Zambia Sugar Plc

ANNUAL REPORT 2012

SUGAR ILLOVO GROUP

Above: The agricultural operations produced 1.89 million tons cane, marginally lower than the record harvest of 1.97 million tons in 2010/11.

Above: A highlight of the past 2011/12 season was the good performance of the expanded Nakambala sugar factory which achieved exceptional crush rates to produce 374 000 tons of sugar.

Below: Modern sugar packing facilities are a key feature of Zambia Sugar's high-quality consumer offering.

Above: Once all the sugar containing moisture is extracted from the shredded cane, the residual bagasse is used as a boiler-fuel feedstock to generate electricity for all of Nakambala's operations.

Below: Record growth in the domestic sugar market was achieved over the past two years, with sales in 2011/12 continuing to respond to strong economic fundamentals.

Below: Zambia Sugar has a comprehensive training function to align training initiatives with those skills required directly by employees in the performance of their factory and agricultural responsibilities.

Below: The company has modern medical facilities for its employees, staffed by two full time doctors and trained medical personnel.

ZAMBIA SUGAR Plc

KEY FEATURES	2012	2011
Revenue (ZMK'million)	1 480 091	1 232 448
Profit from operations (ZMK'million)	306 649	173 990
Profit for the year (ZMK'million)	129 892	29 836
Earnings per share (ZMK)	19.80	4.41
Headline earnings per share (ZMK)	19.80	4.45
Dividends per share (ZMK)	9.90	3.55
Number of shares in issue (000)	6 331 428	6 331 428

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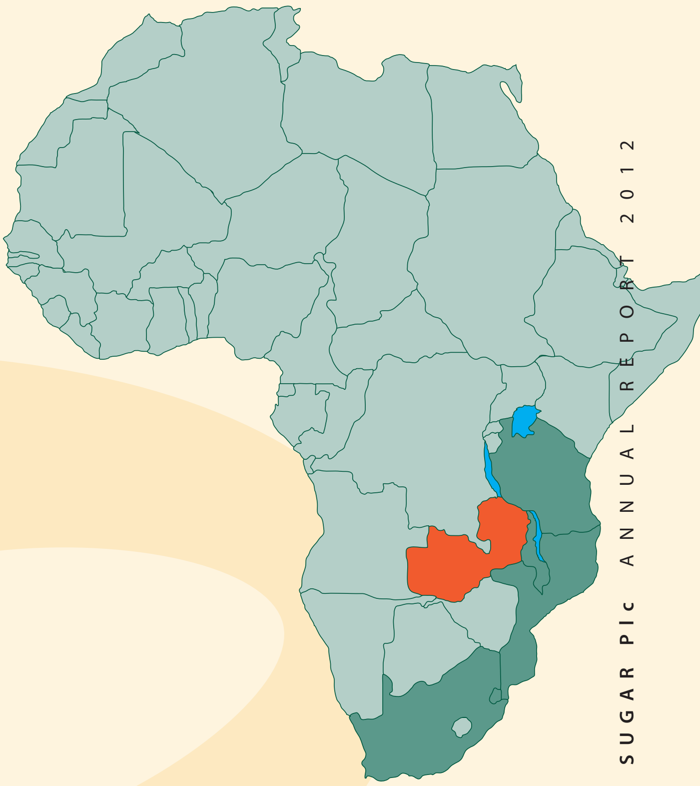

ZAMBIA SUGAR Plc

COMPANY PROFILE

Zambia Sugar Plc is located at the Nakambala Estate in the Mazabuka District of the Southern Province. The company is listed on the Lusaka Stock Exchange with 82% of shares held by Illovo Sugar Limited of South Africa and the balance by institutional and private shareholders in Zambia.

Combined with good climatic and soil conditions, the company's cane growing operations are significantly enhanced by access to water from the Kafue River for efficient irrigation of the crop, resulting in excellent yields and high sucrose content in the cane. Approximately 60% of the cane throughput for the factory is provided by these operations, with the balance by private growers. Of these deliveries, the sugar produced from cane supplied by around 160 small-scale farmers, and exported to the European Union (EU), benefits directly from financial incentives granted under the 'Fairtrade' label.

The company is Zambia's largest sugar producer with milling capacity to produce in excess of 400 000 tons of high-quality sugar per annum. Approximately 40% of current production is sold to domestic consumer and industrial markets, with the balance exported to markets in the EU and to regional markets. The company also manufactures a range of sugar-based speciality products which are sold predominantly in the domestic consumer market. Molasses, a by-product of the sugar milling process, is sold mainly as stock feed into both local and regional markets.

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

Zambia Sugar is the single largest employer in the Mazabuka region, and is regarded externally as a premier agricultural enterprise. It currently employs around 1 900 permanent employees and more than 4 000 seasonal workers at peak periods. It is a significant earner of foreign exchange and indirectly supports the creation and sustainability of many local enterprises which supply goods and services to the company.

Zambia Sugar's holding company, Illovo Sugar Limited, is a leading sugar producer and a significant manufacturer of downstream products. The Illovo Sugar group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. The group produces raw and refined sugar for local, regional, EU, United States of America and world markets from sugar cane supplied by its own agricultural operations and independent growers. High-value products manufactured downstream of the sugar production process are sold internationally. Installed electricity generating capacity, fuelled by renewable resources, provides around 89% of the group's energy requirements. Illovo is listed on the Johannesburg Stock Exchange and is a subsidiary of Associated British Foods plc which holds 51.5% of the issued share capital.

OPERATING LOCATIONS

HEAD OFFICE

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

SALES DEPOTS

DIRECTORATE

Name	Qualifications	Appointed	Position
NON-EXECUTIVE CHAIRMAN			
F M Banda*&	ACIS, FCMA, CGMA, FZICA	2002	Director of companies
EXECUTIVE DIRECTORS			
I G Parrott (45)#	BCom, CIA	2011	Managing Director
L A Elkington (62)	BCompt	2010	Financial Director
D M Kabunda (49)	BA(PubAdmin), MBA	2008	Human Resources Director
R M L Katowa (51)	BA, MBA, MCIM, FZIM	2002	Marketing Director
S S Munsamy (57)	BTechMgt, MDP	2009	Operations Director
NON-EXECUTIVE DIRECTORS			
G J Clark (56)*^#&	BAcct(Hons), FCA(Aus)	2001	Managing Director – Illovo Sugar Limited
M H Abdool-Samad (40)*#	BCom CA (SA)	2011	Financial Director – Illovo Sugar Limited
G B Dalgleish (46)#	MScChemEng	2012	Operations Director – Illovo Sugar Limited
NON-EXECUTIVE INDEPENDENT DIRECTORS			
A R Mpungwe^	BA(Hons)	2007	Director of companies
M D Mwanakatwe^&	BA, ACCA, FZICA	2005	Director of companies
D Patel		2006	Director of companies

SENIOR MANAGEMENT

Name	Qualifications	Joined	Operating responsibility
J Mukukwa (47)	MScChemEng	1990	Factory
L M Sievu (50) ♦	BAcc, ACMA, ACIS, FZICA	2004	Corporate affairs/administration
H P Veenstra (55)	MAgMgt(AgEcon)	2003	Agriculture

* - Member of Audit Committee : Chairman - M H Abdool-Samad

^ - Member of Remuneration Committee : Chairperson - M D Mwanakatwe

\# - Member of Risk Management Committee : Chairman - G B Dalgleish

& - Member of Nomination Committee : Chairman - G J Clark

♦ - Company Secretary

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

A highlight of the past 2011/12 season was the good performance of the expanded Nakambala sugar factory which achieved exceptional crush rates to produce 374 000 tons of sugar. This is marginally down on production in the previous season, due primarily to the negative impact on cane yields and sucrose content in cane of unfavourable growing conditions and a lower average age of cane.

Record growth in the domestic sugar market was achieved over the past two years, with sales in 2011/12 continuing to respond to strong economic fundamentals. Sugar export earnings benefitted from sustained demand in regional markets and favourable foreign currency exchange rates.

Despite lower sugar production, higher sales revenues combined with effective cost control and the benefit of improved factory productivity, resulted in higher operating margins with profit from operations increasing by 76% to ZMK307 billion from ZMK174 billion in the previous year.

Finance costs on expansion-related borrowings continued to have a significant impact on earnings and in the period under review, interest rates on Kwacha-denominated loans increased compared to the previous year. Net finance costs increased by 22% from ZMK127 billion in 2010/11 to ZMK155 billion in the year under review. The company benefited from a reduced agricultural tax rate introduced during the year, resulting in an effective tax rate of 14% for the full year. Headline earnings increased to ZMK128 billion from ZMK31 billion in 2010/11.

AGRICULTURE

The agricultural operations produced 1.89 million tons cane, marginally lower than the record harvest of 1.97 million tons in 2010/11. Unfavourable climatic conditions in the growing months and a lower average age of cane at harvest were the main factors contributing to this decline.

Outgrowers delivered a record 1.15 million tons of cane from 9 400 hectares compared to 1.13 million tons from 8 700 hectares in the previous season. Cane supplied by small-scale growers increased from 225 000 to 255 000 tons, with 22 000 tons delivered by the recently-completed Magobbo smallholder scheme, and 231 000 tons by the established Kaleya smallholder scheme. These two schemes comprise a total of 240 small-scale growers whose cane deliveries are expected to exceed 300 000 tons in the 2012/13 season.

PRODUCTION

Milling operations were further consolidated during the season, with the factory achieving good throughput and improved time efficiencies and sugar recoveries. The marginally lower crop and less than optimal sucrose content in cane reduced sugar production to 374 000 tons from 385 000 tons in the previous season. Sugar quality remained consistently high with the continued application of exacting standards in production and packing.

MARKETING

Domestic market sales increased to 145 000 tons from 143 000 tons in the previous year, with the balance of annual production being exported to the EU and into nearby regional markets. The trading environment was characterised by sound economic fundamentals domestically, with growth in the agriculture, construction and mining sectors, a weaker Kwacha against both Euro and US Dollar, which benefited export earnings, and strong sugar demand with improved pricing in regional markets. Quota-free, duty-free sugar exports to the EU increased significantly to 156 000 tons from 108 000 tons in the previous year. The company continues to benefit from its well-established sugar marketing and distribution systems across the country.

PROSPECTS

Favourable growing conditions, a more mature cane crop and an increase in area to harvest, including full realisation of the Magobbo small-holder scheme, will further increase cane supply to the mill during the coming year. The 2012/13 season commenced in the second week of April, and the factory quickly reached rated capacity. Another good performance is expected, with annual sugar production forecast to exceed 400 000 tons for the first time since completion of the recent major agricultural and factory expansion project. It is anticipated that improved economic conditions will enhance domestic market sales demand, and the continuing sugar deficit in the region, coupled with higher realisations from EU exports, are forecast to increase export earnings. The effective control of operating costs will remain crucial as commodity prices increase globally and inflationary pressures persist. Weather conditions, and movements in exchange and interest rates, will continue to influence profits.

HUMAN RESOURCES

Human resource management and associated operational strategies are determined by the business needs of the company, in compliance with the country's labour regulations, and with the overriding objective of sustaining industrial harmony and improving productivity. The company continues to align its strategies with the Illovo group's strategic intent and to facilitate a leadership co-creation process to clarify and encourage commitment to a central vision and common objectives. More recently the company has embarked on a Continuous Improvement (CI) Programme to revitalise a company-wide CI culture and strong work ethic. CI encourages employees to realise their full potential and to 'make a difference' in their respective areas of operation.

Employee development and performance management combine to elicit the best from employees and ensure equitable labour practices. The company encourages and proactively engages in dialogue and partnership with the employee unions. Several communication channels such as the Joint Consultative Committee, are in existence and work to enhance the good rapport between management and union representatives. The mutual respect this engenders facilitates constructive engagement.

The continued development of employees through wide-ranging training initiatives to ensure that employee talents are harnessed in their areas of operation, from both a managerial and technical perspective, remains an area of focus. Training need assessments are undertaken on a continuous basis and embedded in the company's performance management system. The company has a comprehensive training function to align training initiatives with skills required for the job and to systematically close skills gaps.

Key areas of human resources focus include continuous improvement, best-practice benchmarking, targeted manpower succession planning, talent and performance management, fast track management development training, a company wide business understanding programme, collaborative industrial relations management, ongoing human resource development and localisation programmes, and the health and welfare of employees and their dependants.

Technology transfer and upgrading of local skills and mentorship remains a priority. The company continues to benefit from participation in Illovo group training initiatives such as the Leadership and Development Programme for senior managers.

SUSTAINABILITY

Zambia Sugar has a sustainability reporting process to assess, quantify and disclose the company's key social and environmental impacts. Environmental sustainability reporting is structured to reflect the inputs, outputs, and modes of impact the business has on the environment relative to guidelines established by the Global Reporting Initiative (GRI). Materials, energy and water represent three standard inputs used across the operation. These inputs result in outputs of environmental consequence, which are dealt with below under 'Emissions, effluent and waste'.

