ANNUAL REPORT 2017

On the Path to Building a Thriving Business

"Changing gears from time to time is a must for success" - Harsh Mariwala

Zambia Sugar

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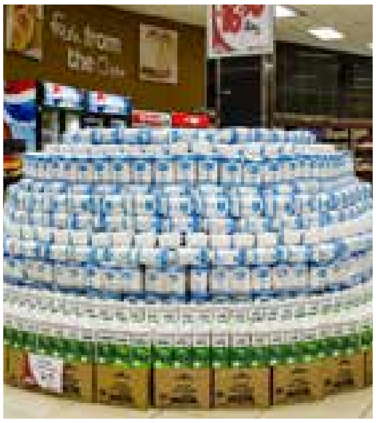
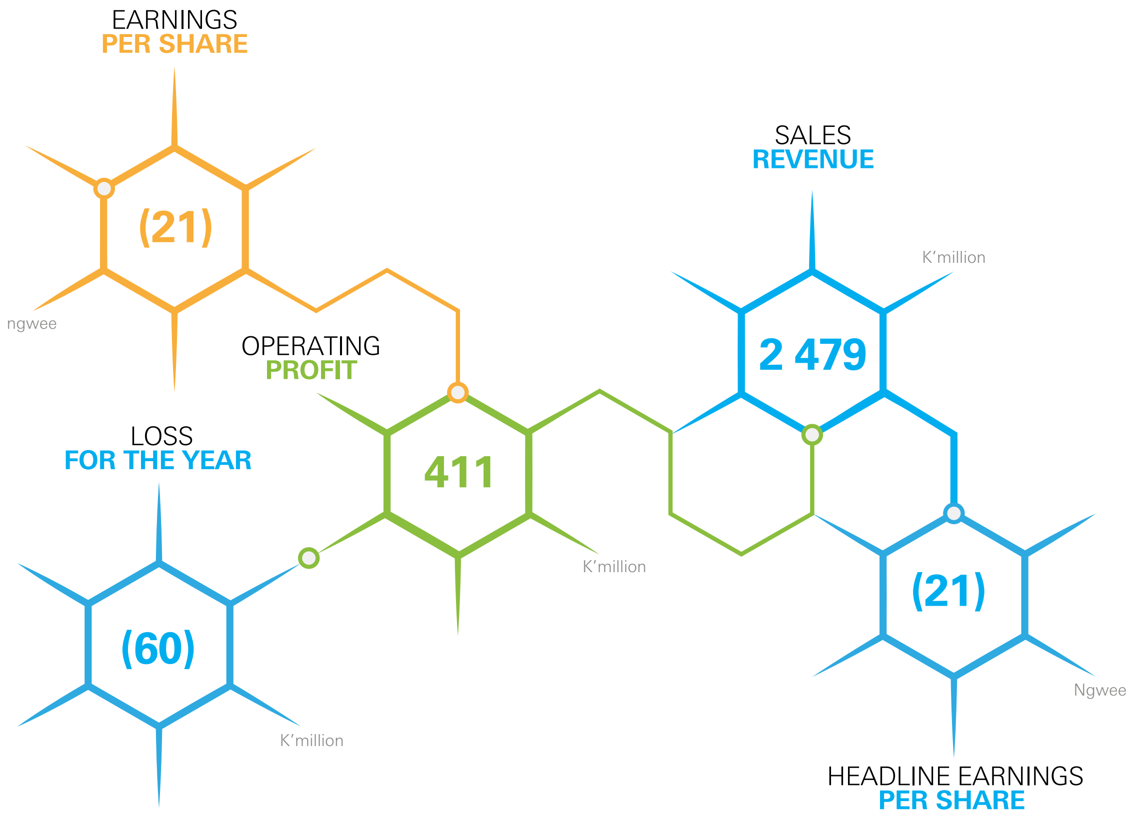




KEY FEATURES	2017	2016	Change
Revenue (K'000)	2 479 348	2 015 435	23.0%
Operating profit (K'000)	410 508	327 416	25.4%
Loss for the year (K'000)	(60 097)	85 596	(170.2%)
Earnings per share (ngwee)	(21.0)	25.3	(183.0%)
Headline earnings per share (ngwee)	(21.0)	25.3	(183.0%)
Number of shares in issue ('000)	316 571	316 571	0.0%

ZAMBIA SUGAR OWNERSHIP STRUCTURE AND OPERATING LOCATIONS

ASSOCIATED BRITISH FOODS *
100%

Associated British Foods plc

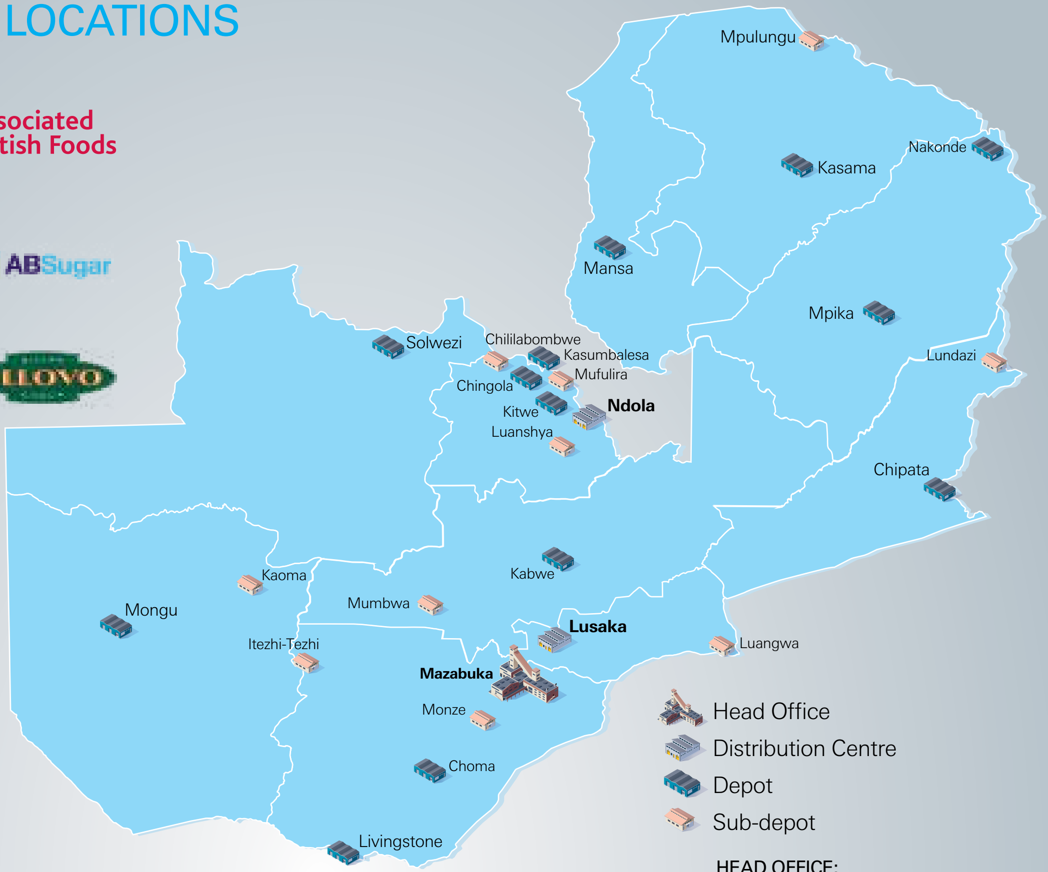
ABSugar

ILLOVO SUGAR PTY LTD
75%

ILLOVO

ZAMBIA SUGAR

Zambia Sugar



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

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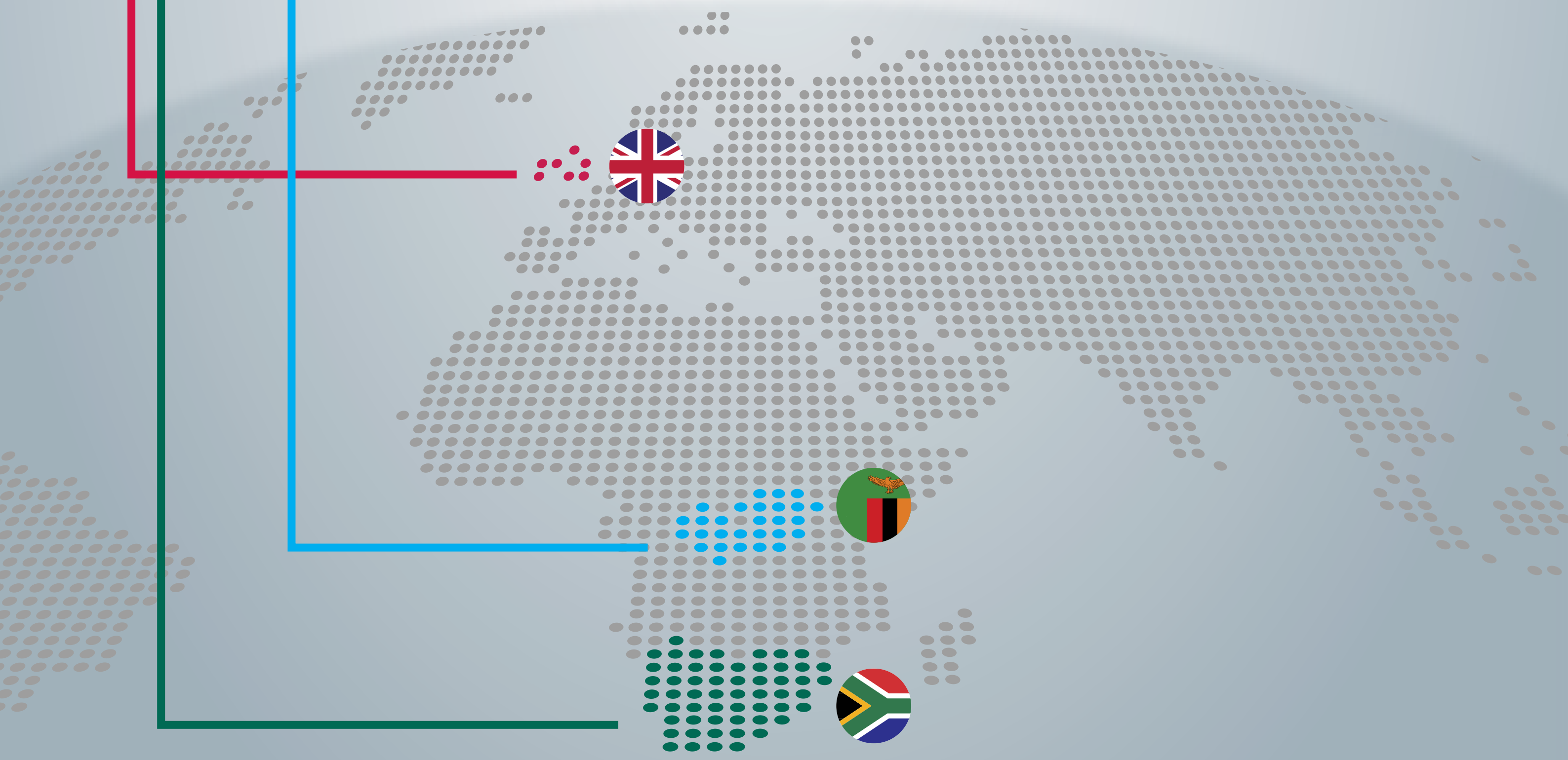


* AB Sugar represents Associated British Foods plc in respect of all its sugar interests, including Illovo.

VISION AND VALUES

VISION

To be a diversified, world-class market leading business contributing to the economic growth and prosperity of its shareholders, employees and communities.

Zambia Sugar is a sugar manufacturing company, driven by its vision to become a world class brand and, as such, will continue to take pride in its brand, values, highly skilled employees and competitive range of products. We will continue to strive for excellence and to make a difference in communities in which we operate.

VALUES

INTEGRITY | Upholding our values

We consistently live our values, treat all individuals in a fair and consistent manner as well as act in accordance with ethical guidelines and statutory requirements. We are welcomed by the communities in which we operate, are trusted by investors and our employees are proud to work for us.

ACCOUNTABILITY | Delivery focused

We find ways to break through resistance and obstacles and strive to seek new methods in order to continuously improve. We align our day-to-day work with our vision and strategic intent and our objectives, action plans and commitments are delivery focused. We also celebrate our achievements.

EMPOWERMENT | Empowering our people

We are committed to the development of our people through the continued acquisition of new knowledge and skills. We use various methodologies to enhance the learning experience and the transfer of skills. We earn each other's trust, provide constructive feedback and hold ourselves and others accountable for performance improvement.

INCLUSIVENESS | Embracing diversity

We leverage on our diversity in order to maximise performance by actively supporting transformation initiatives. Because we value innovation, creativity and inclusion, we respect each other's opinions and perspectives, treat people with dignity and respect and build culturally diverse teams.

COMMITMENT | Working collaboratively

We are committed to the success of the whole and together look for ways to co-operate and support each other even when the immediate benefit is one-way. We value strong networks and working relationships that are underpinned by teamwork, open communication, trust and respect. We invest time and other resources to build and nurture high performing teams.

