260) 21 1 223174
Fax	:	(260) 21 1 234082
E-mail address	:	ina@zamnet.zm
Auditors	:	Deloitte & Touche
Bankers	:	Barclays Bank of Zambia
		Stanbic Bank Zambia
		Citi-Bank Zambia
		Standard Chartered Bank Zambia


REFINED
White Sugar
WHITESPOON
ENERGY FOR LIFE!
Fortified with VITAMIN A
Produced by Zambia Sugar
1Kg NETT
Brown

ZAMBIA SUGAR Plc

FORM OF PROXY

For the 46th annual general meeting

I/We ____

(Name/s in block letters)

of ____(address)

being the shareholder/member of the abovenamed Company

and entitled to (1 share = 1 vote) Number of votes

do hereby appoint

1. ________________________________ of ________________________________or failing him/her

2. ________________________________ of ________________________________or failing him/her

3. the chairman of the meeting

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the Intercontinental Hotel, Lusaka, Zambia on Friday 27 June 2008 at 11h00 and at any adjournment thereof as follows:

Agenda Item	Mark with X where applicable		
	In favour	Against	Abstain
1. Adoption of the audited 2008 annual financial statements.			
2. Election of directors' A B Chikwanda, D M Kabunda, R M L Katowa, S D Langton, D G MacLeod, M D Mwanakatwe			
3. Approval of directors' fees.			
4. Re-appointment of Deloitte & Touche as auditors.			
5. Declaration of final dividend.			

Signed at ________________________________ on this_____________________day of _________________2008

Signature ____

Assisted by me (where applicable) (see note 3) ____

Full name/s of signatory/ies if signing in a representative capacity (see note 4)______________________________________

NOTES TO THE FORM OF PROXY

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his/her guardian.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the Company has already recorded that authority.
5. In order to be effective, proxy forms must reach the registered office of the Company or the transfer secretaries by no later than 12h00 on Wednesday, 25 June 2008.
6. The delivery of the duly completed proxy form shall not preclude any member or his/her duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
7. If two or more proxies attended the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.

Zambia Sugar