Materials

The inputs used in the operations of the company contribute to the conservation of the global resource-base and efforts to reduce resource intensity. Organic filter cake, mixed with clarified boiler ash, is returned to the fields as a soil conditioner and low concentrate organic fertiliser. The use of these waste

products as nutrient supplements reduces the company's reliance on inorganic fertilisers, resulting in a decrease in resource-intensity and greenhouse gas (GHG) emissions.

Energy

The consumption of fossil fuels is a major source of GHG emissions. The energy requirements of Zambia Sugar are generated primarily from renewable resources, by utilising bagasse, the fibrous residue remaining after the juice extraction process, to produce steam for processing requirements and to generate electricity to power the factory and other operations. This process greatly reduces the company's GHG footprint. The company has installed power generating capacity of 40 MW, available throughout the milling season. Sugar cane bagasse is considered a carbon neutral energy feedstock due to carbon sequestration during the plant growth phase, balancing CO2 emissions released during combustion. Therefore, by substituting coal with bagasse as a boiler fuel, the company is substantially decreasing its GHG emissions and potentially facilitating global climate change mitigation.

Water

The company enjoys water rights from the Zambian Water Board for abstracting water from the Kafue River for use primarily as irrigation water on the estate. Water abstraction is measured continuously using a digital flow meter. Bulk water supply infrastructure comprising a network of dams, canals, pipelines and pump stations to service the irrigation demands of both estate and outgrower operations, including small-holder schemes, was designed primarily to improve the efficiency of water use. All new expansion land was developed to centre pivot irrigation which is more energy and water efficient compared to flood irrigation systems.

Water contained in sugar cane amounts to between 68% and 72% of total content. During the extraction process, this water is released and recycled for use within the factory, and then returned to the fields for irrigation. In addition, the Nakambala factory makes use of a 'once through' system which draws irrigation water for its cooling requirements, thereafter releasing the water to be used on the cane fields. These and other initiatives are aimed at reducing the amount of water abstracted from the Kafue River.

Emissions, effluent and waste

Zambia Sugar has submitted an Environmental Management Plan (EMP) to the Zambia Environment Management Agency (ZEMA). The EMP covers all company operations and includes environmental monitoring plans for all waste streams such as packaging materials (chemical containers, plastic, paper, and polypropylene), used automotive batteries, used lubricating oil, air emissions, factory effluent and agriculture run-offs.

Emissions

A pollutant emitted by the boilers installed at the Nakambala factory is particulate matter in the form of ash and un-burnt


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bagasse. Emission levels of sulphur dioxide and nitrogen oxides are low compared to conventional fossil fuels due to the characteristically low levels of sulphur and nitrogen contained in bagasse. The new boiler installed during the expansion project is fitted with a wet scrubber, which serves to remove almost all the particulate matter and gas from emissions into the atmosphere.

Effluent

A general pollutant arising from the cane sugar manufacturing process is non toxic organic matter, mainly in the form of dissolved sugar and bagasse particles. This waste water is recycled to irrigation or disposed of under guidelines established by ZEMA.

Waste

There are two waste disposal facilities on the Nakambala estate, both licensed by ZEMA in accordance with the Zambian National Waste Management Strategy. Non-hazardous waste is treated in compliance with license conditions. Hazardous waste is disposed of according to methodologies developed in consultation with ZEMA.

Occupational health and safety

A three tier workers committee is used to drive the improvement of occupational health and safety in the workplace.

Health and Safety Performance

The management of operational risk at Zambia Sugar is conducted in compliance with a comprehensive set of Illovo group policies and standards to cover all aspects of operational risk control. An integrated Safety, Health and Environment system is implemented in all areas of operational risk within the company and Zambia Sugar is certified according to the NOSA Integrated Four-Star Platinum system for both factory and agricultural operations. Additionally, the operation maintains an SABS ISO 9001:2000 Quality Management System certification. Health and safety performance is measured on a regular basis by means of self-assessment and audits by independent consultants.

Serious disease

The prevention and cure of serious disease contributes to the health, satisfaction, and stability of the workforce, and helps maintain the organisation's social license to operate in a community or region. Zambia Sugar takes a pro-active stance against life-threatening epidemics such as HIV/AIDS, Malaria and Tuberculosis. These diseases are being managed, largely on a preventative basis, to negate their impact on employees and their families.

Strategies for controlling the spread of HIV/AIDS include preventative awareness programmes along with an established in-house Wellness Programme for those infected. These programmes reflect current 'best practice' and are aligned with international standards. They involve ongoing high-profile education and awareness campaigns, effective treatment and prevention of sexually transmitted diseases, the use of peer-group counsellors in the process of preventative activities and education, voluntary counselling and testing (VCT), use of prophylactic antibiotics, effective screening for tuberculosis, and the promotion of a healthy lifestyle. In the year under review 80% of Zambia Sugar permanent employees participated in VCT. The benefits of these HIV/AIDS programmes are being realised and there is evidence that, as more employees access HIV/AIDS related information, more are willing to undergo VCT and subsequently talk about their status. It has become evident that HIV infection rates are declining and those who are infected are more willing to undergo treatment.

Zambia Sugar's Integrated Malaria Control and HIV/AIDs programmes have been awarded excellence for 'Best Practices' by the Zambian Ministry of Health for maintaining malaria positive incidences to below 50 per 1000 on the Nakambala Estate, and adherence to standard procedures on HIV/AIDs.

The company has modern medical facilities staffed by two full time doctors and trained medical personnel. These facilities are accessible to all employees, permanent and seasonal, and their families.

The company also has a number of potable water treatment plants on the estate to provide safe drinking water to the employees and their families and to minimise water borne diseases.

Society

Zambia Sugar's approach to dealing with social groups in the community is an important aspect of sustainability. The impacts the company has on the community in which it operates are managed and mediated.

Product responsibility

Product safety at Zambia Sugar is governed by the Zambian Bureau of Standards and is subject to strict regulatory requirements as set out in the Food Drugs Act and regulations. The company is in the process of implementing a food safety management system under ISO 22000 and will be seeking accreditation.

Economic

Whereas direct economic impacts and market influence tend to focus on the immediate consequences of monetary flow to stakeholders, indirect economic impacts flow from the circulation of wealth in the economy. Indirect impacts are an important aspect of Zambia Sugar's role as a participant or agent in socio-economic change.

Zambia Sugar contributes to the economic well-being of employees as it offers wages above the statutory and industry minimum and thereby facilitates the building of strong community relations, employee loyalty, and strengthens the company's social license to operate.

Zambia Sugar is the largest employer in the Mazabuka district and has an extensive indirect financial impact on the surrounding community through the payment of salaries, wages and benefits to employees. Payments to outgrowers for cane delivered have a further positive impact, and amounted to ZMK239 billion in respect of the 2011/2012 season.

The company, through the Mazabuka Sugar Cane Growers Trust, has continued to support the Kaleya Smallholder Scheme which, together with the associated commercial farming operation, delivered a total of 231,000 tons cane to the mill during the 2011/12 season. The scheme benefits from price premiums on sugar exports marketed under the EU-based "Fairtrade" label. These premiums return directly to the scheme and have been used to promote rural development, including the construction of a community school and the supply of potable water. Support provided to the scheme by the trust includes the funding of a three-year replant programme on 400 hectares to improve cane yields. In addition the trust has instituted a minimum yield subsidy for a period of two years, provided grant funding towards irrigation infrastructure projects, and continues to provide bridging finance to smallholders where needed. Zambia Sugar is settlor of the trust.

The company has enhanced its business linkage with local small and medium scale enterprises by partnering with the Mazabuka District Business Association through a preferential procurement arrangement aimed at promoting business development in the local community.

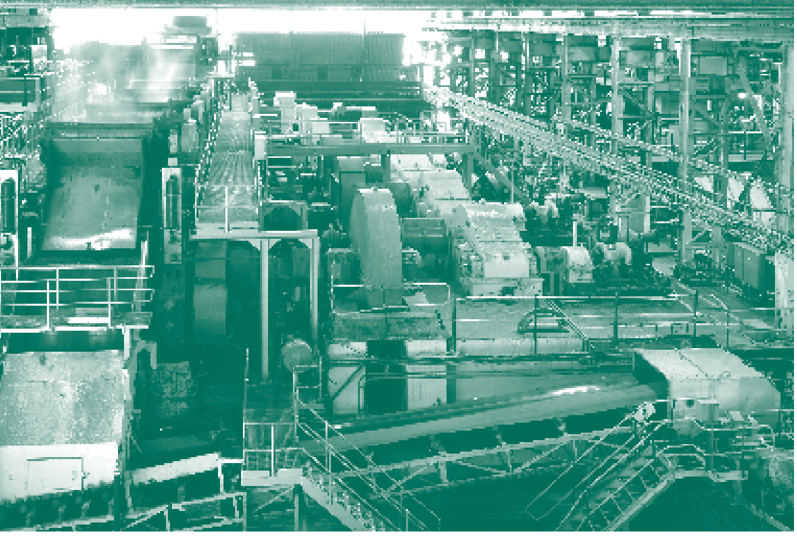
By supporting local business in the supply chain Zambia Sugar indirectly attracts additional investment to the local economy, thereby contributing to job creation and poverty alleviation. The proportion of local spend is an important factor in stimulating local economic growth and maintaining community relations. Approximately 80% of the annual procurement budget is spent with Zambian based suppliers of goods and services.

Social investment

The company has an active social investment programme to address specific needs in the wider community and made a significant contribution towards social responsibility initiatives in 2011/12. These initiatives included the construction of a modern three classroom block at the Mazabuka Girls Secondary School. The school provides quality education to the Mazabuka community and draws a large number of pupils from the Nakambala Estate. In addition, the company has sponsored a phased upgrade of the Mazabuka Community Radio Station, a non-profit service to the local community. The company continues to sponsor schools athletics, traditional and cultural ceremonies, football clubs and a number of community projects.

During the year the company supported the Mazabuka Municipal Council by constructing a pedestrian road and bridge, excavating and rehabilitating the main drains in two high-density townships adjacent to the estate, and participated in a major clean-up campaign in the townships aimed at reducing the risk of malaria and other waterborne diseases during the rainy season. The company continued to facilitate access to potable water by supplying bulk raw water to the local water utility for treatment and subsequent reticulation in the Mazabuka town. In addition the company donated sugar products to locally administered school feeding programmes aimed at enhancing the nutrition of vulnerable children, and thereby improving school attendance.

The company administers a large estate with more than 2 900 housing units in six townships, accommodating over 16 000 people. The company provides and supports municipal-type services across the estate, such as water supply, sewerage treatment, road maintenance, recreation facilities, refuse removal, security, schooling and medical services. The enhancement of social welfare amenities on the estate is ongoing. A total of 287 houses and 111 ablution blocks were refurbished during the year and the township electrification programme begun in 2002 was completed. In addition, a new potable water treatment plant for the Misale township was installed and the reticulation upgraded to secure a reliable water supply to residents. The company supports a number of community clubs on the estate, including sports clubs that participate in community and national leagues, thereby providing recreation to the community of Mazabuka. During the year the company spent ZMK31 billion on employee related social investment.



DIRECTORATE

The names of the directors in office at the date of this report are set out on page 3.

The following changes to the directorate of the company are noted:

Mr F M Banda, a non executive independent director, was appointed as Chairman of the Zambia Sugar board with effect from 10 April 2012. Subsequent to his appointment, Mr Banda stepped down as Chairman of the Audit Committee and continues to serve on the Nomination Committee. He was replaced on the Audit Committee by Mr M H Abdool-Samad, the Illovo Group Financial Director on 4 May 2012 who also serves on the Risk Committee. Having stepped down as Chairman of the Zambia Sugar board, Mr G J Clark, the Illovo Group Managing Director, continues as a member of the board and Chairman of the Nomination Committee and a member of the Audit, Risk and Remuneration Committees. Mr A R Mpungwe, a non executive independent director, was appointed as a member of the Remuneration Committee on 19 August 2011 and of the Audit and Risk Committees on 10 April 2012. Mrs M D Mwanakatwe, a non executive independent director, was appointed as Chairperson of the Remuneration Committee on 3 November 2011 and also serves on the Nomination Committee. Mr B M Stuart, having retired from Illovo Sugar Limited, subsequently resigned from the Zambia Sugar board on 31 March 2012. His replacement, Mr G B Dalgleish, the Illovo Group Operations Director, was appointed to the board on 4 May 2012. Mr Dalgleish is the Chairman of the Risk Committee of the board.

COMPANY SECRETARY

LM Sievu

DIRECTORS' INTERESTS

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

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

	2012 **No of shares**	2011 No of shares
F M Banda	143,505	143,505
D M Kabunda	350,000	350,000

ANALYSIS OF SHAREHOLDERS

	Number of holders	**Number of shares**	**%**
Individuals			
1 - 250 000	3 316	67 189 801	1.06
250 001 - 500 000	27	9 870 297	0.16
500 001 - 750 000	12	7 240 661	0.11
750 001 - 1 000 000	4	3 658 059	0.06
1 000 001 - 2 000 000	6	7 475 580	0.12
2 000 001 and above	2	5 723 792	0.09
	3 367	101 158 190	1.60
Banks, Nominees and Trusts	52	154 780 309	2.44
Pensions Funds	69	890 861 678	14.07
Companies	57	21 470 859	0.34
Illovo Sugar Coöperatief U.A.	1	5 163 156 672	81.55
	179	6 230 269 518	98.40
Total	3 546	6 331 427 708	100.00

DIVIDENDS

An interim dividend of ZMK3.50 per share (2011: ZMK1.85) was paid to shareholders on 29 December 2011. Notice is hereby given that a second interim dividend of ZMK5.40 per share (2011: ZMK0.70) has been declared in respect of the year ended 31 March 2012. This dividend is payable on 22 June 2012 to shareholders registered at the close of business on 21 May 2012.