FIVE YEAR REVIEW

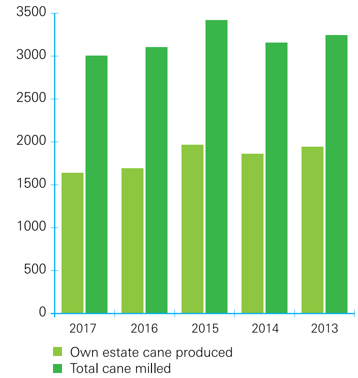
'Million Tons

Sugarcane production

3.0m
(7.36%) ↓ 2013 - **3.3m**

Own estate cane produced

1.6m
(15.6%) ↓ 2013 - **1.9m**



'000 Tons

Sugar sales

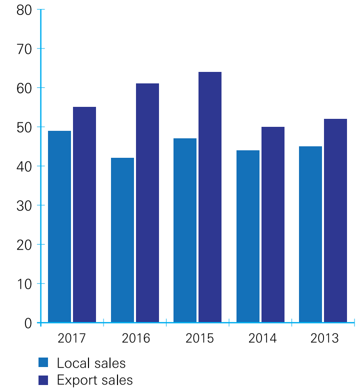
361
(5.99%) ↓ 2013 - **384**

Local sales

153
(3.8%) ↓ 2013 - **159**

Export sales

208
(7.6%) ↓ 2013 - **225**



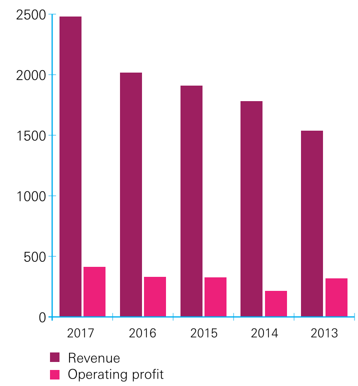
K'billion

Revenue

2.5b
61.6% ↑ 2013 - **1.5b**

Operating Profit

410.5m
29.8% ↑ 2013 - **316.2m**



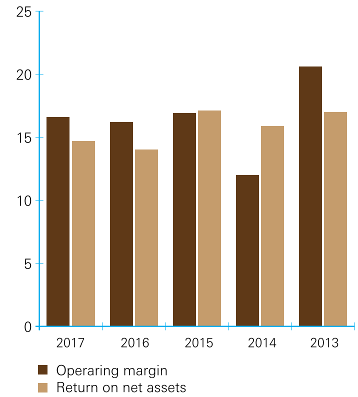
%

Profitability

16.6
(19.6%) ↓ 2013 - **20.6%**

Asset Management

14.7
(13.5%) ↓ 2013 - **17.0%**



PRODUCTION & SALES (Tons '000)	Notes		2017	Restated 2016	Restated 2015	Restated 2014	2013
Own estate cane produced			**1 639**	1 694	1 965	1 863	1 942
Total cane milled			**3 007**	3 102	3 417	3 154	3 246
Sugar production			**359**	380	424	393	404
Cane sugar ratio			**8.38**	8.16	8.06	8.03	8.03
Sugar sales			**361**	381	426	402	384
Local			**153**	184	174	165	159
Export			**208**	197	252	237	225
Molasses sales			**104**	103	111	94	97
Local			**49**	42	47	44	45
Export			**55**	61	64	50	52
FINANCIAL							
Statement of comprehensive income (K'000)							
Revenue			**2 479 348**	2 015 435	1 907 169	1 778 172	1 534 573
Operating profit			**410 508**	327 416	323 034	212 513	316 189
Net financing costs			**(469 791)**	(221 915)	(163 900)	(138 812)	(141 683)
(Loss)/profit before taxation			**(59 283)**	105 501	159 134	73 701	174 506
Taxation			**(814)**	(19 905)	(19 445)	(27 475)	(33 407)
(Loss)/profit for the year			**(60 097)**	85 596	139 689	46 226	141 099
Profit attributable to non-controlling interest			**(6 512)**	(5 461)	(4 216)	(2 955)	(4 277)
(Loss)/profit attributable to shareholders of Zambia Sugar Plc			**(66 609)**	80 135	135 473	43 271	136 822
Other comprehensive income/(loss)			**39 802**	19 938	(7 979)	(33 152)	5 022
Total comprehensive (loss)/income for the year attributable to shareholders of Zambia Sugar Plc			**(26 807)**	100 073	127 494	10 119	141 844
Reconciliation of headline earnings (K'000)							
(Loss)/profit attributable to shareholders of Zambia Sugar Plc			**(66 609)**	80 135	135 473	43 271	136 822
Gain on sale of property, plant and equipment			**-**	-	-	-	(170)
Headline earnings for the year			**(66 609)**	80 135	135 473	43 271	136 652
Statement of financial position (K'000)							
Property, plant and equipment			**1 931 227**	1 826 528	1 325 296	1 312 492	1 219 133
Intangible asset			**67 902**	67 902	67 902	67 902	67 902
Cane roots			**-**	-	-	-	196 552
Current assets			**1 376 091**	1 308 641	939 318	699 591	660 822
Cash and bank balances			**160 365**	77 694	77 884	66 352	47 351
Borrowings			**(1 647 914)**	(1 582 439)	(923 623)	(929 413)	(978 364)
Deferred tax liability			**(127 585)**	(129 091)	(110 551)	(96 955)	(76 813)
Current liabilities			**(816 796)**	(601 169)	(462 912)	(272 043)	(230 193)
Net asset value			**943 290**	968 065	913 313	847 926	906 390
Profitability and asset management							
Operating margin		%	**16.6**	16.2	16.9	12.0	20.6
Return on net assets	1	%	**15.9**	14.0	17.1	15.9	17.0
Liquidity and borrowings							
Current ratio	2	times	**1.9**	2.3	2.3	2.8	3.1
Interest cover	3	times	**0.9**	1.5	2.0	1.5	2.2
Net debt: equity	4	%	**158**	155	93	102	103
Gearing	5	%	**61**	61	48	50	51
Earnings and dividends per share							
Earnings per share	6	ngwee	**(21.04)**	25.31	42.79	13.6	43.22
Headline earnings per share	7	ngwee	**(21.04)**	36.12	44.64	39.00	43.17
Dividend per share	8	ngwee	**-**	-	23.00	20.00	21.60
Dividend cover	9	times	**-**	-	-	-	1.9
Dividend paid		K'000	**-**	47,486	63 314	68 379	65 847
LuSE statistics							
Ordinary shares in issue		'000	**316 571**	316 571	316 571	316 571	316 571
Weighted average number of shares		'000	**316 571**	316 571	316 571	316 571	316 571
Net asset value per share	10	K	**2.98**	3.06	2.89	2.68	2.86
Market price per share at year end		K	**2.70**	4.78	6.00	6.83	5.20
Dividend yield at year end 11%	11	%	**-**	-	3.8	2.9	4.2
Price: headline earnings ratio	12	%	**(12.8)**	13.2	13.4	17.5	12.0

NOTES TO THE FIVE YEAR REVIEW

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.

VALUE ADDED STATEMENT

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, K966.8 million (2016: K846.9 million) was created. Of this amount, K937.5 million (2016: K663.9 million) was distributed to employees, providers of capital and to government. Of the wealth created, 47% (2016: 46%) 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	
		Restated		Restated
	2017 K '000	2016 K '000	2017 K '000	2016 K '000
Wealth created				
Revenue	2 479 348	2 015 435	2 479 348	2 015 435
Dividend income	-	-	26 926	19 804
Paid to growers for cane purchases	(548 690)	(417 223)	(677 819)	(508 302)
Manufacturing and distribution costs	(963 835)	(751 297)	(897 776)	(721 541)
	966 823	846 915	930 679	805 396
Wealth distributed				
To employees as salaries, wages and other benefits	456 517	387 602	437 054	370 878
To lenders of capital as interest	469 791	221 915	482 520	227 583
To shareholders as dividends	4 481	50 781	-	47 485
To government as taxation	6 742	3 580	268	215
	937 531	663 878	919 842	646 161
Wealth reinvested				
Retained (loss)/profits	(66 609)	80 135	(78 805)	67 129
Depreciation	101 829	86 577	94 637	78 766
Deferred taxation	(5 928)	16 325	(4 995)	13 340
	966 823	846 915	930 679	805 396
Amounts paid to government for taxation excludes the following:				
Employees tax deducted from remuneration	71 933	60 534	69 681	59 946
Net VAT amount paid to government	66 137	(29 844)	51 130	(40 521)
Customs and excise duties	11 030	11 352	11 030	11 352
Withholding taxes collected on behalf of government	58 955	32 058	56 754	32 058
	208 055	74 100	188 595	62 835

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it gives me pleasure to present this annual report for Zambia Sugar for the financial year ended March 2017. In the year under review, the business faced some difficulties with local and international economic fundamentals and climate change headwinds adversely affecting the financial performance. Nevertheless, the business made progress in achieving long term strategies.

2017

The challenging operating environment predicted last year became a reality such that we were unable to deliver a strong performance. The year started on a positive note, however, persistent negative economic environment, poor rainfall and power cuts had a significant impact that resulted in the business year closing on a low note.

As a consequence, cane supply was reduced leading to total sugar production decrease of 6% year on year, from 380 000 tons to 359 000 tons. Conversely, refined sugar production increased by 47%, from 44 000 tons to 65 000 tons on the back of the new state-of-the-art refinery that was commissioned on 6th July 2016.

Total revenue, grew by 23% year on year, from K2.02 billion to K2.48 billion by optimising sales into more remunerative markets. Domestic market recorded a 17% drop in sales volumes. This was mainly driven by the generally challenging consumer market conditions and competitive pressure from illegal sugar imports.

Operating profit increased by 25%, from K327.4 million (2016) to K410.5 million (2017). This represents an operating margin of 17%. However, finance costs increased by 112% to K469.8 million on increased borrowings to finance refinery projects and a significant rise in local interest rates leading to a loss after tax of K60.1 million.

Operating profit increased by 25%, from K327.4 million (2016) to K410.5 million (2017)

Operating margin of 17%

Finance costs increased by 112% to K469.8 million leading to a loss after tax of K60.1 million

The commissioning of the state of the art refinery with a refined sugar production capacity of 92,000 tons per annum at a cost of $80 million

I am proud to report a significant achievement at Nakambala - the commissioning of the state-of-the-art refinery with a refined sugar production capacity of 92 000 tons per annum at a cost of $80 million. The refinery was commissioned by His Excellency, President of the Republic of Zambia, Mr. Edgar Chagwa Lungu. The refinery has increased the refined sugar capacity from 44 000 tons to 92 000 tons, and overall increase in sugar production capacity to 450 000 tons. It responds to changing market conditions by refocusing on product quality and mix to satisfy the needs of an increasingly discerning customer base.

Further, it provides the capacity to meet growing demand for refined sugar by industrial customers. The investment underlines our confidence in Zambia's economic growth potential and reaffirms our position as Africa's single largest cane sugar producer. The investment in the refinery fundamentally repositions the business for growth.

During the year, another milestone was the delivering of the first cane harvest to the mill by the Manyonyo Outgrower Scheme under the smallholder development programme. This expanded the participation of smallholders in the sugar cane supply chain.

Future Outlook

I would like to assure all stakeholders; shareholders, customers and others that Zambia Sugar will continue to focus on innovation and investment in our business to the benefit of our shareholders, customers and the wider community.

The business will leverage its competitive advantage in the market by being proactive in meeting the ever changing customer and consumer needs. I am confident that working within the available resources, Zambia Sugar has the capability and the will to overcome challenges that may arise in the future.

I am optimistic about our growth prospects which will be supported by a balance of improved production levels, efficiencies and additional capacity at our new refinery to take advantage of the demand growth in the local and regional markets. I support management's strategic measures on cost optimisation as an effective way of building a thriving business. Driving technical and financial efficiencies remains the business focus for the leadership team.

I am delighted that we are joined on this journey by our new Operations Director Graham Rolfe, who was the General Manager for the Product Alignment and Refinery (PAAR) project. He replaces Marc Pousson who has been assigned a new role within the Illovo group.

Graham Rolfe brings with him over twenty-one years of extensive experience in the sugar industry at senior management level as well as a wealth of project management experience. I would like to thank Marc for the leadership he provided during the planning and implementation of the PAAR Project.

Current indications are that the future outlook for the business is promising. And I wish to thank our shareholders for the continued confidence in the business despite the challenges in the previous financial year. I also wish to express my profound gratitude to fellow directors for their guidance and the employees for their dedication.

Fidelis Mukutha Banda
Board Chairman

BOARD OF DIRECTORS

The Company has a unitary board of directors, which at the start of the year under review, comprised 11 directors but later reduced to 10 directors as one director resigned following an appointment to take up another role within the Illovo Group.

Of the 10 directors, seven are non-executive directors. In accordance with the LuSE Corporate Governance Code the majority of the non-executive directors are independent and are chosen for their business acumen and skills pertinent to the business.