At the forthcoming Annual General Meeting to be held on 14 August 2012, the directors will propose a final dividend for the year ended 31st March 2012 of ZMK1.00 per share (2011: ZMK1.00). This will result in a total dividend for the year of ZMK9.90 per share (2011: ZMK3.55).

EMPLOYEES

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

Month	Year	Average Number
April	2011	3 803
May	2011	5 144
June	2011	5 440
July	2011	5 577
August	2011	6 041
September	2011	6 153

Month	Year	Average Number
October	2011	6 260
November	2011	6 331
December	2011	4 154
January	2012	3 950
February	2012	3 989
March	2012	2 933

The total remuneration and benefits paid to employees was ZMK220 billion (2011: ZMK200 billion).

RESEARCH AND DEVELOPMENT

In order to optimise the return from installed capacity, the company continues to benefit from well-established in-house group resources which provide technical expertise in agricultural production and sugar and downstream product manufacture to all operations. A centralised core of expertise exists to ensure technical standards are optimised and maintained for both existing equipment and new agricultural and factory installations, and to keep abreast with technical innovations. Benchmarking to improve productivity and reduce unit costs is a major area of attention in all operations.

AUDITORS

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

The Directors and employees of the company strive to ensure that the company is managed in an efficient, accountable, responsible, transparent and moral manner. The board of directors endorses the Lusaka Stock Exchange (LuSE) Corporate Governance Code for listed and quoted companies 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 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 reviewing the performance of management against budgets and business plans, ensuring a comprehensive system of internal control policies and procedures operates and complies with sound corporate governance principles, and identifying key risk areas.

The board is ultimately responsible for ensuring that the business is a going concern, and to this end effectively controls the company and its management and is involved in all decisions that are material for this purpose. The board delegates the day-to-day management of the business to the managing director assisted by senior management. During the year, the board met to consider issues of operational strategy, capital expenditure, and other matters having a material effect on the company. The board of directors held four regular meetings in the past year where the management presented matters for board discussion and approval. There was full attendance at all meetings except Mr A Mpungwe at the May 2011 meeting, Messrs AR Mpungwe, MD Mwanakatwe (Mrs) and DK Patel at the November 2011 meeting and Mrs DC Kabunda and Mrs RML Katowa at the February 2012 meeting. The directors gave satisfactory reasons to the board for not attending the 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.

Members of the board have access to the advice of the company secretary, and may, in appropriate circumstances, take independent professional advice at the company's expense.

AUDIT COMMITTEE

The Audit Committee comprises a chairman, who is a non-executive director, and two other non-executive board members. The committee is responsible for maintaining an appropriate relationship with the external auditors and for reviewing the company's internal audit resources, internal financial controls and the audit process. It aids the board in seeking to ensure that the financial and non-financial information supplied to shareholders presents a balanced assessment of the company's position.

The committee reviews the objectivity and independence of the external auditors and also considers the scope of their work and fees paid for audit and non-audit services.

The committee has unrestricted access to company documents and information, as well as to employees of the company and the external auditors. Members of the committee may, in pursuit of their duties, take independent professional advice on any matter at the company's expense. The committee chairman reports the outcome of meetings to the board.

Both the independent and internal auditors have unrestricted access to the committee and its chairman.

The committee met twice in the past year and there was full attendance at both meetings.

NOMINATION COMMITTEE

The Nomination Committee comprises two non-executive independent directors and one non-executive director and is chaired by a non-executive director. The committee is responsible for ensuring that a regular, rigorous and objective evaluation of the structure, size, composition, balance of skills, knowledge and experience of the board is undertaken; recommending changes to the composition of the board and initiating and managing the recruitment process; supervising the administration of the company's policies relating to actual or potential conflicts of interest affecting members of the board; ensuring that appropriate succession planning is in place for both members of the board and senior management ; ensuring the company's adherence to applicable legal and regulatory requirements and overseeing compliance with the applicable corporate governance regulations.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two non-executive independent directors and one non-executive director and is chaired by a non-executive independent director. The committee is responsible for reviewing compensation to attract, retain and motivate executives and senior managers. The committee assesses and approves a broad remuneration strategy for the company, and is also responsible for developing and determining the company's general policy on executive and senior management. The committee plays an integral part in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succession planning relative to senior managers. 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 senior managers of the company.

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 these 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 cover. The committee brings particular focus to operational risks, including health and safety. The committee met twice during the past year and there was full attendance by its members at both meetings.

EXECUTIVE COMMITTEE OF MANAGEMENT

Senior management meet on a weekly basis to review operational performance, capital programmes and other relevant issues. This executive committee of management is responsible for implementing the strategies and policies determined by the board and managing the business and affairs of the company.

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 these 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 internal controls and systems has occurred during the year under review.

ETHICS

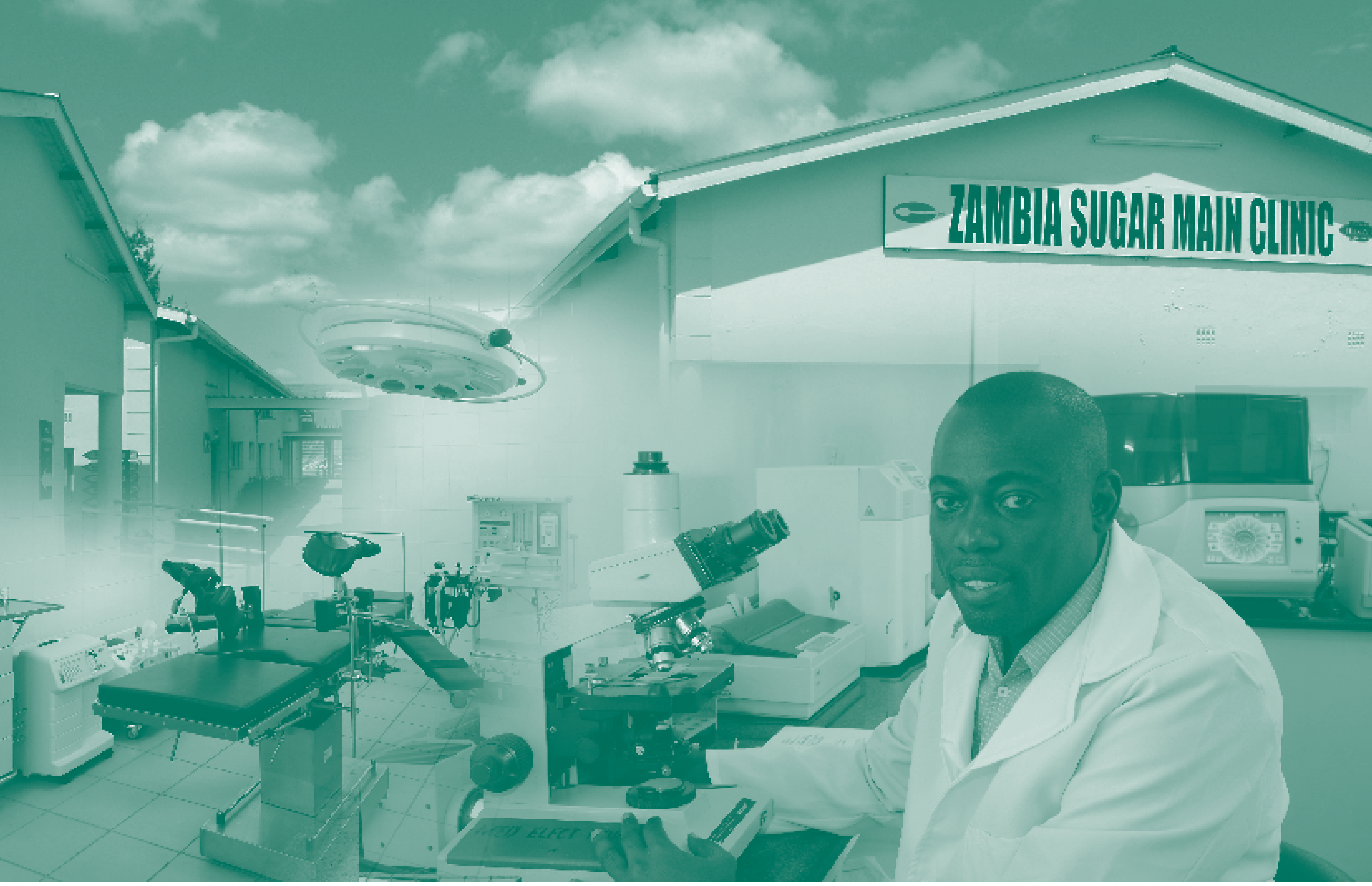
The company's fundamental policy is to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards. The company has a Code of Conduct and Business Practices, determining the minimum standards required of all staff, which is disseminated throughout the company and reviewed annually by senior management, and is also available on the group website: www.illovosugar.com. All managers are required to give written assent to this Code. In any instance where ethical standards are called into question, the circumstances are investigated and resolved by the appropriate executive.

FRAUD CONTROL

A "crimeline" reporting facility, inviting people from within and outside the group to report any wrong-doings anonymously, is operated by independent forensic accountants. All matters reported are investigated and the necessary corrective action taken by management.

ANTI-BRIBERY AND CORRUPTION

An anti-bribery and corruption policy (ABC) is in place and has been disseminated throughout the group. Employees are required to acknowledge that they have read and understood the policy and agree to abide by its provisions. ABC training for employees is ongoing and visibility of the policy is maintained through communication briefs. The company has embarked on a process of including relevant ABC provisions in agreements with suppliers, transporters, sugar distributors and agents, who are required to assent to these provisions.



LEGAL COMPLIANCE AND COMPETITION

The board requires management to submit an annual declaration confirming that the company's operations complied with the applicable Laws of Zambia. In addition, the company complies with the provisions of the Competition and Consumer Protection Act, No. 24 of 2010 and where appropriate employees are required to make annual declarations confirming that they have not been involved in any anti-competitive practices.

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.

FIVE YEAR REVIEW

PRODUCTION & SALES	2012 Tons '000	2011 Tons '000	2010 Tons '000	2009 Tons '000	2008 Tons '000
Own estate cane produced	1 887	1 974	1 705	722	1 088
Total cane milled	3 039	3 103	2 612	1 626	1 860
Sugar production	374	385	315	194	234
Cane sugar ratio	8,13	8,06	8,29	8,38	7,96
Sugar sales	383	376	306	193	243
Local	145	143	130	118	116
Export	238	233	175	75	127
Molasses sales	86	86	56	45	55
Local	39	43	41	39	42
Exports	47	43	15	6	13

FINANCIAL	Notes		2012 ZMK'million	2011 ZMK'million	2010 ZMK'million	2009 ZMK'million	2008 ZMK'million
Statement of comprehensive income							
Revenue			1 480 091	1 232 448	907 963	532 478	585 303
Profit from operations			306 649	173 990	159 006	78 048	69 629
Net financing costs			(155 491)	(127 159)	(46 285)	-	(446)
Profit before taxation			151 158	46 831	112 721	78 048	69 183
Taxation			(21 266)	(16 995)	(15 081)	59 068	58 597
Profit for the year			129 892	29 836	97 640	137 116	127 780
Attributable to non-controlling interest			(4 544)	(1 922)	(1 464)	-	-
Profit attributable to shareholders of Zambia Sugar Plc			125 348	27 914	96 176	137 116	127 780
Other comprehensive income			(1 858)	912	-	-	-
Total comprehensive income for the year attributable to shareholders of Zambia Sugar Plc			123 490	28 826	96 176	137 116	127 780
Reconciliation of headline earnings							
Profit attributable to shareholders of Zambia Sugar Plc			125 348	27 914	96 176	137 116	127 780
Adjusted for:							
Loss/(gain) on sale of property, plant and equipment			12	243	(1 133)	688	(754)
Headline earnings for the year			125 360	28 157	95 043	137 804	127 026
Statement of financial position							
Property, plant and equipment			1 235 658	1 264 658	1 303 378	1 115 712	531 792
Intangible asset			67 902	67 902	67 902	-	-
Cane roots			197 087	200 380	204 826	162 595	69 850
Deferred tax asset			-	4 233	17 982	31 037	-
Current assets			506 141	511 343	427 938	311 341	200 199
Cash and bank balances			208 096	53 400	59 145	119 777	149 383
Borrowings			(1 136 603)	(1 150 181)	(1 231 550)	(1 155 345)	(454 209)
Deferred tax liability			(47 299)	(35 701)	(34 329)	-	(28 031)
Current liabilities			(202 986)	(181 645)	(83 377)	(151 725)	(101 886)
Net asset value			827 996	734 389	731 915	433 392	367 098
Profitability and asset management							
Operating margin		%	20,7	14,1	17,5	14,7	11,9
Return on net assets	1	%	16,7	9,2	13,2	7,5	11,5
Liquidity and borrowings							
Current ratio	2	times	3,5	3,1	5,8	2,8	3,4
Interest cover	3	times	2,0	1,4	3,4	-	156,1
Net debt : equity	4	%	112	149	160	239	83
Gearing	5	%	53	60	62	71	45
Earnings and dividends per share							
Earnings per share	6	ZMK '000	19,80	4,41	16,09	25,20	23,50
Headline earnings per share	7	ZMK '000	19,80	4,45	15,90	25,39	23,41
Dividend per share	8	ZMK	9,90	3,55	7,50	12,60	14,90
Dividend cover	9	times	2,0	1,3	2,1	2,0	1,6
Dividend paid		ZMK 'm	32 923	27 542	69 646	70 822	83 304
LUSE statistics							
Ordinary shares in issue		000	6 331 428	6 331 428	6 331 428	5 426 938	5 426 938
Weighted average number of shares		000	6 331 428	6 331 428	5 977 066	5 426 938	5 426 938
Net asset value per share	10	ZMK '000	130,8	116,0	115,6	79,9	67,6
Market price per share at year end		ZMK	269	318	315	239	560
Dividend yield at year end	11	%	3,7	1,1	2,4	5,3	2,7
Price : headline earnings ratio	12	%	13,6	71,5	19,8	9,4	23,9

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. **Net debt : equity ratio**

Interest-bearing liabilities (net of cash and cash equivalents) divided by total equity.

5. **Gearing**

Interest-bearing liabilities (net of cash and cash equivalents) expressed as a percentage of total equity and interest-bearing liabilities (net of cash and cash equivalents).

6. **Earnings per share**

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

7. **Headline earnings per share**

Headline earnings divided by the weighted average number of ordinary shares in issue.

8. **Dividend per share**

Dividends for the year (interim: paid and declared; final: proposed) divided by number of shares in issue.

9. **Dividend cover**

Headline earnings per share divided by dividend per share (interim: paid and declared; final: proposed).

10. **Net asset value per share**

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

11. **Dividend yield at year end**

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

12. **Price: headline earnings ratio at year end**

Year-end market price divided by headline earnings per share.

The value added statement reflects the wealth that the Group and the Company has been able to create through its agricultural, manufacturing and selling operations, and its subsequent distribution and reinvestment in the business.

During the period under review, ZMK576 323 million was created. Of this amount, ZMK414 262 million was distributed to employees, providers of capital and to government. Of the wealth created, 38% was paid to employees.

The balance of the wealth created was retained and reinvested in the company for the replacement of assets and the development of operations.

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million
Wealth created				
Revenue	1 480 091	1 232 448	1 480 091	1 232 448
Dividend income	-	-	9 024	4 398
Foreign currency exchange losses	(528)	(5 925)	-	(4 866)
Paid to growers for cane purchases	(238 949)	(210 658)	(310 333)	(267 401)
Manufacturing and distribution costs	(664 291)	(594 136)	(626 747)	(565 766)
	576 323	421 729	552 035	398 813
Wealth distributed				
To employees as salaries, wages and other benefits	219 704	200 048	214 167	194 511
To lenders of capital as interest	154 963	121 234	154 970	120 302
To shareholders as dividends	34 426	28 275	32 923	27 542
To government as taxation	5 169	2 035	264	785
	414 262	351 592	402 324	343 140
Wealth reinvested				
Retained profits	93 608	2 473	72 295	(5 861)
Depreciation	52 356	52 704	48 817	47 946
Deferred taxation	16 097	14 960	28 599	13 588
	576 323	421 729	552 035	398 813
Amounts paid to government for taxation excludes the following:				
Employees tax deducted from remuneration	30 811	31 387	30 550	30 891
Net VAT amount paid to government	5 133	7 756	(2 386)	961
Customs and excise duties	36 214	7 893	36 214	7 893
Withholding taxes collected on behalf of government	13 985	11 869	12 380	11 099
	86 143	58 905	76 758	50 844

Zambia Sugar Plc

(Incorporated in Zambia)

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2012

CONTENTS

Section 164(6) of the Companies Act, 1994 (as amended) requires the directors to prepare financial statements for each financial year which give a true and fair view of the affairs of the group and 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, Messrs 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 statement of comprehensive income is drawn up so as to give a true and fair view of the profit of the group and the company for the financial year ended 31 March 2012;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the group and the company as at 31 March 2012;
- there are reasonable grounds to believe that the group and the company will be able to pay debts as and when they fall due;
- the financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act, 1994 (as amended).

Signed on behalf of the board by:

F M Banda
Chairman

I G Parrott
Managing Director

TO THE MEMBERS OF ZAMBIA SUGAR PLC

Report on the financial statements

We have audited the annual financial statements and group annual financial statements of Zambia Sugar Plc, which comprise the comprehensive statements of income, statements of financial position at 31 March 2012, statements of cash flows, statements of changes in equity and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 52.

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 and in the manner required by the Companies Act, 1994 (as amended), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditor's 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 present fairly, in all material respects, the financial position of the company and the group at 31 March 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1994 (as amended).

Report on other legal requirements

The Companies Act, 1994 (as amended) 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

Chartered Accountants

F M Nchimunya
Partner
Date: 4 May 2012

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

	Notes	GROUP 2012 ZMK'million	GROUP 2011 ZMK'million	COMPANY 2012 ZMK'million	COMPANY 2011 ZMK'million
Revenue	4	1 480 091	1 232 448	1 480 091	1 232 448
Cost of sales		(720 548)	(688 834)	(748 969)	(713 598)
Gross profit		759 543	543 614	731 122	518 850
Other (losses) and gains		(18)	(325)	12	(50)
Distribution expenses		(287 676)	(204 470)	(287 676)	(204 470)
Administration expenses		(165 200)	(164 829)	(161 573)	(158 419)
Profit from operations	5	306 649	173 990	281 885	155 911
Dividend income		-	-	9 024	4 399
Net finance costs	6	(155 491)	(127 159)	(154 970)	(125 168)
Profit before taxation		151 158	46 831	135 939	35 142
Taxation	7	(21 266)	(16 995)	(28 863)	(14 373)
Profit for the year		129 892	29 836	107 076	20 769
Other comprehensive income:					
Adjustments in respect of cash flow hedges		(2 124)	1 073	(2 124)	1 073
Taxation effect of cash flow hedges		266	(161)	266	(161)
Total comprehensive income for the year		128 034	30 748	105 218	21 681
Profit for the year attributable to:					
Shareholders of Zambia Sugar Plc		125 348	27 914	107 076	20 769
Non-controlling interest		4 544	1 922	-	-
		129 892	29 836	107 076	20 769
Total comprehensive income attributable to:					
Shareholders of Zambia Sugar Plc		123 490	28 826	105 218	21 681
Non-controlling interest		4 544	1 922	-	-
		128 034	30 748	105 218	21 681
Earnings per share	8				
Earnings per share (ZMK)		19,80	4,41	16,91	3,28
Headline earnings per share (ZMK)		19,80	4,45	16,91	3,29

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2012

	Notes	GROUP 2012 ZMK'million	GROUP 2011 ZMK'million	COMPANY 2012 ZMK'million	COMPANY 2011 ZMK'million
ASSETS					
Non-current assets					
Property, plant and equipment	11	1 235 658	1 264 658	1 144 315	1 171 308
Intangible asset	12	67 902	67 902	-	-
Investment in subsidiary	13	-	-	155 624	155 624
Cane roots	14	197 087	200 380	165 184	164 415
Deferred tax asset	21	-	4 233	-	4 233
Current assets		714 237	565 134	662 043	517 956
Inventories	15	103 198	102 534	97 385	97 732
Growing cane	16	231 954	231 858	191 647	192 265
Factory overhaul costs	17	44 810	35 827	44 810	35 827
Trade and other receivables	18	96 855	81 069	96 284	79 326
Derivative financial instruments		383	1 073	383	1 073
Current tax asset	7	464	-	464	-
Amounts due by related parties	23	28 477	58 982	28 748	60 529
Cash and cash equivalents		208 096	53 791	202 322	51 204
Total assets		2 214 884	2 102 307	2 127 166	2 013 536
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Zambia Sugar Plc		796 397	705 830	762 183	689 888
Share capital and premium	19	247 337	247 337	247 337	247 337
Capital redemption reserve		40	40	40	40
Hedging reserve		(946)	912	(946)	912
Dividend reserve		40 520	10 764	40 520	10 764
Retained earnings		509 446	446 777	475 232	430 835
Non-controlling interest		31 599	28 558	-	-
Total equity		827 996	734 388	762 183	689 888
Non-current liabilities		1 049 458	814 917	1 026 259	776 927
Long-term borrowings	20	1 002 159	779 216	1 002 159	776 927
Deferred tax liability	21	47 299	35 701	24 100	-
Current liabilities		337 430	553 002	338 724	546 721
Trade and other payables	22	129 889	97 705	128 203	95 349
Current portion of long-term borrowings	20	134 444	370 965	134 444	363 577
Amounts due to related parties	23	63 586	76 585	68 964	81 090
Derivative financial instruments		1 435	1 798	1 435	1 798
Current tax liability	7	2 398	660	-	9
Bank overdraft		-	391	-	-
Provisions	24	5 678	4 898	5 678	4 898
Total liabilities		1 386 888	1 367 919	1 364 983	1 323 648
Total equity and liabilities		2 214 884	2 102 307	2 127 166	2 013 536

The responsibilities of the company's directors with regard to the preparation of the financial statements are set out on page 22. The financial statements on pages 24 to 52 were approved for issue by the board of directors on 04 May 2012 and were signed on its behalf by:

F M Banda
Chairman

I G Parrott
Managing Director

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2012

	Share capital and premium ZMK'million	Capital redemption reserve ZMK'million	Hedging reserve ZMK'million	Dividend reserve ZMK'million	Retained earnings ZMK'million	Attributable to shareholders of Zambia Sugar Plc ZMK'million	Non-controlling interest ZMK'million	Total ZMK'million
GROUP								
Balance at 31 March 2010	247 337	40	-	15 829	441 340	704 546	27 369	731 915
Total comprehensive income for the year			912		27 914	28 826	1 922	30 748
Profit for the year					27 914	27 914	1 922	29 836
Cash flow hedges			912			912	-	912
Transfer to dividend reserve				22 477	(22 477)	-	-	-
Dividends paid				(27 542)		(27 542)	(733)	(28 275)
Balance at 31 March 2011	**247 337**	**40**	**912**	**10 764**	**446 777**	**705 830**	**28 558**	**734 388**
Total comprehensive income for the year			(1 858)		125 348	123 490	4 544	128 034
Profit for the year					125 348	125 348	4 544	129 892
Cash flow hedges			(1 858)			(1 858)	-	(1 858)
Transfer to dividend reserve				62 679	(62 679)	-	-	-
Dividends paid				(32 923)		(32 923)	(1 503)	(34 426)
Balance at 31 March 2012	**247 337**	**40**	**(946)**	**40 520**	**509 446**	**796 397**	**31 599**	**827 996**
COMPANY								
Balance at 31 March 2010	247 337	40	-	15 829	432 543	695 749	-	695 749
Total comprehensive income for the year			912		20 769	21 681	-	21 681
Profit for the year					20 769	20 769		20 769
Cash flow hedges			912			912	-	912
Transfer to dividend reserve				22 477	(22 477)	-	-	-
Dividends paid				(27 542)		(27 542)	-	(27 542)
Balance at 31 March 2011	**247 337**	**40**	**912**	**10 764**	**430 835**	**689 888**	**-**	**689 888**
Total comprehensive income for the year			(1 858)		107 076	105 218	-	105 218
Profit for the year					107 076	107 076		107 076
Cash flow hedges			(1 858)			(1 858)	-	(1 858)
Transfer to dividend reserve				62 679	(62 679)	-	-	-
Dividends paid				(32 923)		(32 923)	-	(32 923)
Balance at 31 March 2012	**247 337**	**40**	**(946)**	**40 520**	**475 232**	**762 183**	**-**	**762 183**

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

The hedging reserve arises in respect of foreign currency forward sales contracts in place at 31 March which mature in the new year.

The dividend per share, calculated on a cash basis, amounts to ZMK5.20 (2011 : ZMK4.35). The calculation is based on the dividends paid in the year of ZMK32 923 million (2011: ZMK27 542 million) divided by the weighted average number of ordinary shares in issue of 6 331 427 708 (2011: 6 331 427 708).