New appointments to the Board are carried out in a transparent manner and are made in accordance with the recommendations of the Nominations committee and, following approval of the Board, are subject to confirmation by shareholders at the next annual general meeting.

The Board responsibilities are set out by a Board Charter which requires that there is an appropriate balance of power and authority on the board. The Board Charter is reviewed annually and during the year under review, the board satisfied its responsibilities in compliance therewith. The Board is responsible for the overall stewardship of Zambia Sugar Plc. The Board's role consists of two fundamental elements: decision making and oversight. The decision making function is exercised through the formulation with management of fundamental policies and strategic goals and the approval of certain significant actions. The oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies. In performing its role, the Board makes major policy decisions, participates in strategic planning, delegates to management authority and responsibility for day-to-day affairs and reviews management's performance and effectiveness.

Principles of good governance are embedded in the way the Board, its sub-committees and the executive committees operate their business. The Board applies integrity, principles of good governance and accountability throughout its activities and each director brings independence of character and judgment to their role.

NON-EXECUTIVE, INDEPENDENT CHAIRMAN

Fidelis M. Banda (65), Zambian | ACIS, FCMA, CGMA, FZICA
Chairman of Nomination Committee

Mr Banda, a seasoned accountant, is Chairman of the Board as well as Chairman of the Nomination Committee. He was appointed to the board in 2001 as a non-executive director. His association with Zambia Sugar started 42 years ago when he was appointed as management trainee and rose through the ranks to become Finance Director/Company Secretary in 1995. He took early retirement in 2002 but was retained on the Board as non-executive director. Mr Banda is also a director of other companies.

NON-EXECUTIVE, INDEPENDENT DIRECTORS

Ami R. Mpungwe (65), Tanzanian | BA (Hons)

Mr Mpungwe brings a wealth of experience gained as a non-executive director of two Illovo subsidiaries; Illovo Sugar (Malawi) Limited and Kilombero Sugar Company Limited in Tanzania. He was appointed director of the company in 2006. He is also a director of a number of other companies in Tanzania and has had over 25 years experience in the Tanzanian Government which included serving as a Deputy High Commissioner accredited to Zambia from 1979 to 1985.

Monica K. Musonda (42), Zambian | LLB, LLM,
Chairman of Remuneration Committee

Ms Musonda was appointed to the Board in July 2015. She holds a Bachelor of Laws degree from the University of Zambia and an LLM from the University of London. After working for the office of the Attorney General of Zambia, she practiced as a lawyer in London and Johannesburg; she was a senior counsel at the International Finance Corporation in Washington and later held several senior legal positions with the Dangote Group in Nigeria. In 2012 she started her own business, Java Foods, in Zambia.
Ms Musonda is a non-executive director on the boards of African Life Assurance (a subsidiary of Sanlam), Dangote Industries Zambia Limited and serves on the Microsoft4Afrika Advisory Council. She is the immediate past chairperson of Kwacha Pension Trust Fund and also sat on the board of The Bank of Zambia (2011-2014). She is a 2013 Young Global Leader (World Economic Forum) and Archbishop Desmond Tutu Leadership Fellow. Forbes Magazine and Africa Investor named her as one of the leading Young Power Women in Business in Africa in 2013 and 2014 respectively.

Dipak K. A. Patel (63), Zambian

Mr Patel was appointed to the Board of Zambia Sugar in 2006. A businessman and chairman of various companies, Mr Patel previously served as Member of Parliament for Lusaka Central Constituency for 15 years and also held ministerial positions during this time including Minister of Trade and Industry. He is an advocate on the need to address Third World poverty through fair trade. In addition, he is a member of the Board of Trustees of the Investment Climate Facility, nominated by the Department for International Development of the United Kingdom.

EXECUTIVE DIRECTORS

Rebecca M. L. Katowa (56), Zambian | BA, MBA, DipM, MCIM, FZIM

Mrs. Katowa is the Managing Director of Zambia Sugar. Before that she served the company as Marketing Director, a position she held for 13 years, having joined the company in 1996 as marketing services manager.
She was appointed to the board in 2002. She holds a Bachelor of Arts degree with double major in Economics, Geography and Library Science from University of Zambia (UNZA), a post graduate Diploma in Marketing from the Chartered Institute of Marketing (UK) and a Masters in Business Administration (MBA) from the Copperbelt University. She is a professional marketer with a track record of delivering strong business performance and building highly engaged teams. She is a member of the Chartered Institute of Marketing (CIM-UK) and a fellow of the Zambia Institute of Marketing.

Henry K. Mambwe (44), Zambian | BSc, FCCA, FZICA

Mr Mambwe was appointed to the board as Finance Director in March 2013. Mr Mambwe is an Accountant with extensive experience in financial reporting. He is a fellow of both the Chartered Association of Certified Accountants (FCCA-UK) and the Zambia Institute of Chartered Accountants (ZICA). Mr Mambwe holds a Bachelor of Science degree in Mathematics obtained from the University of Zambia (UNZA). He worked briefly for Standard Chartered Bank in 1994 before joining Zambia Sugar in 1995 as management trainee in the Finance department. He rose through the ranks occupying various senior positions in the Finance department before being appointed to his current position.

Graham Rolfe (56) South African | B.Sc. Elec Eng, GCC, Pr Eng, MDP

Mr. Graham Rolfe was appointed to the Board in November 2016 following his appointment as Operations Director in October 2016. From 1987 to 1993 he worked in various positions within the power generating industry. He joined the sugar industry in 1993 where he served in various operations roles within the TSB Sugar. He was appointed as General Manager of Komati Mill in 2002. In 2005 he was appointed General Manager of two sugar mills for TSB Sugar. In these positions he served as a member of the TSB Executive Team until 2014. He joined Illovo Sugar in 2014 as General Manager on the Zambia Sugar Product Alignment and Refinery (PAAR) project that was successfully completed in June 2016. During his career he has been involved in a number of projects including the building and expansion of Komati Mill.

NON-EXECUTIVE DIRECTORS

Gavin B. Dalgleish (50), South African | MScChemEng

Mr Dalgleish is the Managing Director of Illovo Sugar (Pty) Limited. He was appointed to the Board of Zambia Sugar in 2012. He assumed the position of Operations Director for Illovo Sugar Limited (ISL) in 2012, and was appointed Managing Director in September 2013. He holds a master's degree in chemical engineering and first joined Illovo in 1988 as a postgraduate student. He has since held a number of technical, business-development, operational and general management positions in Illovo. Most recently he spent three years leading the Australia-based global technology unit of AB Mauri, a yeast business which is a subsidiary of Illovo's holding company, Associated British Foods plc before returning to Illovo in December 2010.

Mohammed H. Abdool-Samad (45), South African | BCom, CA (SA)
Chairman of Audit Committee

Mr Abdool-Samad is the Chairman of the Audit Committee. He was appointed to the Board in 2011 following his appointment as Group Finance Director of Illovo Sugar Limited. He holds a BCom degree and qualified as a chartered accountant in 1996. From 1996 to 2000, he held various managerial positions at Deloitte & Touche. In 2001 he joined Anglo American Plc, providing risk management and treasury audit services. He was appointed Senior Finance Manager of Anglo Coal South Africa in 2005, Chief Financial Officer in 2006, and Chief Financial Officer of Anglo American Thermal Coal in 2009, responsible for Anglo American's global thermal coal assets.

John P. Hulley (56), South African | NatDipMechEng, MDP (General Management)
Chairman of Risk Committee

Mr Hulley is the Chairman of the Risk Committee. He was appointed to the Board in September 2013 following his appointment as Operations Director of Illovo Sugar Limited. From 1978 until 1993 he has served in various positions and, after rejoining the company in 2000, he held various management positions in the company's South African operations, before being appointed General Manager of the company's Swaziland subsidiary, Ubombo Sugar Limited in 2008, and subsequently its Managing Director. He also held management positions in other companies in the sugar industry, including a leading engineering and project management consulting company providing services to the sugar industry and other heavy engineering industries.

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

The year 2016 marked 53 years of Zambia Sugar operations providing half a century of dedicated world class business success at Nakambala Estates. From our humble beginnings in 1964, Zambia Sugar has been on a steady growth path and succeeded year-on-year in improving on shareholders' returns in sometimes challenging business environments.

Our success could be attributed to well formulated strategies, determined growth objectives, mature capabilities and competencies. The fabric of such an agenda comprises of many threads - people, incentives, technology, processes, and other elements such as the knowledge of sugar production and the local economy. These have been woven together carefully in a fashion commensurate with our strategy and resources.

The growth strategy at Zambia Sugar has always been one of not compromising on quality and safety. An efficient sugar production system and effective distribution networks both locally and regionally has assured our growth trajectory.

Sugar production in the 2016/17 season has however reduced by 3% reduction in total cane supply, attributable to the drought conditions experienced between November 2015 and January 2016 and the associated power interruptions which restricted irrigation of the crop. While total sugar production compared to last year decreased by 6% to 359 000 tons, refined sugar production increased by 47%, from

"Our operating profit increased by 25% year-on-year from K327.4 million to K410.5 million, representing an operating margin of 17%."

44 000 tons to 65 000 tons on the back of the good performance of the new refinery which commenced production in May 2016.

Total revenue grew by 23% year-on-year from K2.02 billion to K2.48 billion. In order to maximise revenues from reduced production, we adjusted the export sales mix by reducing bulk EU exports by 74%. Despite the growth in revenue, the domestic market recorded a 17% drop in sales volumes. This was mainly driven by declining disposable income levels, challenging consumer market conditions and competitive pressure from illegal sugar imports.

Our operating profit increased by 25% year-on-year from K327.4 million to K410.5 million, representing an operating margin of 17%. However, increased finance costs associated with the funding of the new refinery and the high interest rate environment experienced in the year under review negatively impacted on our profitability. Borrowings increased by K268.9 million to K1.955 billion, mainly due to the higher working capital requirements and final capital expenditure on the new refinery investment.

As a result, headline earnings decreased by 183% from K80.1 million in 2016 to -K66.6 million in 2017 while headline earnings per share declined by 183% from 25.3 ngwee to -21.0 ngwee. Owing to the major capital investment in the new refinery, increased working capital levels and continued difficult commercial environment, a second interim and final dividend could not be declared.

The company continued to be a significant provider of direct employment amounting to an annual average of 5 200 employees, of which 1 980 are permanent employees. Additionally, more than 10% of Nakambala's total cane supply is sourced from small-holder farmers who have benefited significantly from our strong support.

In terms of wealth creation, the company injected in excess of K967 million (2016: K847 million) into the local economy through payments to amongst others, employees, cane growers and government in the form of direct taxation. In addition, K490 million worth of goods and services excluding cane supply were procured from within Zambia. We remain committed to being a responsible and relevant corporate citizen and continue to contribute meaningfully in the areas of primary healthcare, education, sport and cultural activities.

Sugar cane yields are expected to improve in the 2017/18 season. This is mainly due to good rains in December 2016 through March 2017 and generally favourable climatic conditions. Sugar production is therefore expected to exceed that of the 2016/17 season. The domestic market

Project 400 – on the path to Building a Thriving Business.

conditions are expected to remain challenging however, strong growth is expected in the regional export markets although margins will remain under pressure from declining world market prices. The new refinery positions the business to take advantage of the growth in the local and regional industrial markets. Realisations in these export markets will continue to be influenced by exchange rate movements.

The challenges highlighted above have given rise to a number of strategic interventions designed for the business to withstand any headwinds in the economy.

We took responsibility to have a cost optimisation initiative aimed at resetting the cost base of our business to assist in building resilience needed for continued growth and profitability. This resulted in a cost reset project we have called **"Project 400 –** ***on the path to Building a Thriving Business."***

The cost base reset project alongside other actions and our continuous efforts to implement more stringent budget and resource allocation, will improve our profitability. Project 400 is therefore a harmonized and comprehensive business process designed to help the business achieve its set targets. We are encouraged by relatively stable macroeconomic fundamentals such as inflation, interest and exchange rates which are essential preconditions for growth.

As part of our efforts to support our communities in which we operate, I am happy to report that a step change from corporate social responsibility and social investment is being implemented and well received by stakeholders. The process involves incorporating stakeholder management, particularly engaging with communities and small businesses in our value chain to exploit opportunities that present shared value tenets for sustainability. We seek to create shared value by managing our business interests and risks alongside those of our investment partners, internal and external stakeholders and host communities.

This strategy of creating shared value will focus on enterprise development, including smallholder development, environmental management and creating value through reducing waste and carbon emissions as well as recycling.

Our business has a great foundation to continue to build on; we have a strong culture; we have a shared pride in our performance; we have a successful history; and our footprint remains our strength. I am pleased to report that our people place great value on working together and winning in teams. They share a genuine desire to serve our shareholders and customers and thus we are confident that our strategy is sound.

By executing our strategy well, and making meaningful progress against our priorities, Zambia Sugar is in a good position to achieve our long term business objectives and create longer-term shareholder value.