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2012

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million
Cash flows from operating activities				
Profit from operations	306 649	173 990	281 885	155 911
Adjustments for:				
Depreciation	52 356	52 704	48 817	47 946
Change in fair value of cane roots	3 293	4 446	(769)	1 057
Change in fair value of growing cane	(96)	48 605	618	52 155
Provisions raised during the year	5 678	4 898	5 678	4 898
Provisions utilised during the year	(4 898)	(3 338)	(4 898)	(3 338)
Factory overhaul costs expensed	40 462	28 604	40 462	28 604
Net foreign exchange loss	(528)	(5 925)	-	(4 866)
Loss/(gain) on disposal of property, plant and equipment	18	325	(12)	50
Operating cash flows before movements in working capital	402 934	304 309	371 781	282 417
Working capital movements	(16 205)	(63 630)	(13 547)	(60 721)
Increase/(decrease) in inventories	(664)	(12 034)	347	(11 302)
Factory overhaul costs incurred	(49 445)	(38 503)	(49 445)	(38 503)
Increase/(decrease) in net amounts due to related parties	17 506	(6 444)	19 655	(1 467)
Increase in trade and other receivables	(15 786)	(54 117)	(16 958)	(56 498)
Increase in trade and other payables	32 184	47 468	32 854	47 049
Cash generated from operations	386 729	240 679	358 234	221 696
Net financing costs	(154 963)	(132 347)	(154 970)	(131 415)
Income tax paid	(3 895)	(1 237)	(737)	(776)
Dividends paid to shareholders of Zambia Sugar Plc	(32 923)	(27 542)	(32 923)	(27 542)
Dividends paid to non-controlling shareholders	(1 503)	(733)	-	-
Net cash inflows from operating activities	193 445	78 820	169 604	61 963
Investing activities				
Payments for property, plant and equipment	(23 401)	(17 273)	(21 839)	(16 106)
Dividends received	-	-	9 024	4 398
Proceeds from disposal of property, plant and equipment	27	2 964	27	2 950
Movement on financial instruments	(1 797)	-	(1 797)	-
Net cash inflows before financing activities	168 274	64 511	155 019	53 205
Financing activities				
Net proceeds from borrowings	592 619	226 790	592 619	226 790
Repayment of borrowings	(606 197)	(297 046)	(596 520)	(289 836)
Net increase/(decrease) in cash and cash equivalents	154 696	(5 745)	151 118	(9 841)
Net cash and cash equivalents at beginning of year	53 400	59 145	51 204	61 045
Net cash and cash equivalents at end of year	208 096	53 400	202 322	51 204

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a basis consistent with the prior year, except for the adoption of the revised accounting standards which have been described in Note 2. The adoption of these standards has resulted in certain disclosure reclassifications but has had no other impact on the consolidated financial statements.

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

The principal accounting policies are set out below:

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and Nanga Farms Plc controlled by the company (its subsidiary). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in net assets since the date of the combination. Non-controlling interests are allocated their proportionate share of total comprehensive income even if this results in the non-controlling interest having a deficit, unless there is doubt as to the recoverability of the deficit.

1.2 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

1.3 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease.

1.5 Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and any impairment losses. Cost includes professional fees and, for qualifying assets, capitalised borrowing costs.

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	1.7%
Canals and domestic water works	1.7 - 5%
Furniture, fittings and equipment	8.3 - 20%
Plant and machinery	2 - 6.7%
Motor vehicles - Commercial	6.7 - 14.3%
Motor vehicles - Non Commercial	12.5 - 20%

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.

In Zambia, land is held on lease from the Government of the Republic of Zambia for a period of 99 years. In line with the requirements of IAS 17 - Leases, since the lease does not transfer substantially all the risks and ownership of the land, the lease is treated as an operating lease. Any advance payment is treated as a prepayment and amortised over the period of the lease on a straight line basis.

1.6 Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit and loss when the asset is derecognised.

1.7 Cane roots and growing cane

Cane roots are valued at fair value determined by the escalated average cost, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life.

The fair value of growing cane is determined annually based on the estimated sucrose content in cane at 31 March valued at the estimated sucrose price for the following season, less estimated costs for harvesting and cane haulage.

1.8 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 being the duration of one sugar season.

1.9 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 bringing 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.

1.10 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and for which a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

1.11 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.

1.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle them together.

1.13 Foreign currency transactions

The financial statements of the company and its subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are expressed in Zambian Kwacha ('ZMK'), which is the functional currency of the company and its subsidiary, as well as the presentation currency for the consolidated financial statements.

In preparing the financial statements of the company and its subsidiary, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

1.14 Financial instruments

The group's principal financial instruments are trade receivables, cash and cash equivalents, bank borrowings and trade payables. Trade receivables are stated at cost less provision for impairment. This represents fair value. Cash and cash equivalents are measured at fair value, based on relevant exchange rates at the reporting 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 group's accounting policy for borrowing costs.

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

1.15 Derivative financial instruments

The group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

The use of financial derivatives is governed by the group's policies, which provide written principles on the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivative financial instruments embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

1.16 Hedge accounting

The group designates certain hedging instruments as either fair value hedges or cash flow hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows is recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

Gains or losses on the cash flow hedge of a forecast transaction or firm commitment, previously recognised in other comprehensive income and accumulated in equity, are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss. However, if the cash flow hedge results in the recognition of a non-financial asset or a non-financial liability, then the associated gains or losses accumulated in equity are included in the initial measurement of that asset or liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any gain or loss recognised in other comprehensive income and accumulated in equity remains in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gains or losses are recognised immediately in profit or loss.

1.17 Retirement benefits

The group's employees are members of a separately administered defined contribution pension scheme. The group's contributions are charged to the profit or loss as they become payable in accordance with the rules of the scheme.

The group also contributes to the National Pension Authority (NAPSA), a defined contribution scheme, for its eligible employees as provided for by law. Membership is compulsory and monthly contributions are made by both employer and employees. The employer's contribution is charged to profit or loss in the year in which it arises.

1.18 Asset impairment review

An assessment is made at each reporting date to determine whether there is objective evidence that the group's tangible and intangible 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 profit or loss.

1.19 Segmental analysis

Segment reporting is presented in respect of the group's business segments. The business segments format is based on the group's management and internal reporting structure and combines businesses with common characteristics. Inter segment pricing is determined on an arm's length basis.

Segments results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The group is comprised of the following business segments:

Cane growing - the growing of sugar cane for use in the sugar production process,

Sugar production - the manufacture of sugar from sugar cane.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 International Financial Reporting Standards adopted during the year

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, except for the adoption of the following revised accounting standards:

IFRS 3 Business Combinations

The amendments provide guidance on whether to measure non-controlling interests at fair value or at the proportionate share of the net assets of the acquiree. The application of this amendment by the group has had no impact on the consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures

The amendments require the provision of qualitative disclosures to support the quantitative disclosures and enable the users to form an overall picture of the nature and extent of risks arising from financial instruments. The application of this improvement by the group has had no impact on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

The amendments clarify that the analysis of items of other comprehensive income may either be presented in the statement of changes in equity or in the notes to the financial statements. The application of this improvement by the group has had no impact on the consolidated financial statements.

IAS 24 Related Party Disclosures

The amendment to the standard has simplified the definition of a related party, as well as eliminated some inconsistencies that existed in the previous definition. The application of this amendment by the group has had no impact on the consolidated financial statements.

IAS 34 Interim Financial Reporting

The amendment to the standard requires disclosure for events and transactions relating to impairment losses of financial assets, impact on fair value of items in the statement of financial position as a result of changes in the business, significant transfers of financial instruments and changes in asset classifications. The application of this amendment by the group has had no impact on the consolidated financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment to this interpretation addresses the accounting treatment for prepayments made when there is a minimum funding requirement. The application of this amendment by the group has had no impact on the consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation provides guidance regarding the accounting for the extinguishment of a financial liability through the issue of equity instruments. The application of this amendment by the group has had no impact on the consolidated financial statements.

2.2 International Financial Reporting Standards (IFRS) in issue, but not yet effective

At the date of approval of these financial statements, the following relevant Standards and Interpretations were in issue, but not yet effective:

IFRS 7 Financial instruments: disclosures

The amendments increase the disclosure requirements for transactions where a financial asset is transferred but the transferor retains some level of continuing exposure to the asset. These amendments are effective for the year ending 31 March 2013.

IFRS 7 Financial instruments: disclosures

The amendments enhance the disclosure of financial assets and liabilities that have been off-set. These amendments are effective for the year ending 31 March 2014.

IFRS 9 Financial instruments: classification and measurement

The standard introduces new requirements for classifying and measuring financial instruments. Under the new classification requirements, all financial assets will be recognised at either amortised cost or fair value as determined by the contractual cash flows of the assets. In terms of the new measurement requirements, changes in fair value of financial liabilities measured "at fair value through profit or loss" that are attributable to changes in credit risk of the liability will be recognised in other comprehensive income. The standard will be effective for the year ending 31 March 2014.

IFRS 10 Consolidated Financial Statements

The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard will be effective for the year ending 31 March 2014.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. The standard requires jointly controlled entities to be reassessed and reclassified, it also removes the option to account for jointly controlled entities using proportionate consolidation. The standard will be effective for the year ending 31 March 2014.

IFRS 12 Disclosure of Interests in Other Entities

The standard introduces disclosure requirements to enable users of financial statements to evaluate the nature of, and risks associated with, the group's interests in other entities as well as the effects of those interests on the company's financial position, financial performance and cash flows. Other entities consist of subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard will be effective for the year ending 31 March 2014.

IFRS 13 Fair Value Measurement

The standard introduces a definition of fair value; sets out a single framework for measuring fair value; and establishes disclosure requirements for fair value measurements. The standard will be effective for the year ending 31 March 2014.

IAS 1 Presentation of Financial Statements

The amendments provide guidance on how items are to be presented in other comprehensive income, including how items should be grouped based on whether they will potentially be reclassified to profit or loss in subsequent periods. These amendments are effective for the year ending 31 March 2014.

IAS 1 Presentation of Financial Statements

The amendment removes the requirement to disclose supporting notes for the opening balance sheet which is required for retrospective restatement or reclassification. The amendments will be effective for the year ending 31 March 2014.

IAS 12 Income Taxes

The amendments require an entity to measure deferred tax relating to an asset based on whether the carrying amount of the asset will be recovered through use or through sale. These amendments are effective for the year ending 31 March 2013.

IAS 19 Employee Benefits

The amendments eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamlining the presentation of changes in assets and liabilities arising from defined benefit plans including requiring re-measurements to be presented in other comprehensive income; and enhancing disclosure requirements for defined benefit plans. The amendments are effective for the year ending 31 March 2014.

IAS 27 Separate Financial Statements

The standard has been revised to exclude all the consolidation requirements, which now form part of IFRS 10 Consolidated Financial Statements. The revised standard is effective for the year ending 31 March 2014.

IAS 28 Investments in Associates and Joint Ventures

Following the introduction of IFRS 11 Joint Arrangements, the standard has been revised to prescribe the requirements for the equity method when accounting for investments in associates and joint ventures. The revised standard is effective for the year ending 31 March 2014.

IAS 32 Financial Instruments: Presentation

Amendments have been made to the application guidance on the offsetting of financial assets and financial liabilities. The revised standard is effective for the year ending 31 March 2015.

The group is in the process of evaluating the effects of these new and revised standards and, whilst they are not expected to have a significant impact on the group's results, additional disclosures may be required.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical accounting judgements made by management

In the application of the group'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 reporting date whether there is any indication that the group's tangible and intangible 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.

Impairment losses on trade receivables

Impairment losses are based upon historical patterns of losses. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade receivables before a decrease can be identified with an individual trade receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of trade receivables in their company, or local economic conditions that correlate with defaults on assets in that company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portifolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.2 Key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following key assumptions concerning the future and other key sources of uncertainty at the reporting 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 11 to the financial statements.

Cane roots valuation

The escalated average costs 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 14 to the financial statements.

Growing cane valuation

Growing cane is valued at the estimated sucrose content in cane at 31 March 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 16 to the financial statements.

Income taxes

At the time of preparing the annual financial statements, estimates are used to determine the income tax charge for the year. When the income tax computation is finalised and submitted to the Zambia Revenue Authority, any differences to the estimate will be recognised in profit or loss in the period in which such determination is made.

There are no other key assumptions concerning the future, or key sources of estimation uncertainty at the reporting 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.