I now share with you the highlights of our performance in the 2017 report.

Rebecca Katowa
Managing Director

NAKAMBALA EXECUTIVE TEAM

Seated (left to right): Mwansa M. Mutimushi, Rebecca M. L. Katowa and Beatrice M. Mutambo
Standing (left to right): Stuart S. Forbes, Godfrey Mpundu, Chembe Kabandama, Henry K. Mambwe, Graham Rolfe and Anthony H. Domleo

1. Rebecca M. L. Katowa
BA, MBA, DipM, MCIM, FZIM

Managing Director
Responsible to the Zambia Sugar board and shareholders for the delivery of the company's strategic goals and objectives as well as providing leadership across the business functions.

2. Graham Rolfe
BSc - Eng, Pr - Eng, GCC, MDP

Operations Director
Responsible for operations in respect of agriculture and factory operational functions and well as safety, health, environment and quality (SHEQ).

3. Henry K. Mambwe
BSc, FCCA, FZICA

Finance Director
Responsible for financial, performance analysis (operational and financial), internal and external financial reporting, treasury and corporate finance functions, business development and information technology.

4. Beatrice M. Mutambo
BBA, MBA

Human Resources Director
Responsible for human resources policies, staffing and talent management, human resource development and training, industrial relations, retirement funding, compensation and benefits, human resource administration and payrolls, employee welfare and medical services.

5. Chembe Kabandama
MBA, B.Eng, CIMA

Marketing Director
Responsible for sales and marketing operations in respect of domestic and export markets and new market opportunities.

6. Mwansa M. Mutimushi
LLB, AHCZ, ASCZ, LLM MedArb

Company Secretary and Legal Counsel
Responsible for statutory and regulatory company secretarial functions, governance, and overseeing the legal, secretarial, compliance and corporate citizenship functions.

7. Stuart S. Forbes
BTech Mgt, ABP

Supply Chain Manager
Responsible for procurement, inventory, logistics and warehousing.

8. Godfrey Mpundu
BEng (Chem), ALChemE

Factory Manager
Responsible for factory operations and manufacturing.

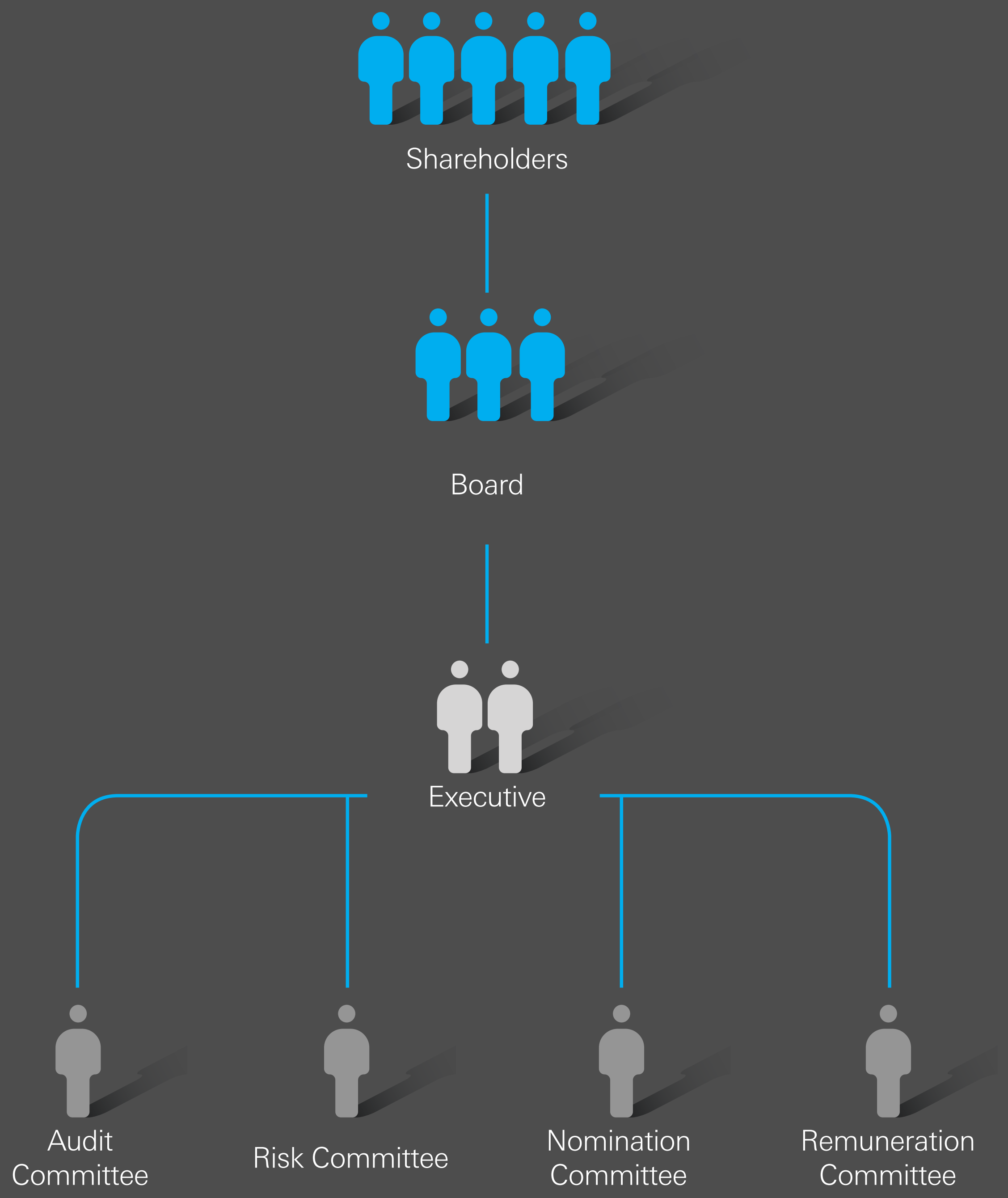
9. Anthony H. Domleo
BCom, NDA

Agriculture Manager
Responsible for agricultural operations and smallholder development.

10. Japhet Banda
Mcom (cum laude) Rhodes, PDEM Rhodes, DJourn

Communication and Corporate Affairs Manager
Responsible for advocacy, sustainability, stakeholder management and corporate communications

GOVERNANCE STRUCTURE



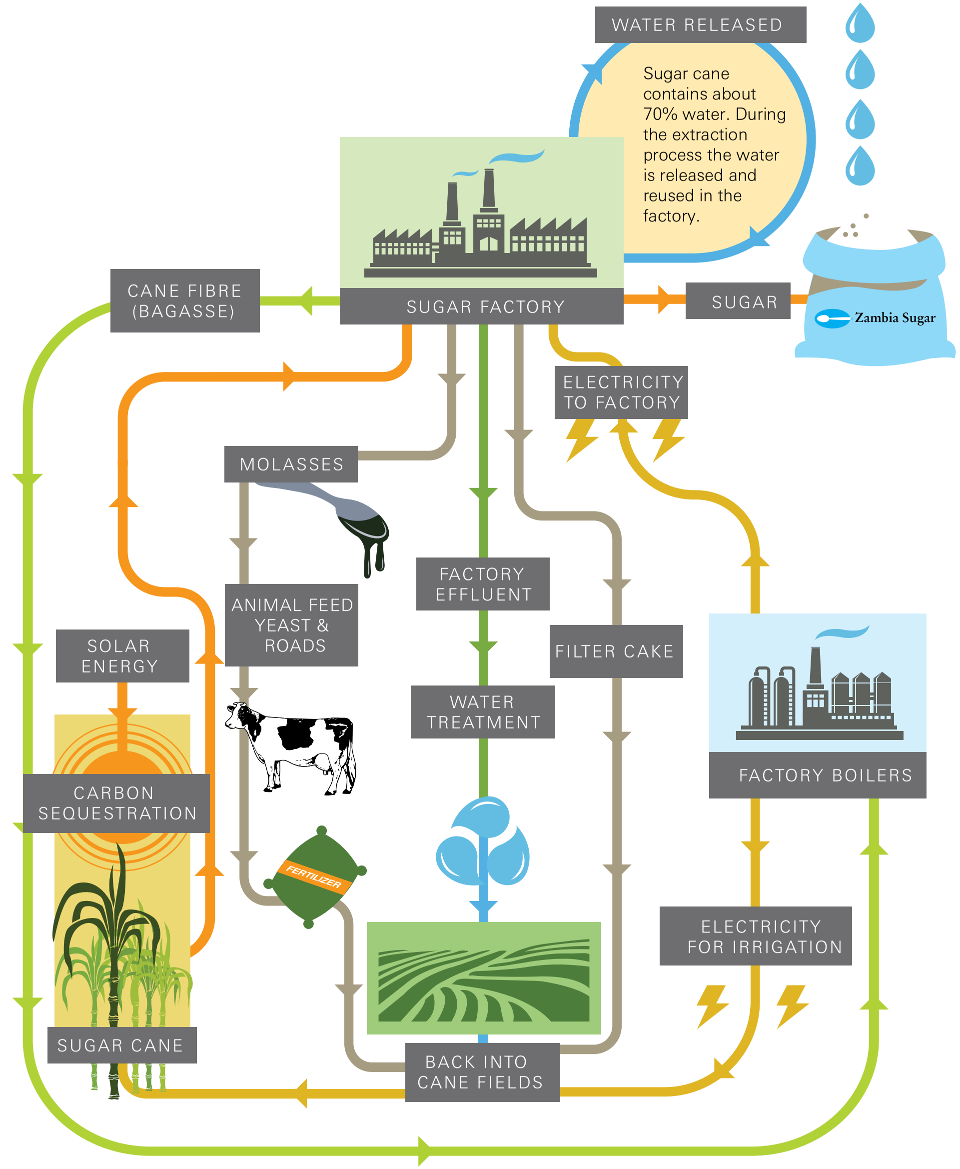
ZAMBIA SUGAR INTEGRATED SUGAR CANE PROCESSING

Integrated sugar cane processing

1. Zambia Sugar's sugar milling complex maximises the use of all input materials with very few waste products.
2. In normal to good conditions, sugar cane contains between 13% and 15% sucrose, which is used in sugar mills to produce household, brown and refined sugar.
3. Cane fibre or bagasse, the fibrous residue following the sugar extraction process, is used as a bio-renewable fuel source in the factory boilers to produce steam for processing requirements and to generate electricity.
4. 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, reducing reliance on external water resources.
5. Organic and non-organic impurities captured in the form of "filtercake" during the manufacturing process are returned to the cane fields for use as a fertiliser.
6. Molasses is a by-product of the sugar manufacturing process. Zambia Sugar sells molasses to farmers to be used as an animal feed supplement and is used as a key ingredient in the manufacture of yeast. It is also used as a dust suppressant on gravel/dirt roads. Molasses is also a rich source of potassium (K) and can be used as a fertilizer and be applied directly to sugar cane fields.

Sugar cane

1. Sugar cane is a large grass variety which grows well in tropical and sub-tropical climates across the globe, absorbing around 18 tCO_2 per hectare per annum.
2. Harvesting in the southern hemisphere takes place between April and December when the cane is 12 to 24 months old (12 months in Zambia).
3. Once harvested, the cane commences a new growing cycle from its existing roots; this re-growth is called a "ratoon". Replanting takes place only every seven to 10 years, minimising soil disturbance and exposure to wind and water erosion.
4. In regions where irrigated cane yields are significantly high such as in Zambia, water for irrigation is sourced from secure and sustainable water resources such as large rivers, lakes and dams within permitted rights of use.



SUSTAINABILITY REPORT

CREATING SHARED VALUE (CSV)

The company continued to support communities through its Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI) initiatives. However, in an effort to create more impact, Zambia Sugar has embarked on a step-change from a CSI focus to a Creating Shared Value (CSV) Strategy, adopting developmental and inclusive approaches to cultivate more value from both employee-related and wider community investments.

The CSV approach involves incorporating stakeholder management, particularly engaging with communities and small businesses in our value chain to exploit opportunities that present shared value tenets for sustainability.

The goal is to enhance:

- Appreciation of company's socio-economic impact on community
- Value chain development
- Measured benefits of stakeholder needs
- Reputational value

The Role of Business in Society has Changed

PHILANTHROPY	CORPORATE SOCIAL RESPONSIBILITY	CREATING SHARED VALUE
▪ Donations to social causes	▪ Compliance with community standards ▪ Good corporate citizenship ▪ Sustainability	▪ Addressing societal need and challenges with a business model
▪ Hand out perpetuates dependency ▪ Good for employee morale	▪ Mitigating risk and harm ▪ Improving Trust and Reputation	▪ Creating capability ▪ Empowering ▪ Drives accountability ▪ Lives on beyond Zambia Sugar

ECONOMIC IMPACT

Zambia Sugar is a driver for economic development in the immediate Mazabuka community as well as national level, with demonstrated direct and indirect impact at socio-economic status of communities. Deliberate empowerment initiatives are undertaken to stimulate wealth creation, poverty reduction and general economic development. The company's interventions involve integration of local entrepreneurs, the enterprise development agenda that promotes small businesses and outgrower development.