	GROUP 2012 ZMK'million	GROUP 2011 ZMK'million	COMPANY 2012 ZMK'million	COMPANY 2011 ZMK'million
4. Revenue				
Revenue represents proceeds receivable from the following primary business segments:				
Sugar production	**1 083 247**	866 312	**1 154 630**	923 056
Cane growing	**396 844**	366 136	**325 461**	309 392
	1 480 091	1 232 448	**1 480 091**	1 232 448
From secondary business segments as follows:				
Local market	**666 874**	589 536	**666 874**	589 536
Export market	**813 217**	642 912	**813 217**	642 912
	1 480 091	1 232 448	**1 480 091**	1 232 448
5. Profit from operations				
Profit from operations has been determined after charging/ (crediting) the following:				
Auditors' remuneration				
- Audit fees	**834**	773	**650**	602
- Fees for other services	**102**	224	**86**	180
- Other expenses	**23**	25	**21**	16
Charitable donations	**474**	434	**452**	425
Change in fair value of cane roots (see note 14)	**3 293**	4 446	**(769)**	1 057
Change in fair value of growing cane (see note 16)	**(96)**	48 605	**618**	52 155
Depreciation expense (see note 11)	**52 356**	52 704	**48 817**	47 946
Directors' emoluments for services as directors	**1 416**	1 583	**1 407**	1 576
Employees remuneration expenses	**205 047**	187 088	**199 806**	181 787
Employer contributions to pension funds (see note 26)	**14 657**	12 960	**14 361**	12 724
Exchange (gain)/ loss (trading balances)	**(2 676)**	8 157	**(3 118)**	8 157
Factory overhaul costs expensed (see note 17)	**40 462**	28 604	**40 462**	28 604
Management fees (see note 23.1)	**18 818**	13 240	**18 818**	13 240
6. Net financing costs				
Interest charged	**155 932**	121 634	**155 854**	120 572
Interest received	**(969)**	(400)	**(884)**	(270)
Exchange loss	**528**	5 925	**-**	4 866
	155 491	127 159	**154 970**	125 168

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million
7. Taxation				
Current tax				
- current year charge	**5 225**	1 612	**450**	363
- (over)/underprovision in prior year	**(56)**	423	**(186)**	422
Deferred taxation				
- current year charge	**34 149**	25 588	**35 200**	24 216
- overprovision in prior year	**(257)**	(10 628)	**(257)**	(10 628)
- income tax rate adjustment	**(17 795)**	-	**(6 344)**	-
Total taxation charge	**21 266**	16 995	**28 863**	14 373
Included under current assets/(liabilities):				
(Payable)/Receivable in respect of the previous year	**(660)**	138	**(9)**	-
Current tax charge	**(5 225)**	(2 035)	**(450)**	(785)
Overprovision in prior year	**56**	-	**186**	-
	(5 829)	(1 897)	**(273)**	(785)
Paid during the year	**3 895**	1 237	**737**	776
Taxation (payable)/receivable	**(1 934)**	(660)	**464**	(9)
Reconciliation of taxation rate:	%	%	%	%
Company taxation rate applicable to agricultural entities	**15,0**	15,0	**15,0**	15,0
Increase/(decrease) in charge due to:				
- Deferred tax rate adjustment [1]	**1,4**	35,5	**1,6**	47,3
- Change in farming tax rate from 15% to 10%	**(11,7)**		**(4,7)**	-
- Overprovision in prior years	**(0,2)**	(21,8)	**(0,3)**	(29,0)
- Expenses disallowed for tax purposes	**2,0**	7,1	**2,3**	9,0
- Tax rate differential on non-farming income	**0,2**	0,6	**0,2**	0,6
- Derecognised accumulated tax losses [2]	**7,3**	-	**8,1**	-
- Dividends received	**-**	-	**(1,0)**	(1,9)
- Other adjustments	**-**	(0,1)	**-**	(0,1)
Effective rate of taxation	**14,1**	36,3	**21,2**	40,9

[1] The deferred tax rate adjustment relates to the application of concessionary income tax rates to income derived from the expansion project investment under the Zambia Development Agency Act. These rates are graduated over a period of ten years and will become available once the present accumulated tax loss has been fully utilized. The rate change adjustment applies to temporary differences arising from capital allowances on expansion project assets and adjusts the deferred tax provision on differences reversing during the concessionary tax rate period from the statutory rate of 10% to the applicable concessionary rate.

[2] The partial derecognition of accumulated tax losses follows a reassessment of the extent to which it is probable that future taxable profit will be available against which these losses can be utilised, within the prescription period of five years.

	GROUP		COMPANY	
	2012 ZMK	2011 ZMK	2012 ZMK	2011 ZMK
8. Earnings per share				
Earnings per share (ZMK)	**19,80**	4,41	**16,91**	3,28
Headline earnings per share (ZMK)	**19,80**	4,45	**16,91**	3,29
Number of shares	**Shares '000**	Shares '000	**Shares '000**	Shares '000
Weighted average number of ordinary shares for the purposes of earnings and headline earnings per share	**6 331 428**	6 331 428	**6 331 428**	6 331 428
Earnings	**ZMK'million**	ZMK'million	**ZMK'million**	ZMK'million
Earnings for the purposes of earnings per share	**125 348**	27 914	**107 076**	20 769
Reconciliation of headline earnings				
Profit attributable to shareholders of Zambia Sugar Plc	**125 348**	27 914	**107 076**	20 769
Adjusted for :-				
Loss/(gain) on sale of property, plant and equipment	**18**	325	**(12)**	50
Tax effect of adjustments	**(3)**	(49)	**2**	(8)
Non-controlling interest effect of adjustments	**(4)**	(33)	**-**	-
Headline earnings for the year	**125 360**	28 157	**107 066**	20 812

	ZMK'million	ZMK'million	ZMK'million	ZMK'million
9. Dividends paid				
ZMK2.00 per share (second interim 2010) - paid 14 June 2010		12 663		12 663
ZMK0.50 per share (final 2010) - paid 24 September 2010		3 166		3 166
ZMK1.85 per share (first interim 2011) - paid 31 December 2010		11 713		11 713
ZMK0.70 per share (second interim 2011) - paid 14 June 2011	**4 432**		**4 432**	
ZMK1.00 per share (final 2011) - paid 24 September 2011	**6 331**		**6 331**	
ZMK3.50 per share (first interim 2012) - paid 31 December 2011	**22 160**		**22 160**	
	32 923	27 542	**32 923**	27 542
	ZMK	ZMK	**ZMK**	ZMK
Dividends declared per share - second interim declared 4 May 2012	**5,40**	0,70	**5,40**	0,70
Dividends proposed per share - final to be proposed at Annual general meeting	**1,00**	1,00	**1,00**	1,00
Number of ordinary shares in issue (millions)	**6 331**	6 331	**6 331**	6 331

10. Segmental analysis

Year to 31 March 2012	GROUP			COMPANY		
	Sugar production	Cane growing	TOTAL	Sugar production	Cane growing	TOTAL
	ZMK'million	ZMK'million	ZMK'million	ZMK'million	ZMK'million	ZMK'million
Revenue	1 083 247	396 844	1 480 091	1 154 630	325 461	1 480 091
Profit from operations	259 196	47 453	306 649	259 226	22 659	281 885
Property, plant and equipment	885 013	350 645	1 235 658	885 013	259 302	1 144 315
Balance at beginning of year	907 389	357 269	1 264 658	907 389	263 919	1 171 308
Additions at cost	16 161	7 240	23 401	16 161	5 678	21 839
Depreciation charge for the year	(38 537)	(13 819)	(52 356)	(38 537)	(10 280)	(48 817)
Net book value of disposals	-	(45)	(45)	-	(15)	(15)
Intangible asset	-	67 902	67 902	-	-	-
Investment in subsidiary				-	155 624	155 624
Cane roots	-	197 087	197 087	-	165 184	165 184
Current assets	450 713	263 524	714 237	450 984	211 059	662 043
Inventories	82 787	20 411	103 198	82 787	14 598	97 385
Growing cane	-	231 954	231 954	-	191 647	191 647
Factory overhaul costs	44 810	-	44 810	44 810	-	44 810
Trade and other receivables	91 470	5 385	96 855	91 470	4 814	96 284
Derivative financial instruments	383	-	383	383	-	383
Current tax asset	464	-	464	464	-	464
Amounts due by related parties	28 477	-	28 477	28 748	-	28 748
Cash and cash equivalents	202 322	5 774	208 096	202 322	-	202 322
Current liabilities	259 230	78 200	337 430	264 608	74 116	338 724
Trade and other payables	102 562	27 327	129 889	102 562	25 641	128 203
Current portion of long-term borrowings	87 389	47 055	134 444	87 389	47 055	134 444
Amounts due to related parties	63 586	-	63 586	68 964	-	68 964
Derivative financial instruments	1 435	-	1 435	1 435	-	1 435
Current tax liability	-	2 398	2 398	-	-	-
Provisions	4 258	1 420	5 678	4 258	1 420	5 678
Non-current liabilities	675 503	373 955	1 049 458	675 503	350 756	1 026 259
Long-term borrowings	651 403	350 756	1 002 159	651 403	350 756	1 002 159
Deferred tax liability	24 100	23 199	47 299	24 100	-	24 100
Net asset value	**400 992**	**427 004**	**827 996**	**395 885**	**366 298**	**762 183**

10. **Segmental analysis** – continued

Year to 31 March 2011	GROUP			COMPANY		
	Sugar production ZMK'million	Cane growing ZMK'million	TOTAL ZMK'million	Sugar production ZMK'million	Cane growing ZMK'million	TOTAL ZMK'million
Revenue	866 312	366 136	1 232 448	923 056	309 392	1 232 448
Profit from operations	179 646	(5 656)	173 990	179 646	(23 735)	155 911
Property, plant and equipment	907 389	357 269	1 264 658	907 389	263 919	1 171 308
Balance at beginning of year	918 903	384 475	1 303 378	918 903	287 245	1 206 148
Additions at cost	15 086	2 187	17 273	15 086	1 020	16 106
Depreciation charge for the year	(23 600)	(29 104)	(52 704)	(23 600)	(24 346)	(47 946)
Net book value of disposals	(3 000)	(289)	(3 289)	(3 000)	-	(3 000)
Intangible asset	-	67 902	67 902	-	-	-
Investment in subsidiary				-	155 624	155 624
Cane roots	-	200 380	200 380	-	164 415	164 415
Deferred tax asset	4 233	-	4 233	4 233	-	4 233
Current assets	305 528	259 606	565 134	307 075	210 881	517 956
Inventories	83 082	19 452	102 534	83 082	14 650	97 732
Growing cane	-	231 858	231 858	-	192 265	192 265
Factory overhaul costs	35 827	-	35 827	35 827	-	35 827
Trade and other receivables	75 360	5 709	81 069	75 360	3 966	79 326
Derivative financial instruments	1 073	-	1 073	1 073	-	1 073
Amounts due by related parties	58 982	-	58 982	60 529	-	60 529
Cash and cash equivalents	51 204	2 587	53 791	51 204	-	51 204
Current liabilities	399 174	153 828	553 002	399 174	147 547	546 721
Trade and other payables	76 279	21 426	97 705	76 279	19 070	95 349
Current portion of long-term borrowings	236 325	134 640	370 965	236 325	127 252	363 577
Amounts due to related parties	81 090	(4 505)	76 585	81 090	-	81 090
Derivative financial instruments	1 798	-	1 798	1 798	-	1 798
Current tax liability	9	651	660	9	-	9
Bank overdrafts	-	391	391	-	-	-
Provisions	3 673	1 225	4 898	3 673	1 225	4 898
Non-current liabilities	505 003	309 914	814 917	505 003	271 924	776 927
Long-term borrowings	505 003	274 213	779 216	505 003	271 924	776 927
Deferred tax liability	-	35 701	35 701	-	-	-
Net asset value	**312 973**	**421 415**	**734 388**	**314 520**	**375 368**	**689 888**

11. Property, plant and equipment

	Leasehold land and buildings ZMK'million	Plant and machinery ZMK'million	Motor vehicles ZMK'million	Furniture and fittings ZMK'million	Capital work in progress ZMK'million	Total ZMK'million
GROUP						
Cost						
Balance at 1 April 2010	521 727	852 274	71 908	16 414	8 249	1 470 572
Additions	-	-	-	-	17 273	17 273
Transfers	2 426	13 534	3 044	2 278	(21 282)	-
Disposals	(161)	(1 659)	(5 722)	(5 117)	-	(12 659)
Reclassification	17 630	(2 819)	(14 288)	(523)	-	-
Balance at 31 March 2011	**541 622**	**861 330**	**54 942**	**13 052**	**4 240**	**1 475 186**
Additions	-	-	-	-	23 401	23 401
Transfers	2 383	4 832	6 495	686	(14 396)	-
Disposals	(16)	(188)	(1 426)	(381)	-	(2 011)
Reclassification	1 720	(5 767)	3 037	(11)	-	(1 021)
Balance at 31 March 2012	**545 709**	**860 207**	**63 048**	**13 346**	**13 245**	**1 495 555**
Depreciation						
Balance at 1 April 2010	30 350	77 720	46 405	12 719		167 194
Charge for year	9 464	37 279	4 421	1 540		52 704
Disposals	(105)	(1 239)	(2 995)	(5 031)		(9 370)
Reclassification	1 847	4 415	(5 910)	(352)		-
Balance at 31 March 2011	**41 556**	**118 175**	**41 921**	**8 876**		**210 528**
Charge for year	9 431	36 803	4 949	1 173		52 356
Disposals	(10)	(184)	(1 400)	(372)		(1 966)
Reclassification	(654)	3 381	(3 773)	25		(1 021)
Balance at 31 March 2012	**50 323**	**158 175**	**41 697**	**9 702**		**259 897**
Net carrying amount						
Balance at 31 March 2012	**495 386**	**702 032**	**21 351**	**3 644**	**13 245**	**1 235 658**
Balance at 31 March 2011	500 066	743 155	13 021	4 176	4 240	1 264 658

11. Property, plant and equipment – continued

	Leasehold land and buildings ZMK'million	Plant and machinery ZMK'million	Motor vehicles ZMK'million	Furniture and fittings ZMK'million	Capital work in progress ZMK'million	Total ZMK'million
COMPANY						
Cost						
Balance at 1 April 2010	441 474	829 376	73 864	16 324	8 249	1 369 287
Additions	-	-	-	-	16 106	16 106
Transfers	1 956	13 534	3 341	1 284	(20 115)	-
Disposals	(161)	(1 035)	(5 675)	(5 117)	-	(11 988)
Reclassification	17 630	(2 819)	(14 288)	(523)	-	-
Balance at 31 March 2011	**460 899**	**839 056**	**57 242**	**11 968**	**4 240**	**1 373 405**
Additions	-	-	-	-	21 839	21 839
Transfers	2 383	3 723	6 160	686	(12 952)	-
Disposals	-	(9)	(1 359)	-	-	(1 368)
Balance at 31 March 2012	**463 282**	**842 770**	**62 043**	**12 654**	**13 127**	**1 393 876**
Depreciation						
Balance at 1 April 2010	30 228	77 720	42 472	12 719		163 139
Charge for year	9 196	33 215	4 230	1 305		47 946
Disposals	(105)	(901)	(2 951)	(5 031)		(8 988)
Reclassification	1 847	4 415	(5 910)	(352)		-
Balance at 31 March 2011	**41 166**	**114 449**	**37 841**	**8 641**		**202 097**
Charge for year	9 168	33 764	4 712	1 173		48 817
Disposals	-	(9)	(1 344)	-		(1 353)
Balance at 31 March 2012	**50 334**	**148 204**	**41 209**	**9 814**		**249 561**
Net carrying amount						
Balance at 31 March 2012	**412 948**	**694 566**	**20 834**	**2 840**	**13 127**	**1 144 315**
Balance at 31 March 2011	419 733	724 607	19 401	3 327	4 240	1 171 308

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

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.

A reclassification of the assets of Nanga Farms was undertaken during the year to reflect these assets in their correct categories. This has had no impact on the annual depreciation charge or on the calculation of capital allowances for tax purposes.

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million

11. Property, plant and equipment - continued

Assets pledged as security

All leasehold land and buildings and all plant and machinery have been pledged as security for loans (see note 20).

Leasehold Land

The Company has leasehold agreements with various local farmers. The leases are treated as operating leases and will be charged to profit or loss over the lease period as follows:

Within one year	**2 465**	2 508	**2 465**	2 508
More than one year but less than five years	**11 995**	9 132	**11 995**	9 132
More than five years	**32 313**	38 223	**32 313**	38 223
	46 773	49 863	**46 773**	49 863

12. Intangible asset

The intangible asset represents a strategic cane supply arrangement arising from the acquisition of a controlling interest in Nanga Farms Plc. The arrangement provides security over cane supply to Zambia Sugar Plc, is considered to have an indefinite useful life, and is tested for impairment annually.

13. Investment in subsidiary

The principal subsidiary of Zambia Sugar Plc is:	Issued capital ZMK'm	Effective percentage holding %	Shares at cost ZMK'm	Amounts due by subsidiary ZMK'm	Amounts due to subsidiary ZMK'm
2012					
Nanga Farms Plc	487	85,73	**155 624**	**271**	5 592
2011					
Nanga Farms Plc	487	85,73	**155 624**	**1 547**	4 633

14. Cane roots

The carrying value of cane roots is reconciled as follows:				
Carrying value at beginning of year	**200 380**	204 826	**164 415**	165 472
Change in fair value	**(3 293)**	(4 446)	**769**	(1 057)
Carrying value at end of year	**197 087**	200 380	**165 184**	164 415

The area under cane for the purpose of valuing cane roots at 31 March 2012 was 17 079 hectares (2011: 17 162 hectares). The expected life of cane roots is 7 years. The average remaining expected life of cane roots at 31 March 2012 was 3.58 years (2011: 3.78 years).

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million
15. Inventories				
Maintenance stores	**73 296**	57 236	**67 483**	52 434
Provision for obsolesence	**(2 710)**	(3 910)	**(2 710)**	(3 910)
	70 586	53 326	**64 773**	48 524
Finished goods - sugar	**32 612**	49 208	**32 612**	49 208
	103 198	102 534	**97 385**	97 732
16. Growing cane				
The carrying value of growing cane is reconciled as follows:				
Carrying value at beginning of year	**231 858**	280 463	**192 265**	244 420
Change in fair value	**96**	(48 605)	**(618)**	(52 155)
Carrying value at end of year	**231 954**	231 858	**191 647**	192 265

The expected area to harvest for the following season is 16 914 hectares (2011: 16 896 hectares) which is anticipated to yield 116.0 tons cane per hectare (2011: 118.2 tons) at a sucrose content in cane of 14.60% (2011: 14.88%). As at 31 March 2012 the average maturity of the growing cane was estimated at 66.7% (2011: 68.8%).

	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
17. Factory overhaul costs				
Balance at beginning of year	**35 827**	25 928	**35 827**	25 928
Incurred during the year	**49 445**	38 503	**49 445**	38 503
	85 272	64 431	**85 272**	64 431
Charged to the statement of comprehensive income	**(40 462)**	(28 604)	**(40 462)**	(28 604)
Balance at end of year	**44 810**	35 827	**44 810**	35 827
18. Trade and other receivables				
Trade receivables comprise amounts receivable in respect of the sale of sugar and molasses:				
Gross trade receivables	**80 266**	64 713	**80 266**	64 713
Allowance for doubtful debts	**(384)**	(507)	**(384)**	(491)
	79 882	64 206	**79 882**	64 222
Other receivables	**16 973**	16 863	**16 402**	15 104
Balance at end of year	**96 855**	81 069	**96 284**	79 326
Movement in the allowance for doubtful debts				
Balance at beginning of year	**507**	894	**491**	872
Amounts written off during the year	**(104)**	(570)	**(104)**	(564)
Amounts (released)/raised during the year	**(19)**	183	**(3)**	183
Balance at end of year	**384**	507	**384**	491

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

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million

19. Share capital and premium

	2012	2011	2012	2011
Authorised:				
7 000 000 000 (2010: 7 000 000 000) ordinary shares of ZMK0.50 each	**3 500**	3 500	**3 500**	3 500
Issued and fully paid:				
6 331 427 708 (2010: 6 331 427 708) ordinary shares of ZMK0.50 each	**3 165**	3 165	**3 165**	3 165
Share premium	**244 172**	244 172	**244 172**	244 172
	247 337	247 337	**247 337**	247 337

20. Long-term borrowings

	Years of repayment	Effective Interest rate (%)	Group 2012	Group 2011	Company 2012	Company 2011
Financial and other institutions						
- Zambian Kwacha (see note i)	2012	6,78	-	181 453	-	181 453
- Zambian Kwacha (see note ii)	2013 - 2017	14,21	**592 619**	-	**592 619**	-
- US Dollar (see note iii)	2012	5,10	-	9 677	-	-
Related parties (see note iv)			**543 984**	959 051	**543 984**	959 051
Total borrowings			**1 136 603**	1 150 181	**1 136 603**	1 140 504
Less:						
Current portion - Zambian Kwacha (see note i)			-	(103 647)	-	(103 647)
Current portion - Zambian Kwacha (see note ii)			**(134 444)**	-	**(134 444)**	-
Current portion - US Dollar (see note iii)			-	(7 388)	-	-
Current portion - related parties (see note iv)			-	(259 930)	-	(259 930)
			(134 444)	(370 965)	**(134 444)**	(363 577)
Long-term portion			**1 002 159**	779 216	**1 002 159**	776 927
The amounts are due for repayment in the following years ending 31 March:						
2012			-	370 965	-	363 578
2013			**134 444**	79 331	**134 444**	77 805
2014			**134 444**	699 885	**134 444**	699 121
2015			**134 444**	-	**134 444**	-
2016			**134 444**	-	**134 444**	-
2017 and beyond			**598 827**	-	**598 827**	-
			1 136 603	1 150 181	**1 136 603**	1 140 504

Summary of borrowing arrangements

(i) This Zambian Kwacha denominated loan from financial and other institutions was fully repaid in May 2011 under the refinance arrangement (see Note ii).

(ii) This Zambian kwacha denominated loan from financial and other institutions was drawn down in May 2011 to refinance the original Tranche A expansion loan and to reduce the level of related party borrowing from Illovo Group Holdings reflected in Note 23.2. The loan is repayable over five years commencing April 2012 and attracts interest at the ruling 182 day T-Bill rate at the beginning of each interest period plus a 3.25% margin.

The loan is secured by way of a first legal mortgage over fixed property to which the company holds title, a first fixed charge over all plant and machinery, a first floating charge over all tangible movable assets, and a first agricultural charge over vehicles, plant and machinery, growing crops, cane roots and all other movable assets.

(iii) The two USD denominated loans relate to Nanga Farms Plc and were fully repaid during the year.

(iv) Loans from related parties are disclosed in Note 23.2.

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million
21. Deferred tax liability/(asset)				
Balance at beginning of year	31 468	16 347	(4 233)	(17 982)
Charged to income:				
- Current year income statement charge	34 149	25 588	35 200	24 216
- Prior year income statement relief	(257)	(10 628)	(257)	(10 628)
- Current year comprehensive income (credit)/charge	(266)	161	(266)	161
- Income tax rate adjustment	(17 795)	-	(6 344)	-
Balance at end of year	47 299	31 468	24 100	(4 233)
Analysis of provision:				
Property, plant and equipment	65 664	100 515	56 848	86 827
Intangible asset	6 790	10 185	-	-
Factory overhaul costs	4 481	5 374	4 481	5 374
Growing cane and cane roots	41 150	59 797	33 929	48 463
Tax losses	(69 900)	(144 425)	(69 900)	(144 425)
Other	(886)	22	(1 258)	(472)
Balance at end of year	47 299	31 468	24 100	(4 233)
Asset	-	(4 233)	-	(4 233)
Liability	47 299	35 701	24 100	-
22. Trade and other payables				
Trade payables comprise amounts outstanding for trade purchases and ongoing costs.				
Trade payables	126 613	94 811	124 927	92 781
Other payables	3 276	2 894	3 276	2 568
Balance at end of year	129 889	97 705	128 203	95 349

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

23. Amounts due to/(by) related parties

The majority shareholding in Zambia Sugar Plc is held by Illovo Sugar Coöperatief U.A., incorporated in the Netherlands, a subsidiary of Illovo Sugar Limited, a Company incorporated in the Republic of South Africa.

Illovo Sugar Limited is listed on the Johannesburg Stock Exchange and is a subsidiary of Associated British Foods plc which holds 51.5% of the issued share capital.

All related party transactions are conducted at arms length.

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	ZMK'million	ZMK'million	**ZMK'million**	ZMK'million
23.1 Trading transactions				
Amounts due by related parties				
Illovo Group Marketing Services Limited	**(22 368)**	(52 780)	**(22 368)**	(52 780)
Illovo Sugar Limited - Corporate Division	**(2 250)**	(736)	**(2 250)**	(736)
Kilombero Sugar Company Limited	**(622)**	-	**(622)**	-
Illovo Sugar Malawi Limited	**(622)**	-	**(622)**	-
AB Azucarera Iberia, S.L.	**(1 988)**	-	**(1 988)**	-
The Silverspoon Company Limited	**(627)**	(1 358)	**(627)**	(1 358)
Illovo Group Holdings Limited	**-**	(4 108)	**-**	(4 108)
Nanga Farms Plc	**-**	-	**(271)**	(1 547)
	(28 477)	(58 982)	**(28 748)**	(60 529)
Amounts due to related parties				
Illovo Sugar Limited - Procurement Division	**33 010**	22 118	**32 796**	21 990
Illovo Sugar Limited - Corporate Division	**3 076**	3 847	**3 076**	3 847
Illovo Sugar Ireland	**6 032**	8 114	**6 032**	8 114
Illovo Group Marketing Services Limited	**21 468**	41 034	**21 468**	41 034
Illovo Group Holdings Limited	**-**	1 472	**-**	1 472
Nanga Farms Plc	**-**	-	**5 592**	4 633
	63 586	76 585	**68 964**	81 090

The following transactions were carried out with related parties during the year:

Related party	**Transaction**	**Total**
Illovo Sugar Limited - Procurement Division	Imports of goods & services	97 224
AB Azucarera Iberia, S.L.	EU sugar exports	70 239
The Silverspoon Company Limited	EU sugar exports	13 689
Illovo Group Holdings Limited	Loan interest	65 022
Illovo Sugar Ireland	Management fee	18 818
Illovo Group Marketing Services Limited	Export agency commission	16 432
Illovo Sugar Malawi Limited	Regional management fee	622
Kilombero Sugar Company Limited	Regional management fee	622
		282 667

The Company has a contract with Illovo Sugar Ireland for the supply of management services. Management fees are disclosed in note 5.

Purchases from Nanga Farms Plc have been eliminated on consolidation.