Enterprise development

Enterprise development is a key focus for our sustainability strategy, with deliberate actions to promote empowerment programmes that benefit small and medium entrepreneurs in the local Mazabuka economy in particular, and the national economy in general. Underpinning this strategic focus is the outgrower development programme and support to the local business enterprises that are prioritised for supply and contract services through preferential procurement.

In respect of community-based enterprise development capacity building, the company promotes women and youth empowerment initiatives which mobilise these groups to funding organisations to support income generating activities such as gardening, carpentry and other projects. During the year under review, women empowerment programmes benefited 60 community women from 7 groups on the estate while 70 youths were engaged in youth enterprise development activities.

Women empowerment programmes benefited 60 community women from 7 groups

70 youths were engaged in youth enterprise development activities

Outgrower development

Zambia Sugar continues to promote outgrower development, creating wealth for both commercial and smallholder farmers

Manyonyo cane farmers celebrating their first harvest. In the picture, former Minister of Agriculture (now Minister of Justice) Hon. Given Lubinda with Manyonyo Irrigation Company Board members and Zambia Sugar Management.

Manyonyo outgrower scheme

A total of **220 hectares** developed

engaged as cane suppliers. In this regard, the focus has been to support the development of the Manyonyo outgrower scheme, which delivered its first cane during the past year. The scheme targets to develop 595 hectares once fully operational.

293
Local suppliers for the procurement of goods and services with a total value of K490 million

Preferential procurement

The business continues to contribute significantly to the economic growth of the country through the supply value chain. During the year under review, Zambia Sugar directly engaged 293 local suppliers for the procurement of goods and services with a total value of K490 million. In addition, the business procured cane from smallholder schemes and commercial farmers worth K549 million.

SOCIAL IMPACT

K80.7 million
spent on social investments

Employee and community social benefits

The company invests heavily in employee-related social benefits in areas of health, housing, education, infrastructure and municipal utility services. During the year under review, the company spent K80.7 million on social investments outlined above. This is in addition to remuneration to employees amounting to K423 million.

Education

2 000 pupils
+100 teaching staff have benefited

During the year, the company completed CSV projects at Nakambala Basic School and Kabanje Primary School to support educational infrastructure development at the two public schools, benefiting more than 2 000 pupils and 100 teaching staff. Phase One of an electrification and infrastructure upgrade at Kabanje Primary School resulted in the introduction of a night school programme and this has benefited many people from the surrounding communities, while Nakambala Basic School was upgraded to secondary level. Further support towards infrastructure enhancement was extended to St. Patricks Secondary School which has more than 700 pupils. This is in addition to the support of the company-run Nakambala Private School which serves children of employees of Zambia Sugar.

512
People directly benefited from respective wellness programmes

Health and wellness

The company's wellness programmes continue to benefit our employees, and local community members, through the provision of Anti-Retroviral Therapy (ART), Male Circumcision and Prevention of Mother to Child Transmission (PMTCT) services. A total of 512 people directly benefited from the respective wellness programmes. Overall health service delivery is critical in the company's efforts to sustain a healthy community, with spend of over K15 million on health services during the year under review.

British High Commissioner to Zambia Mr. Fergus Cochrane-Dyet (middle) admiring hospital equipment at Zambia Sugar Hospital.

Municipal services

Zambia Sugar provides municipal-type services at Nakambala estate and indirectly to the wider Mazabuka community. The company supplies electricity and treated water to 2 900 households and through this benefits 16 000 people. Bulk water supply to the Southern Water and Sewerage Company (SWASCO) is re-distributed to 6 300 households, benefiting a population of over 34 000 inhabitants of Mazabuka. Sanitation programmes co-ordinated by Zambia Sugar have helped to reduce diarrhoeal diseases in Mazabuka.

Environmental management

Zambia Sugar is a leader in environmental management with investments in world-class best practices, systems and operational facilities and equipment assuring continuing environmental sustainability. These investments help to improve Zambia Sugar's footprint.

The company continues to be recognised for proven environmental stewardship in many respects, with the Zambia Environmental Agency (ZEMA) awarding Zambia Sugar the 2016 Environmental Award for Overall Contribution to Sound Management Practices in Industry. Other awards included the 2016 Best Environmental Awareness and the 2016 Best Renewable Energy Exhibit, awarded at the 90th Agriculture and Commercial Show.

The company collaborated with other stakeholders including WWF, The Nature Conservancy and ZEMA in conducting stakeholder meetings to understand the environmental impact of the company's operations and those of community stakeholders on the Kafue Flats.

Zambia Sugar staff pose for a picture after scooping the 2016 Environmental Awareness Award at the Agricultural and commercial Show in Lusaka.

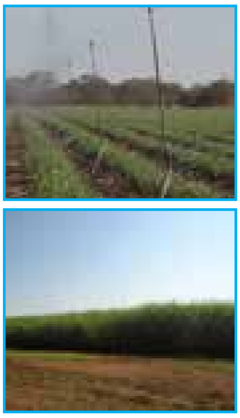
Furrow Irrigation

- Increase in erosive potential of the flow
- Increased level of tail water losses
- Added expense and time to make extra tillage practice

Centre Pivot Irrigation

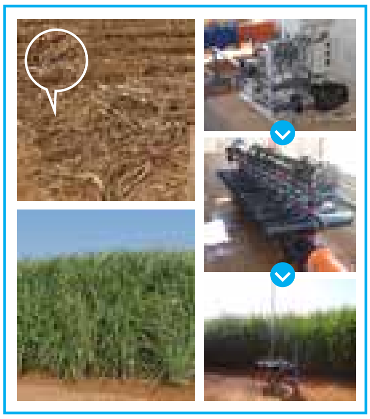
- High initial costs
- Suitable to irrigate long distance
- Crops receive regular and consistent water volumes
- Water loss is minimised

Overhead Sprinkler Irrigation



- Low maintenance cost
- Large area covered
- Sections of the farm land uniformly irrigated

Surface Drip Irrigation



- Fertilizer and nutrient loss is minimized due to localized application and reduced leaching
- Water application efficiency is high if managed correctly
- Recycled non-potable water can be safely used
- Moisture within the root zone can be maintained at field capacity
- Soil erosion is lessened

Water stewardship and irrigation innovations

Zambia Sugar has demonstrated responsibility and leadership in water stewardship in the Kafue basin through responsible practices such as water recycling; monitoring and testing of discharged water after operational utilisation. Water conservation is maximised through the use of efficient irrigation systems, in particular centre pivot irrigation and drip irrigation technology at Nanga Farms. Other efforts are being coordinated through stakeholder activities with partners including the Kafue Flats Joint Action Group (KF-JAG). The focus of this collaboration is the production of the Kafue Flats Status Report, the development of the Kafue Flats Water Strategy and the KF-JAG Action Plan. The engagements have led to the identification of shared value initiatives which are going to be implemented in response to the shared risks to water stewardship in the Kafue basin.

Managing Director - Rebecca Katowa (middle), Finance Director - Henry Mambwe (left) and Zambia Golf Union President Mr Jason Kazilimani with junior golfers during hand over of golf equipment by Sunshine Tour at the Lusaka Golf Club.

Sports development

Zambia Sugar is an active promoter of sports development supporting both community and competitive sports with a focus on youth development. Through support to football, athletics and golf, programmes are tailored to talent identification and skills development. In particular, a partnership with the Zambia Golf Union and Sunshine Tour of South Africa benefited junior golf development programmes in Mazabuka which has led to a contribution of sporting equipment by the Sunshine Tour.

2016 employee Labour Day awards recipients pose for a group picture

HUMAN CAPITAL

Employee Relations

Zambia Sugar's sound internal communication activities with employees were stepped up during the year and review as new initiatives were launched. The activities included face to face engagement with employees and Joint Consultative Committee meetings with the unionised category of employees. Further, the Managing Director's business forum which was traditionally aimed at middle managers was expanded by including first line management and union leaders. The group's Business Understanding Programme (BUP) was also presented to every employee at the company.

Organisational Effectiveness and Talent Management

The staffing of the organisation remained optimal and was effectively aligned with organisational structure. To achieve organisational objectives, we strived to maintain a competent and motivated human resource at all levels. Talent management remained a priority in enhancing competencies of employees.

Remuneration

Zambia Sugar's continuing objective is to provide competitive remuneration packages and conditions of employment to its employees. The Company undertakes and participates in high-profile and broad-based salary surveys in order to compare with the market trends.

Learning and Development

Zambia Sugar is poised for growth sustainability in the ever changing market environment in order to sustain the business in the ever changing market environment. In order to respond to this challenge, retention and development of employees remain key strategies to achieving the needed sustainability. Learning and development also contributed to the retention and realisation of skills development plans thereby enforcing the Company values of empowerment, inclusiveness, accountability, commitment and integrity. To achieve the goals and objectives of the learning and development programmes, we continued to implement group management development programmes and also provided support for tertiary education that enabled individual employees improve their professional qualifications.

Zambia Sugar Finance Director, Henry Mambwe (left) with staff trained as trainers in Money Matters

Diversity and Equal Opportunity

The Company implements policies and procedures that promote equal opportunity and fair treatment of all employees. Further, the company employs a blend of skilled and experienced employees from various backgrounds without discrimination of any form. The Company's policies and procedures are designed to promote diversity and enhance the inclusiveness value.

Occupational Health and Safety

The Company's occupational health and safety programme has been integrated into the performance culture where measurement of performance indicators count side by side with safety and environmental performance. Safety encompasses every aspect of the Company's operations, to the extent that safety factory actually influence the design of work methods.

SAFETY AND HEALTH

The Health, Safety and Environment (HSE) performance was satisfactory at 96% of overall target with targets for leading indicators contributing 65% while lagging indicators contributed 31%. The recorded Health and Safety (HS) incidents were two lost time injuries compared to seven (2016), Seven medical treatment cases (MTC) compared 14 (2016) and 41 first aid cases compared 45 (2016). There were no legal/regulatory breaches, an indication that the system continued to be effective. There was an improvement in the performance of key lagging indicators (reduced number of lost time incidents – LTIFR: to 0.04 in 2017 from 0.07 (2016).

This good performance was attributable to a number of programs that management put in place to mitigate identified Health and Safety risks which included, focus on cardinal rules (working at heights, confined spaces, permit to work, motor vehicles) and Visible Felt Leadership (behavioural audits). Safety bulletins were disseminated weekly to raise awareness among employees on various Health and Safety policies and legal requirements to build a culture where all levels of employees are able to identify, assess and manage hazards in their work places. Audits and inspections were also undertaken to verify compliance to Health and Safety policies, legal requirements and to ensure that the business continues to align with Health and Safety best practices within and outside areas of work.

Environment

The company is subject to environmental regulations in respect of air, land, water, ecology and noise. The company, through its monitoring and performance mechanisms, measures performance against environmental regulations and environmental best practices and reports issues of importance to the HSE Committee and thereafter on to the Board.

There were no contraventions on regulated environmental aspects associated with company operations, vis-à-vis air emissions, hazardous and non-hazardous waste management and ozone depleting substances.

Product responsibility

The company leads the industry, from cane growing to packaging of sugar crystals and storage and distribution, in developing new effective solutions that help us drive operational efficiency to meet customer expectations, product quality, safety and compliance while minimizing environmental impact. We have a responsibility to embed sustainability into every aspect of our operations. We pay careful attention to ingredient responsibility, human health and environmental impact, without compromising performance.

The Food Safety and quality procedures for product start with raw materials. All raw materials are screened for chemicals of concern and each raw material is reviewed for compliance. The company is, further enhancing its quality management system by implementing a food safety management system which meets the requirements of Food Safety System Certification (FSSC) 22000.

Zambia Sugar employees recognised for their commitment to safety practices, pose with trophies during the Target Zero launch at Nakambala.

THE YEAR IN PICTURES

1. President Edgar Lungu meeting with Associated British Foods (ABF) Chief Executive Officer George Weston, Zambia Sugar MD Rebecca Katowa, Illovo Group MD Gavin Dalgleish and Zambia Sugar Chairman Fidelis Banda when the team paid a courtesy call at State House.

2. Zambia Sugar MD Rebecca Katowa,receiving Position for Growth Award for Zambia Sugar at the 2017 AB Sugar Focus Awards.

3. Assistant Production Manager in charge of Refinery, Mr. Alfred Mukisi showing Southern Province Minister Dr. Edify Hamukale some components of the new refinery.

4. President Edgar Lungu reading the inscription on the plaque after commissioning the new state of the art refinery at Nakambala Estate.

5. (R to L) Illovo Group MD, Gavin Dalgleish, Zambia Sugar MD Rebecca Katowa, Zambia Sugar Chairman Fidelis Banda, AB Sugar CEO Mark Carr and Group Operations Director John Hulley intently listen to President Edgar Lungu speech at the Nakambala Refinery commissioning ceremony.

6. Zambia Revenue Authority Commissioner General, Kingsley Chanda touring the refinery during a visit to Nakambala.

7. ABF Chief Executive Officer George Weston, addressing Zambia Sugar outgrowers at Nakambala.

8. Zambia Sugar MD Rebecca Katowa hands over the prize money to the winner of a sales promotion dubbed Beula with Whitespoon.

9. Former Agriculture Minister (now Justice Minister) Hon. Given Lubinda hands over a cane knife to a cane harvesting supervisor to cut the first cane at Manyonyo.

CORPORATE GOVERNANCE REPORT

The Company remains committed to maintaining, promoting and achieving the highest standards of corporate governance and corporate citizenship by adhering to the relevant codes of best practice, principles of fairness, accountability, responsibility, transparency and integrity.

In accordance with its business strategy, the company strives for continuous improvement, recognising that achievement of a long-term sustainable business is dependent on stable, well-functioning and well-governed environmental, social, economic and governance practices.

The Company believes that a corporate culture of compliance with applicable laws, regulations, internal policies and procedures is a core component of good Corporate Governance. Subsequently the Company adheres to the laws applicable to it, to include among others, the Companies Act, Employment Act and Factories Act. The Company draws guidance from the Lusaka Securities Exchange (LuSE) Governance Code. The Company continues to enforce and foster the Declaration of Gifts and the Ethics policies which are in place. In addition to compliance with regulatory requirements, Zambia Sugar Plc. endeavours to ensure that standards of ethical and responsible conduct are met throughout the organisation.

Framework

As a premium company listed on LuSE, the Company has established a formal governance framework by way of adopting comprehensive company policies and guidelines, audit and assurance procedures which ensure compliance with applicable laws and regulation as well as recognized codes of good practice.

Zambia Sugar's operations are guided by the principles contained in the United Nations Global Compact (UNGC), The International Bill of Human Rights and International Labour Organisation (ILO) Declaration on fundamental Principles and Rights at Work.

This report therefore aims to provide an overview of the Company's governance practices. It is comprehensive, albeit to avoid duplicity of information the other relevant information will be contained in the other reports and financial statements that form part of the Annual Report for the year.

The Board of Directors

The Company has a unitary board of directors, which at the start of the year under review, comprised 11 directors but later reduced to 10 directors as one director resigned following an appointment to take up another role within the Illovo Group. Of the 10 directors, seven are non-executive directors. In accordance with the LuSE Corporate Governance Code the majority of the non-executive directors are independent and are chosen for their business acumen and skills pertinent to the business.

New appointments to the board are carried out in a transparent manner and are made in accordance with the recommendations of the Nominations committee and, following approval of the board, are subject to confirmation by shareholders at the next annual general meeting.

The Board responsibilities are set out by a Board Charter which requires that there is an appropriate balance of power and authority on the board. The Board Charter is reviewed annually and during the year under review, the board satisfied its responsibilities in compliance therewith. The Board is responsible for the overall stewardship of Zambia Sugar Plc. The Board's role consists of two fundamental elements: decision-making and oversight. The decision-making function is exercised

through the formulation with management of fundamental policies and strategic goals and the approval of certain significant actions. The oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies. In performing its role, the Board makes major policy decisions, participates in strategic planning, delegates to management authority and responsibility for day-to-day affairs and reviews management's performance and effectiveness.

Principles of good governance are embedded in the way the Board, its sub-committees and the executive committees operate their business. The Board applies integrity, principles of good governance and accountability throughout its activities and each director brings independence of character and judgment to their role.

Chairman and Managing Director Roles

The roles of the Chairman and Managing Director are performed by separate persons, with Chairman being responsible for:

- Providing leadership to the Board in relation to all Board Matters;
- Overseeing the Board agenda and conducting all Board meetings;
- Representing the views of the Board to the public;
- Overseeing and conducting Annual General Meeting (AGM) and other shareholder meetings and;
- Acting as a conduit between the Board and being the primary point of contact between the Board and the Managing Director;
- Keeping the Board informed of all major project proposals by way of specific reports;

The Board Composition

Director	Title	Date of Appointment
Fidelis M Banda	Chairman	17 May, 2001
Rebecca ML Katowa	Managing Director	5 April, 2001
Ami Mpungwe	Non-Executive Director	27 October, 2006
Dipak K A Patel	Independent Non-Executive Director	8 December, 2006
Monica K Musonda	Independent Non-Executive Director	1 July, 2015
Gavin B Dalgleish	Non-Executive Director	29 August, 2012
Mohammed H Abdool-Samad	Non-executive Director	13 March, 2012
John P Hulley	Non-Executive Director	1 September, 2013
Henry K Mambwe	Executive	1 March, 2013
Graham M Rolfe	Executive	9 November, 2016

As at the date of the report, the Board comprised of the Chairman, Managing Director, seven Non-Executive Directors, two of whom are considered by the company to be independent in character and judgement and free from any business or other relations that could materially interfere with the exercise of their judgement. Brief curricula vitae of the directors appear on pages 10-13 of this report.

The Board is satisfied that all of the Directors have sufficient time to devote to their roles and that it is not placing undue reliance on key individuals.

Meetings of the Board

The board has four regular meetings each year and the company's Articles of Association makes provision for decisions to be taken between meetings by way of written resolutions, when required. During the year under review, four meetings were held and attendance was as shown in the table below;

Board Meeting Attendance Schedule 2017

Directors' Name	242nd Board Meeting (4/05/16)	243rd Board Meeting (18/08/2016)	244th Board Meeting (9/11/2016)	245th Board Meeting (17/02/17)	Total Meetings Attended	Total Meetings Held
F M Banda	✓	✓	✓	✓	4	4
GB Dalgleish	✓	✓	✓	✓	4	4
JP Hulley	✓	✓	✓	✓	4	4
GH Williams	✓	✓	✓	**RS**	3	4
MH Abdool-Samad	✓	✓	✗	✓	3	4
AR Mpungwe	✓	✓	✓	✓	4	4
DK Patel	✗	✗	✓	✓	2	4
MK Musonda	✓	✓	✓	✓	4	4
RL Katowa	✓	✓	✓	✓	4	4
GM Rolfe	**BA**	**BA**	✓	✓	2	4
MF Pousson	✓	✓	**RS**	**RS**	2	4
HK Mambwe	✓	✓	✓	✓	4	4

KEY	
✓	Attended
✗	Absent
BA	Before Appointment
RS	Resigned

Board Committees

To assist in exercising its responsibilities, the Board has established four committees:

AUDIT | **RISK** | **REMUNERATION** | **NOMINATION**

The board committees operate under approved mandates and terms of reference, which define their functions and responsibilities. The Company's executive committee meets weekly and serves to assist the board to co-ordinate, guide and monitor the management and performance of the Company. Following each meeting, the committee chair reports to the Board on the committee's activities, and makes such recommendations as are deemed appropriate in the circumstances. Minutes of committee meetings are made available to all directors on a timely basis. Non-executive directors actively participate in all committees.

Audit Committee

The Audit Committee supports the Board in fulfilling its oversight responsibility with regard to financial reporting, the system of internal controls and the process for monitoring compliance with laws and regulations. It is composed of three members, all of whom are independent of management.

The head of the Internal Audit function reports at the Audit committee meetings and has unrestricted access to the chairperson of the Audit committee. The department has a robust and continuing training programme.

As a consequence of the foregoing, the Board has satisfied itself of the effectiveness of the Audit Committee's input to the business and therefore deems appropriate the composition of the Audit committee.

Audit Committee Attendance Schedule

Name	Category	May Audit Meeting (4/05/16)	Oct/Nov Audit Meeting (9/11/16)
MH Abdool-Samad	Non-Executive Chairman	✔	✔
AR Mpungwe	Non-Executive Director	✔	✔
GH Williams	Non-Executive Director	✔	✔

KEY

✔ Attended

Risk Committee

The Risk Committee is responsible for reviewing the company's risk philosophy, strategy and policies; ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the company's risk management function; ensuring the implementation of an on-going process of risk identification, mitigation and management; ensuring the establishment of a comprehensive system of controls, pursuing measures for increasing risk awareness, reviewing significant legal matters, reviewing adequacy of insurance coverage and providing reports to the Board.

During the year under review, the committee satisfied its responsibilities.

Risk Management Committee Attendance Schedule			
Name	**Category**	**August 2016 Meeting**	**February 2017 Meeting**
JP Hulley	Non-Executive Chairman	✓	✓
AR Mpungwe	Non-Executive Director	✓	✓
GB Dalgleish	Non-Executive Director	✓	✓
MH Abdool-Samad	Non-Executive Director	✓	✓
RML Katowa	Executive Director	✓	✓

KEY

✓ Attended

Remuneration Committee

The Remuneration Committee provided oversight over the remuneration and compensation for senior management so as to retain and motivate them to perform at the level of the quality required. The committee is chaired by an independent non-executive director.

Remuneration Committee Attendance Schedule		
Name	**Category**	**May 2016 Meeting**
MK Musonda	Non-Executive Independent Chairperson	✓
GB Dalgleish	Non-Executive Director	✓
AR Mpungwe	Non-Executive Director	✓

KEY

✓ Attended

Nomination Committee

The Nomination Committee gives consideration to the composition of the Board and board committees and makes appropriate recommendations in this regard to the Board.

Nomination Committee Attendance Schedule		
Name	**Category**	**June 2016 Meeting**
FM Banda	Non-Executive Independent Chairman	✓
GB Dalgleish	Non-Executive Director	✓
RML Katowa	Executive Director (Also Managing Director)	✓

KEY

✓ Attended

Retirement and Election of Directors

It is the Board's policy that new directors are subject to confirmation at the first opportunity following their appointment. All directors, excluding the Managing Director are subject to retirement and re-election on a rotational basis with one-third of the board being re-elected annually. This is in accordance with Section 206 (5) of the Companies Act.

Performance Evaluation of the Board

The board will continue to implement necessary changes to enhance its performance.

Board Induction and Development

Newly appointed directors are taken through the Company's Articles of Association, the Board Charter, Codes of conduct, policies, listing regulations and applicable Acts such as Companies Act and Securities Act. They follow a tailored induction programme facilitated by the Company Secretary which includes a scheduled trip to tour the factory and other head office operations.

Company Secretary

The Company Secretary is responsible for implementing and sustaining high levels of corporate governance and keeps abreast of legislation, regulations and corporate governance developments which may impact on the business. All Directors have direct access to the Company Secretary.

Staff Development, Training and Information Technology

Zambia Sugar Plc. is committed to staff development and training as this is a key ingredient to continued and improved operations.

The Company places emphasis on information technology as key in its strategy of delivering quality products which are the first choice of our customers and consumers. To this end, the Company has over the last two years, invested in the automation of all key processes from raw and packaging material receipts to manufacturing, sales and distribution and payment systems for our goods and services. All the outlying Depots, in the country, are connected via satellite.

Stakeholder Relations

Zambia Sugar Plc. places considerable importance in maintaining active investor relations through open, fair and transparent communications. The Company ensures timely dissemination of information to its investors and other stakeholders through various media. A dedicated shareholders unit through the Transfer Secretaries is responsible for active interaction with the shareholders. The Company goes beyond the unit and organises a shareholders day every year to augment and harness the relationship with the shareholders.

The Board considers the AGM key in providing shareholders with the opportunity to ask the Board and chairperson of the Audit committee questions concerning the affairs of the Company. Accordingly, all legal and regulatory requirements, notices and information are released in advance to shareholders, regulators, stock exchange and Company websites. To this end, the Company ensures copies of the Annual Report and Accounts are made available before the AGM to ensure the shareholders have insight of the business performance.

Internally the Board and Management consider effective communication crucial to the success of the business. To this effect, the Communication and Corporate Affairs department produces a quarterly magazine which is circulated to all employees. The magazine highlights key issues affecting the business including financial performance, corporate governance, risk management, human resource, production, sales and distribution

Internal Auditors

Zambia Sugar has an internal audit function designed to add value to the Company and improve operations.

The Internal Audit function provides an independent assurance service to the board, the audit committee and management. The Internal audit function is formally defined and generally seeks to assist the Company accomplish its objectives and the effectiveness of the governance, risk management and control processes that management has put into place. The head of the internal audit function attends the audit committee meetings and has unrestricted access to the chairperson of the audit committee.

External Auditors

External Auditors are appointed by the shareholders and are subject to reappointment at the AGM. The current external auditors of the Company are Deloitte & Touche. As a reassurance, Deloitte & Touche confirms in a formal report to the Audit committee that processes to ensure compliance with the policy are in place and that these processes are monitored regularly.

The Company together with External Auditors ensures that quality and independent audits are undertaken through regular and systematic audit planning and also rotation of client staff engaged on the audits.

ORGANISATIONAL INTEGRITY

In its continued efforts to foster integrity within the organisation, the Company continues to enforce the Ethics policy and encourages all employees to make a declaration of their assets and/or business involvements' every year.

Employees are also encouraged to declare all the gifts received in the course of employment by way of a gift register.

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 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, with the aid of self-assessment audit checklists. The independent external auditors, through the audit work they perform, confirm that the above mentioned monitoring procedures are being effectively applied.