	Years of repayment	Effective Interest rate (%)	GROUP 2012 ZMK'million	GROUP 2011 ZMK'million	COMPANY 2012 ZMK'million	COMPANY 2011 ZMK'million
23.2 Loans from related parties						
Illovo Sugar Ireland						
- Zambian kwacha (see note i)	**2012**	18,45	**-**	55 697	**-**	55 697
Illovo Group Holdings Limited						
- Zambian kwacha (see note ii)	**2017**	10,74	**543 985**	903 354	**543 985**	903 354
			543 985	959 051	**543 985**	959 051
Less:						
Current portion			**-**	(259 930)	**-**	(259 930)
Long-term portion			**543 985**	699 121	**543 985**	699 121
The amounts are due for repayment in the following years ending 31 March:						
2012			**-**	259 930	**-**	259 930
Beyond 2013			**543 985**	699 121	**543 985**	699 121
			543 985	959 051	**543 985**	959 051

(i) The loan from Illovo Sugar Ireland was fully repaid in November 2011.

(ii) This loan is unsecured and attracts interest at the ruling 91 day T-Bill rate at the beginning of each interest period plus a 4% margin. The loan is to be fully repaid by 31 March 2013 or after such later interest payment date as may be agreed.

	GROUP 2012 ZMK'million	GROUP 2011 ZMK'million	COMPANY 2012 ZMK'million	COMPANY 2011 ZMK'million
24. Provisions				
At beginning of year	**4 898**	3 338	**4 898**	3 338
Provisions made during the year	**5 678**	4 898	**5 678**	4 898
Utilised during the year	**(4 898)**	(3 338)	**(4 898)**	(3 338)
At end of year	**5 678**	4 898	**5 678**	4 898
Analysed as follows:				
Provision for leave pay	**5 678**	4 898	**5 678**	4 898
25. Capital commitments				
	47 125	26 716	**45 506**	24 642
Approved but not contracted	**7 664**	1 170	**7 127**	1 170
Contracted	**54 789**	27 886	**52 633**	25 812

Capital expenditure will be financed from cash resources and short term borrowings.

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	**2012 ZMK'million**	2011 ZMK'million

26. Retirement benefits

Defined contribution pension scheme

Zambia Sugar provides retirement benefits for its employees through a defined contribution pension scheme which was established on 1 May 2002. The employer's contribution is recognised as an expense in the year in which the related services are rendered by the employees. The group expensed an amount of ZMK7 719 million (2011: ZMK6 829 million) during the year in respect of this scheme.

The group also contributes to the National Pension Scheme Authority (NAPSA), a defined contribution scheme, for its eligible employees as required by law. Membership is compulsory and monthly contributions are made by both employer and employees. The employer's contribution is expensed in the year in which it arises. The group expensed an amount of ZMK6 639 million (2011: ZMK6 131 million) during the year in respect of this scheme.

27. Contingent liabilities

There is a contingent liability estimated at ZMK485 million in respect of local industrial relations actions currently before the courts.

28. Financial risk management

Financial instruments consist primarily of cash deposits with banks, investments and loans, trade and other receivables and payables, derivative financial instruments and bank borrowings. Financial instruments are carried at fair value or amounts that approximate fair value.

Categories of financial instruments

	Group 2012	Group 2011	Company 2012	Company 2011
Financial assets				
Loans and receivables	**333 892**	193 842	**327 818**	191 059
Derivative financial instruments designated as cash flow hedges	**383**	1 073	**383**	1 073
Financial liabilities				
Derivative financial instruments designated as fair value hedges	**-**	1 798	**-**	1 798
Derivative financial instruments designated as cash flow hedges	**1 435**	-	**1 435**	-
Financial liabilities measured at amortised cost	**1 332 476**	1 325 522	**1 333 770**	1 316 952
Reconciliation to the statement of financial position				
Trade and other receivables including amounts due by related parties	**125 332**	140 051	**125 032**	139 855
Taxation receivable	**464**	-	**464**	-
Cash and cash equivalents	**208 096**	53 791	**202 322**	51 204
Loans and receivables	**333 892**	193 842	**327 818**	191 059
Trade and other payables including amounts due to related parties	**193 475**	174 290	**197 167**	176 439
Taxation payable	**2 398**	660	**-**	9
Bank overdraft	**-**	391	**-**	-
Long-term borrowings	**1 002 159**	779 216	**1 002 159**	776 927
Current portion of long-term borrowings	**134 444**	370 965	**134 444**	363 577
Financial liabilities measured at amortised cost	**1 332 476**	1 325 522	**1 333 770**	1 316 952

28.1 Liquidity risk management

In terms of the company's Articles of Association, the directors may from time to time, at their discretion, raise loans or otherwise borrow for the purpose of the company as they think fit.

	GROUP 2012 ZMK'million
The group treasury has access to the following local banking facilities at 31 March 2012:	120 000

28.2 Interest rate risk management

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

The interest rate profile at 31 March 2012 is as follows:

	Floating rate		Total borrowings
	Less than one year	Greater than one year	
Borrowings (ZMK'billion)	134,0	1002,6	1 136,6
% total borrowings	12%	88%	100%

The group has no fixed rate facilities.

Interest rate sensitivity

The group is exposed to interest rate cash flow risk in respect of its variable rate loans and short-term cash investments, which can impact on the cash flows of these instruments. The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant in the case of variable rate borrowings.

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	2012 ZMK'million	2011 ZMK'million
If interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax for the year would decrease/increase by:	**5 448**	5 248	**5 448**	5 200

28.3 Currency risk management

In the normal course of business, the group enters into transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts. The carrying amount of unhedged and uncovered foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	ASSETS		LIABILITIES	
	2012	2011	**2012**	2011
	ZMK'million	ZMK'million	**ZMK'million**	ZMK'million
Group				
US dollars	**6 659**	27 495	**28 749**	60 474
SA rands	**3 624**	801	**38 650**	26 957
Euros	**35 902**	60 862	**661**	6 344
Company				
US dollars	**6 656**	25 600	**28 494**	50 233
SA rands	**3 624**	801	**38 434**	26 957
Euros	**35 902**	60 862	**661**	6 344

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US dollar, rand and the euro. The following sensitivity analysis indicates the impact on profit before tax resulting from the revaluation of unhedged and uncovered foreign currency denominated monetary items outstanding on the reporting date for an assumed 10% movement in the US dollar, rand and the euro. A positive/(negative) number indicates an increase/(decrease) in profit before tax where the kwacha strengthens by 10% against the relevant currency. For a 10% weakening of the kwacha against the relevant currency, there would be an equal and opposite impact on profit before tax.

10% foreign currency sensitivity

All figures in ZMK million	US dollar		SA rand		Euro	
	2012	2011	**2012**	2011	**2012**	2011
Group						
Monetary assets	**(666)**	(2 750)	**(362)**	(80)	**(3 590)**	(6 086)
Monetary liabilities	**2 875**	6 047	**3 865**	2 696	**66**	634
	2 209	3 297	**(3 503)**	(2 616)	**(3 524)**	(5 452)
Company						
Monetary assets	**(666)**	(2 560)	**(362)**	(80)	**(3 590)**	(6 086)
Monetary liabilities	**2 849**	5 023	**3 843**	2 696	**66**	634
	2 183	(2 463)	**3 481**	(2 616)	**(3 524)**	(5 452)

Exchange rates most affecting the performance of the group and the company are as follows:

	Rates at 31 March		Average for year	
	2012	2011	**2012**	2011
Kwacha/Rand	**687**	689	**667**	669
Kwacha/US dollar	**5290**	4690	**4969**	4819
Kwacha/Euro	**7067**	6642	**6821**	6361

The group has entered into certain forward exchange contracts which relate to specific items appearing on the statement of financial position or were entered into to cover forecast foreign currency proceeds not yet receivable and foreign currency purchases not yet delivered. The contracts will be utilised for purposes of trade during the 2013 financial year.

	GROUP 2012			GROUP 2011		
Foreign currency sold	Foreign currency million	Average rate	Amount in ZMK'million	Foreign currency million	Average rate	Amount in ZMK'million
US dollar	**20,0**	**5 431**	**108 617**	6,0	4 893	29 359
Euro	**26,7**	**7 169**	**191 412**	17,0	6 784	115 331

28.4 Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy customers. Trade receivables comprise a widespread customer base, and the company undertakes ongoing credit evaluations of the financial condition of their customers. At 31 March 2012, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

The carrying amount of the financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the group and the company's maximum exposure to credit risk.

The group and the company grants credit terms of 14 - 30 days to its customers. The analysis of trade receivables which are past due at reporting date is as follows:

	GROUP		COMPANY	
	2012 ZMK'million	2011 ZMK'million	**2012 ZMK'million**	2011 ZMK'million
Not past due	**69 488**	62 065	**69 488**	62 065
Past due by 30 days	**6 001**	-	**6 001**	-
Past due by 60 days	**2 578**	-	**2 578**	-
Past due by 90 days	**1 338**	597	**1 338**	597
Past due over 120 days	**861**	2 051	**861**	2 051
	80 266	64 713	**80 266**	64 713
less : allowance for doubtful debts	**(384)**	(507)	**(384)**	(491)
Total trade receivables	**79 882**	64 206	**79 882**	64 222

No specific trade receivables were placed under liquidation in either the current or the previous year.

28.5 Capital risk management

The group manages its capital to ensure that the company and its subsidiary will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of equity and debt, which includes borrowings net of cash and cash equivalents.

29 Events after the reporting date

There are no significant events occurring after the reporting date which would require adjustment or disclosure in these financial statements.

Notice is hereby given that the 50th annual general meeting of the members of the company will be held at the Taj Pamodzi Hotel, Lusaka, Zambia on Tuesday 14 August 2012 at 11h00 to transact the following business:

1. **Approval of the minutes of the previous meeting**

2. **Financial statements**

   To receive and adopt the annual financial statements for the year ended 31 March 2012.

3. **Election of directors**

   i. To confirm the appointment of each of Messrs MH Abdool-Samad and GB Dalgleish who were appointed as directors since the previous annual general meeting.

   ii. To re-elect each of Messrs FM Banda, GJ Clark, AR Mpungwe and SS Munsamy who retire by rotation, in terms of the Companies Act, and who, being eligible, offer themselves for re-election.

4. **Approval of directors' fees**

   That unless otherwise determined by the company in general meeting, to approve an increase in the annual fee payable to a non-executive director from ZMK115 million to ZMK125 million with effect from 1 April 2012, and to further increase this fee to ZMK130 million where the non-executive director serves on a committee of the board and to ZMK140 million in respect of the chairman of the board.

5. **Appointment of auditors**

   To confirm the reappointment of the auditors, Deloitte & Touche, for the year ending 31 March 2013.

6. **Declaration of final dividend**

   That a final dividend of ZMK1.00 per share for the year ended 31 March 2012 as recommended by the directors be declared to all shareholders registered in the books of the company at close of business on 29 August 2012 and payable on 17 September 2012.

7. **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 so as to reach the company's registered office or the transfer secretaries not later than 12h00 on Wednesday 8 August 2012.

By order of the Board

LM Sievu

Company Secretary

4 May 2012

SHAREHOLDERS' DIARY

Financial year end	March
Annual general meeting	August

Reports and profit statements

Interim report	November
Profit announcement for the year	May
Annual report and financial statements	August

Dividends

First interim	Declared	November
	Payment	December
Second interim	Declared	May
	Payment	June
Final	Declared	August
	Payment	September

Shareholders are reminded to notify the transfer secretaries of any change in postal address or of their banking instruction for purposes of dividend payments.

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 231106
Fax	:	(260) 21 3 230385
Email address	:	Lsievu@zamsugar.zm
Website		www.illovosugar.com
Transfer secretaries	:	Lewis Nathan Advocates Financial Markets and Commercial Law Division The Nathan Park 758 Independence Avenue, Woodlands, Lusaka, Zambia
Postal address	:	P O Box 37268, Lusaka, Zambia
Telephone	:	(260) 21 1 262009/261995
Fax	:	(260) 21 1 261997
E-mail address	:	lewis@zamnet.zm
Auditors	:	Deloitte & Touche
Bankers	:	Barclays Bank of Zambia Citi-Bank Zambia FNB Zambia Stanbic Bank Zambia Standard Chartered Bank Zambia Zambia National Commercial Bank

ZAMBIA SUGAR Plc
FORM OF PROXY
For the 50th annual general meeting

I/We ____
(Name/s in block letters)

of ____(address)

being the shareholder/member of the abovenamed Company and entitled to

Number of votes

(1 share = 1 vote)

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 Taj Pamodzi Hotel, Lusaka, Zambia on Tuesday 14 August 2012 at 11h00 and at any adjournment thereof as follows:

Resolution No.	Agenda Item	Mark with X where applicable		
		In favour	Against	Abstain
1.	Approval of the minutes of the previous meeting			
2.	Adoption of the audited 2012 annual financial statements			
3.	Election of directors			
	Confirmation of appointment of directors			
3.1	MH Abdool-Samad			
3.2	GB Dalgleish			
	Re-election of directors			
3.3	FM Banda			
3.4	GJ Clark			
3.5	AR Mpungwe			
3.6	SS Munsamy			
4.	Approval of directors' fees			
5.	Re-appointment of Deloitte & Touche as auditors			
6.	Declaration of final dividend			

Signed at ________________________________ on this_____________________day of _________________2012

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 8 August 2012**.
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 attend 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.

fold line

ZAMBIA SUGAR Plc

FORM OF PROXY

For the 50th annual general meeting

SUGAR
ILLOVO
GROUP