Nothing has come to the attention of the Directors or the independent external auditors to indicate that any material breakdown in the functioning of above mentioned 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

The Company has in place a Tip-Offs Anonymous ("Hotline"), inviting people from within and outside the Company to anonymously report any wrongdoings. The service is operated by independent forensic accountants, and all matters arising are then appropriately investigated and reported upon.

Anti Bribery and Corruption

The Company has rolled out an Anti-Bribery and Corruption (ABC) policy. The ABC policy is embedded in the Company's operations and widely disseminated, with employees required to assent that they understand and abide by the provisions of the policy. Appropriate ABC training for employees is on-going and visibility of the policy is sustained in communication briefs. The Company has embarked on embedding the relevant ABC provisions in supply agreements and suppliers, transporters, sugar distributors and agents are required to assent to these provisions. The Company liaises with the national Anti-Corruption Commission (ACC) where required.

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 competition requirements of the Competition and Consumer Protection Act, No. 24 of 2010 and all relevant employees make annual declarations confirming that they were not involved in any anti-competitive practices. The Company has recourse to the group Company secretary and external legal advice on matters of legal compliance.

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.

Share Dealing

In terms of the Company's Code of Conduct for Dealing in Securities, the directors and Company Secretary are required to obtain clearance from either the Chairman or Managing Director before dealing in the securities of the company. Additionally, the Company has a formal Share Dealing policy approved by the Board and implemented by the Company Secretary.

Market Disclosure

The Company prepares interim and final results as required by Lusaka Stock Exchange and Securities and Exchange Commission (SEC) rules and also prepares a detailed narrative statement to accompany the results. Our results are disseminated widely through the LuSE, newswires and our own distribution lists.

Controlling Shareholder

The Company's controlling shareholder has continued to reduce its holding in Zambia Sugar Plc. towards the LuSE required level of 75% or 25% free float. At the date of the report the company had met its compliance with only 1.4% of the shares to be disposed of but are held in the Central Securities Depository.

Compliance Status of Luse Corporate Governance Rules

ZAMBIA SUGAR COMPLIANCE SCHEDULE										
Category	Total Rules	Applicable to Zambia Sugar	Non Applicable to Zambia Sugar	Full Compliance	Partial Compliance	Non Compliance	%N/A	%FC	%PC	%NC
General Matters	15	15	-	15	-	-	-	100	-	-
Chairman and CEO	5	4	1	4	-	-	20	80	-	-
Executive and NEDs	4	4	-	4	-	-	-	100	-	-
Directors' Compensation	9	9	-	9	-	-	-	100	-	-
Share and Share dealings	4	4	-	4	-	-	-	100	-	-
Board meetings	4	4	-	4	-	-	-	100	-	-
Board evaluations	1	1	-	-	-	1	-	100	-	-
Company Secretary	4	4	-	4	-	-	-	75	-	-
Board committees	10	10	-	9	-	1	-	100	-	10
Legal and compliance	2	2	-	2	-	-	-	100	-	-
External audit	7	7	-	7	-	-	-	100	-	-
Internal audit	12	12	-	12	-	-	-	100	-	-
Risk	7	7	-	7	-	-	-	100	-	-
Integrated sustainability reporting	7	7	-	7	-	-	-	100	-	-
Disclosure and Stakeholder Reporting	4	4	-	4	-	-	-	100	-	
Organisation integrity	6	6	-	6	-	-	-	100	-	
	101	100	1	97	0	2	1	98	-	1

Summary of areas that are not fully compliant or inapplicable

Areas of Non-Compliance

i. No annual review of committees' terms of reference

Areas not applicable

ii. If the role of the chairperson and chief executive are performed by the same person;
   a. The board must have an independent director as deputy chairperson
   b. There must be a complement of independent directors sufficiently involved in the annual evaluation of the chairperson's performance

Mwansa M. Mutimushi
Company Secretary
30 May 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 March 2017

FINANCIAL CONTENTS

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report which forms part of the annual financial statements of the Zambia Sugar Plc for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the growing of sugar cane and the production of sugar and other speciality products for sale into domestic and export markets.

The details of the company's business and postal addresses are:

Business Address
Plot No. 118a,
Lubombo Road,
Nakambala Estate,
Mazabuka, Zambia

Postal Address
P.O. Box 670240,
Mazabuka,
Zambia

REVIEW OF OPERATIONS

Agriculture

Total sugar cane production for the year amounted to 3 006 939 tons, an increase of 1.3% above the original estimate of 2 967 606 for the season and 3.1% below the 2015/16 season's production of 3 101 726 tons of cane. Out-growers supplied a total of 1 368 392 tons. Of this the smallholder schemes contributed 311 124 tons of cane representing 10.3% of the total cane supply.

Cane and sucrose yields remained depressed due to drought conditions experienced between November 2015 and January 2016, and associated power interruptions which restricted irrigation. Cane yields were also negatively impacted upon by the infestation of yellow sugar cane aphids and black maize beetles brought about by the dry conditions.

Production

Total sugar production decreased by 5.6% year on year, from 380 433 tons to 359 275 tons, corresponding with the reduced cane supply. Conversely, refined sugar production increased by 47%, from 44 283 tons to 65 210 tons on the back of the new state-of-the-art refinery that commenced production on 30 May 2016.

Continuous Improvement

Embedding the continuous improvement best practices in various sections at Zambia Sugar has laid a solid foundation for improved production performance, innovation and cost reduction initiatives. The Sales and Operations Planning (S+OP) best practice continues to align the value chain to maximise profit and deliver a quality product and services to the customer. There were a number of profit improvement projects recorded during the year across the entire business in line with the cost reduction and revenue enhancement focus.

Marketing

Total revenue, grew by 23% year on year, from K2.02 billion to K2.48 billion. In order to maximise revenues from reduced production, the export sales mix was adjusted favourably by reducing bulk EU exports by 74%. Despite the growth in revenue, the domestic market recorded a 17% drop in sales volumes. This was mainly driven by declining disposable income levels as well as pressure from illegal sugar imports. Molasses sales were favourably impacted mainly due to strong demand in the domestic market.

Human Resources

The company continued to be a significant provider of employment, with an average workforce of 5 200 during the year, including 1 980 permanent employees with the seasonal workforce peaking at 4 500. In terms of wealth creation the company injected in excess of K967 million (2016: K847 million) into the local economy through payments to amongst others, employees, cane growers and government in the form of direct taxation.

Prospects

Early season sugar cane yields are promising and are expected to better those achieved in the 2016/17 year. This is mainly due to good rains in December 2016 through March 2017 and generally favourable climatic conditions. Sugar production is therefore expected to exceed that of the 2016/17 season.

The domestic market conditions are expected to remain challenging. Strong growth is expected in the regional export markets although margins will remain under pressure from declining world market prices.

The new sugar refinery will help the company take advantage of the growth in the local and regional industrial sugar markets. Realisations in these export markets will continue to be influenced by exchange rate movements.

Total revenue,
grew by
23%

1980
Permanent employees

Average workforce of
5200

FINANCIAL RESULTS

The Group's results are as follows:

Group	Notes	2017 K'million	2016 K'million
Revenue	5	2 479	2 015
Operating profit	6	411	328
Net financing costs	7	(470)	(222)
(Loss)/profit before taxation		(59)	106
Taxation	8	(1)	(20)
(Loss)/profit for the year		(60)	86
(Loss)/profit attributable to:			
Non-controlling interest		7	6
Shareholders of Zambia Sugar Plc		(67)	80
Earnings per share (ngwee per share)	9	(21.0)	25.3

DIVIDENDS

Owing to the major capital investment in the new refinery, increased working capital levels and continued difficult commercial environment, a second interim and final dividend has not been declared.

DIRECTORATE AND SECRETARY

The names of the directors and the Company Secretary in office at the date of this report are reflected below:

Fidelis M. Banda	Independent Chairman
Ami R. Mpungwe	Non-Executive Independent Director
Dipak K. A. Patel	Non-Executive Independent Director
Monica K. Musonda	Non-Executive Independent Director
Gavin B. Dalgleish	Non-Executive Director
Mohammed H. Abdool-Samad	Non-Executive Director
John P. Hulley	Non-Executive Director
Rebecca M. L. Katowa	Managing Director
Henry K. Mambwe	Finance Director
Graham M. Rolfe	Operations Director
Mwansa M. Mutimushi	Company Secretary

Appointments and Resignations

During the year under review the following changes were made:

Mr. Marc F. Pousson resigned from the Board on 30 September 2016 to take up another role within the Illovo Group. He was replaced by Mr. Graham M. Rolfe who was appointed Operations Director on 1 October 2016. Mr. Guy H. Williams resigned from the board as a non-executive director, effective 1 February 2017, to take up another role within the Illovo Group.

Directors Interests

None of the directors had any interest in any contract with the group during the year under review. The Directors that held beneficial interests in the issued ordinary share capital of the company as at 31 March 2017 were as follows:

	2017	2016
	No. of shares	No. of shares
Fidelis M. Banda	7 176	7 176
Henry K. Mambwe	2 500	2 500

PROPERTY, PLANT AND EQUIPMENT

The significant additions to property, plant and equipment during the period under review related to the following additions:

	2017	2016
	K'000	K'000
Leasehold land, plant & machinery, vehicles and furniture and fittings	174 107	34 441
Increase in cane roots (bearer plants)	27 039	24 872
Capital work in progress	15 023	529 381
	216 169	588 694

During the year, assets valued at K216 million were added to property, plant and equipment as capital work in progress. Of this, K174 million was completed and transferred to the relevant category of assets. Cane roots are now being accounted for under property, plant and equipment in accordance with the amendments made to IAS 41 Agriculture and IAS 16 Property, Plant and Equipment and during the year, K27 million was added in respect of cane roots.

SHARE CAPITAL

A detailed analysis of the shareholding is shown below:

Range	Number of Holders	Number of shares	%
1 - 1 000	2 491	870 149	0.3
1001 - 5 000	593	1 306 207	0.4
5 001 - 10 000	124	890 860	0.3
10 001 - 100 000	110	3 436 191	1.1
100 001 - 1 000 000	19	7 782 113	2.4
> 1 000 001 - 100 000 000	8	60 398 888	19.1
> 100 000 001	1	241 886 977	76.4
Totals	3 346	316 571 385	100.0

Classification	Number of Holders	Number of shares	%
Illovo Group Holdings Ltd	1	241 886 977	76.4
Pension Funds	51	57 046 414	18.0
Local Companies	76	12 951 963	4.1
Local Individuals	2 844	3 774 394	1.2
Foreign Individuals	344	744 722	0.2
Foreign Companies	30	166 915	0.1
Totals	3 346	316 571 385	100.0

Significant Shareholding

As at 31 March 2017, the Company has the following notable interests in its ordinary share capital:

	Number of Shares	%
Illovo Group Holdings Limited	241 886 977	76.4
National Pension Scheme Authority	30 788 021	9.7

Other than the shareholdings listed above, the directors are not aware of any individual shareholding that exceeds 5% of the issued share capital.

The Lusaka Stock Exchange (LuSE) regulations require that all listed companies must have a minimum of 25% of its shares held by public investors in terms of a free-float. As a result Illovo Group Holdings Limited (IGHL) reduced its shareholding in Zambia Sugar Plc from 81.55% to 76.40% in September 2014.

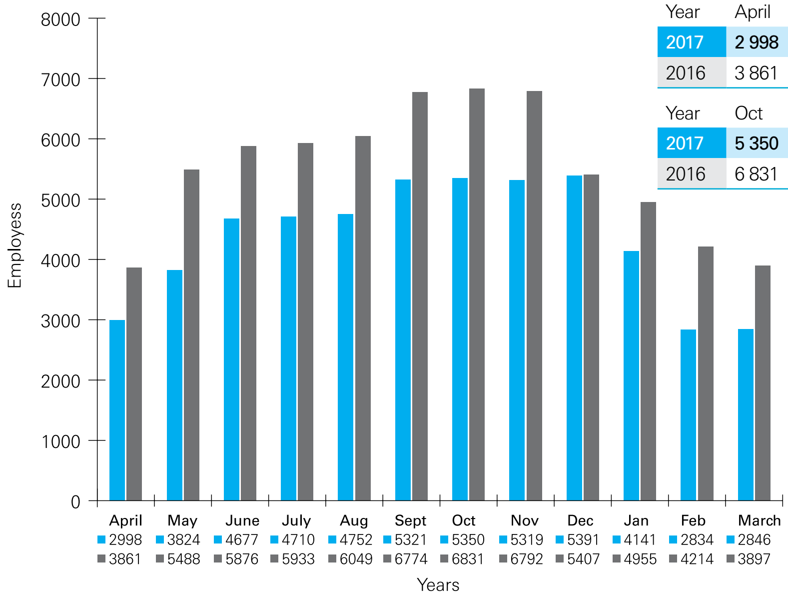
The shares were offered and sold to local Zambian institutional investors. As agreed with the LuSE, the remaining 1.4% is being held in a separate account in the LuSE Central Securities Depository and IGHL has waived its voting rights on these shares.

EMPLOYEES

The average number of employees employed in each month of the year under review was as follows:

Year	April	May	June	July	Aug	Sept
2017	2 998	3 824	4 677	4 710	4 752	5 321
2016	3 861	5 488	5 876	5 933	6 049	6 774

Year	Oct	Nov	Dec	Jan	Feb	Mar
2017	5 350	5 319	5 391	4 141	2 834	2 846
2016	6 831	6 792	5 407	4 955	4 214	3 897



The total remuneration paid in respect of the above employees was K457 million (2016: K388 million).

EXPORTS

The value of products exported by the group during the year was K1.151 billion (2016: K754 million).

DONATIONS

The Group made donations to the value of K257 000 (2016: K219 000) in respect of various charitable activities. No donation was of a political nature.

HEALTH AND SAFETY

The Group has a formal health and safety policy approved by the board and is designed to provide a safe working environment.

The policy has a strong focus on a safety culture, supported by training and development programs. Strong performance was recorded in safety in 2016, with a key measure, the Lost Time Injury Frequency (days free) Rate (LTIFR), recorded at 0.04.

The Group provides education and healthcare services to its employees.

ENVIRONMENT

The Group has a formal environmental management policy, approved by the board, which prescribes the procedures and practices to be followed to achieve minimum environmental impact.

The regulated environmental aspects associated with the Group's operations, vis-à-vis air emissions, hazardous and non-hazardous waste management and ozone depleting substances were monitored to achieve compliance with Zambia Environmental Management Agency (ZEMA) licence conditions and international best practices.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

In order to optimise the return from existing installed capacity, the Group continues to benefit from well-established resources from within the Illovo group, which provide technical expertise in agricultural and sugar production and downstream product manufacturing to all group operations.

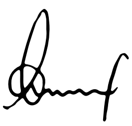
A centralised core of expertise exists to ensure technical standards are optimised and maintained for both existing equipment and new agricultural and factory installations, and to keep abreast with technological innovations. Benchmarking to improve productivity and reduce unit costs is a major area of attention in all operations, with additional resources recently having been allocated to enhance operational performance and benchmarking across the Illovo group.

AUDITORS

Messrs Deloitte & Touche will retire as auditors of the group at the forthcoming Annual General Meeting. Having expressed their willingness to continue as the group's auditors, a resolution proposing their re-appointment and authorising the directors to determine their terms and remuneration will be proposed at the Annual General Meeting.

CHANGE OF FINANCIAL YEAR END

On 28 June 2016, Associated British Foods plc (ABF) acquired all the remaining ordinary shares in Illovo Sugar Ltd. ABF now holds 100% of the issued share capital of Illovo Sugar (Pty) Limited and therefore has an effective ownership interest of 76.4% in the Company. Flowing from this acquisition the financial year end of companies in the Illovo Group is to be aligned with that of ABF. Accordingly the next reporting period of the company will cover the five months to 31 August 2017. Thereafter the Company will report to shareholders annually as at 31 August. The necessary approvals for this change have been obtained.



By Order of the Board
Mwansa Mulumba Mutimushi
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended). In addition, the Directors are responsible for the preparation of the directors report. The independent external auditors, Messrs Deloitte & Touche, have audited the annual financial statements and their report is set out on pages 47 to 51.

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.

These consolidated and separate financial statements are prepared on the going concern basis. Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the loss of the Group and the Company for the financial year ended 31 March 2017;
- 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 2017;
- 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 Group accounts are drawn up so as to give a true and fair view of:
  (i) the loss of the Company and its subsidiary for the financial year.
  (ii) the state of affairs of the Company and its subsidiary as at the end of the financial year; and
- the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended).

The financial statements of the Group and the Company which were prepared on the going concern basis were approved by the board of Directors on 30 May 2017 and are signed on its behalf by:

Fidelis M Banda
Chairman

Rebecca Katowa
Managing Director

INDEPENDENT AUDITOR'S REPORT
to the members of
Zambia Sugar Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Zambia Sugar Plc and its subsidiary ("the Group") set out on pages 52 to 107, which comprise the consolidated and separate statement of financial position as at 31 March 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Zambia Sugar Plc as at 31 March 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 1994 (as amended).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Zambia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Biological Assets</td><td></td></tr>
<tr><td>Under IFRS, the Group is required to fair value its biological assets.</td><td>In considering the appropriateness of the valuation of biological assets, the audit team performed various procedures, including but not limited to the following:</td></tr>
<tr><td>Growing Cane:

As disclosed in note 17, the carrying value of the growing cane balance amounted to K418.7 million. The value of growing cane is based on the estimated sucrose content of the growing cane, which is then valued at the estimated sucrose price for the following season less the estimated costs for harvesting and transport. Significant management judgement is required in estimating the expected cane yield, the average maturity of the cane, the estimated sucrose content, exchange rates and the estimated sucrose price for the various markets.

Accordingly the carrying value of growing cane is considered to be a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the carrying value.</td><td>▪ Assessed the design and implementation of the controls around the valuation of the biological assets.
▪ Assessed the appropriateness of the principles used in the valuation of growing cane, and analysed the significant assumptions used by management in their valuation models.
▪ Tested a selection of data inputs underpinning the carrying value of growing cane, including estimated cane yields, mill operational efficiencies, estimated sucrose content, estimated sucrose prices, exchange rates within the Group's various markets, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof.</td></tr>
<tr><td>Cane roots:

Illovo adopted the amendments to IAS 41: Agriculture relating to bearer plants. Illovo's cane roots meet the definition of bearer plants and can therefore no longer be measured at fair value in terms of IAS 41. Cane roots are now measured in accordance with IAS 16: Property, Plant & Equipment using the cost model, less accumulated depreciation and impairment losses.

The change in policy led to the restatement of prior year figures, as required under IAS 8: Changes in accounting policies, estimates and errors. These revisions have been effected by management appropriately.</td><td>▪ Assessed the design and implementation of the controls around the valuation of the biological assets.
▪ Assessed appropriateness of the prior year historical costs regarding the change in accounting policy.
▪ Assessed the appropriateness of the revised cane roots accounting policy in accordance with IAS 16: Property, Plant and Equipment.
▪ Recalculated the revised cane roots carrying amount and the adjustments made to the financial statements. (as restated)
▪ Reviewed appropriateness of disclosures made in note 29 relating to the change in accounting policy.</td></tr>
</table>

Value added tax refunds	
Note 19 includes K137 million relating to Input VAT claims.	Our audit work involved the evaluation of the recoverability of the vat claims withheld.
From August 2013, the Zambia Revenue Authority ("ZRA") has been withholding refunds of input VAT to the Group pending production of import certificates issued by customs authorities in the countries of export destination. The Group has had difficulties in obtaining the required proof of export, especially to the Democratic Republic of Congo ("DRC").	▪ Involved our tax specialists in the interpretation and extent of the Group compliance with claim rules. ▪ Reviewed correspondence between ZRA and the Group. ▪ Reviewed refunds received during and after the year-end and up to the date of this report.
Because of the practical challenges of complying with rules concerning proof of export, companies have directly, or through various trade associations, been holding discussions with the Government with the view to streamlining the claim process.	▪ Held discussions with management and those charged with governance with particular consideration and challenge given to the judgements taken in relation to the basis on which they considered the amounts recoverable.
We considered this as a key matter as the amounts withheld by the ZRA are significant to the financial statements as a whole.	Based on our procedures, we consider management's key assumptions used to be reasonable.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report, sustainability report and the corporate governance report, which we obtained prior to the date of this auditor's report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of 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 have been properly kept in accordance with the Act.

Deloitte & Touche

F.M. Nchimunya (PC. NO. F000154)
PARTNER
DATE: 10 July 2017

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2017

		Group		Company	
			Restated		Restated
		2017	2016	2017	2016
	Notes	K'000	K'000	K'000	K'000
Revenue	5	**2 479 348**	2 015 435	**2 479 348**	2 015 435
Cost of sales		**(1 450 083)**	(1 029 168)	**(1 493 728)**	(1 072 863)
Gross profit		**1 029 265**	986 267	**985 620**	942 572
Other (losses)/gains		**(35)**	606	**(35)**	606
Distribution expenses		**(264 478)**	(353 886)	**(264 478)**	(353 886)
Administration expenses		**(354 244)**	(305 571)	**(349 045)**	(300 829)
Operating profit	6	**410 508**	327 416	**372 062**	288 463
Dividend income		**-**	-	**26 926**	19 804
Net finance costs	7	**(469 791)**	(221 915)	**(482 520)**	(227 583)
Interest paid		**(469 932)**	(222 113)	**(482 638)**	(227 753)
Interest received		**141**	198	**118**	170
(Loss)/profit before taxation		**(59 283)**	105 501	**(83 532)**	80 684
Taxation	8	**(814)**	(19 905)	**4 727**	(13 555)
(Loss)/profit for the year		**(60 097)**	85 596	**(78 805)**	67 129
Other comprehensive (loss)/income					
Items that may be reclassified to profit or loss in subsequent years:					
Adjustments in respect of cash flow hedges		**44 224**	22 153	**44 224**	22 153
Taxation effect of cash flow hedges		**(4 422)**	(2 215)	**(4 422)**	(2 215)
Other comprehensive income for the year net of income tax		**39 802**	19 938	**39 802**	19 938
Total comprehensive (loss)/income for the year		**(20 295)**	105 534	**(39 003)**	87 067
(Loss)/profit for the year attributable to:					
Shareholders of Zambia Sugar Plc		**(66 609)**	80 135	**(78 805)**	67 129
Non-controlling interest		**6 512**	5 461	**-**	-
		(60 097)	85 596	**(78 805)**	67 129
Total comprehensive (loss)/income for the year attributable to:					
Shareholders of Zambia Sugar Plc		**(26 807)**	100 073	**(39 003)**	87 067
Non-controlling interest		**6 512**	5 461	**-**	-
		(20 295)	105 534	**(39 003)**	87 067
Earnings per share (ngwee per share)	9	**(21.0)**	25.3	**(24.9)**	21.2

Certain amounts shown above do not correspond to the 2016 financial statements and reflect adjustments made. Refer to note 29.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2017

	Notes	Group 31 March 2017 K'000	Group Restated 31 March 2016 K'000	Group Restated 1 April 2015 K'000	Company 31 March 2017 K'000	Company Restated 31 March 2016 K'000	Company Restated 1 April 2015 K'000
ASSETS							
Non-current assets		**1 999 129**	1 894 430	1 393 198	**1 970 277**	1 872 145	1 373 932
Property, plant and equipment	12	**1 931 227**	1 826 528	1 325 296	**1 814 653**	1 716 521	1 218 308
Intangible asset	14	**67 902**	67 902	67 902	**-**	-	-
Investment in subsidiary	15	**-**	-	-	**155 624**	155 624	155 624
Current assets		**1 536 456**	1 386 335	1 017 202	**1 450 666**	1 290 425	947 979
Inventories	16	**192 631**	164 330	134 814	**182 943**	155 794	127 028
Growing cane	17	**418 654**	496 728	315 737	**346 674**	412 258	260 396
Factory overhaul costs	18	**54 812**	58 940	48 232	**54 812**	58 940	48 232
Trade and other receivables	19	**668 848**	574 689	382 434	**665 220**	572 114	379 668
Derivative financial instruments	26(a)	**25 204**	3 201	936	**25 204**	3 201	936
Current tax asset	8	**6 277**	6 394	-	**6 205**	6 317	695
Amounts due from related parties	25.4	**61**	4 359	57 165	**61**	4 359	57 165
Assets classified as held for sale	13	**9 604**	-	-	**9 604**	-	-
Cash and bank balances	20	**160 365**	77 694	77 884	**159 943**	77 442	73 859
Total assets		**3 535 585**	3 280 765	2 410 400	**3 420 943**	3 162 570	2 321 911
EQUITY AND LIABILITIES							
Equity attributable to shareholders of Zambia Sugar Plc		**904 095**	930 902	878 315	**824 264**	863 267	823 686
Share capital and premium	21	**247 338**	247 338	247 338	**247 338**	247 338	247 338
Capital redemption reserve		**40**	40	40	**40**	40	40
Hedging reserve		**22 685**	(17 117)	(37 055)	**22 685**	(17 117)	(37 055)
Dividend reserve		**-**	-	47 486	**-**	-	47 486
Retained earnings		**634 032**	700 641	620 506	**554 201**	633 006	565 877
Non-controlling interest		**39 195**	37 164	34 999	**-**	-	-
Total equity		**943 290**	968 066	913 314	**824 264**	863 267	823 686
Non-current liabilities		**1 428 827**	956 267	1 028 551	**1 403 954**	930 461	1 005 730
Long-term borrowings	22	**1 301 242**	827 176	918 000	**1 301 242**	827 176	918 000
Deferred tax liability	23	**127 585**	129 091	110 551	**102 712**	103 285	87 730
Current liabilities		**1 163 468**	1 356 432	468 535	**1 192 725**	1 368 842	492 495
Trade and other payables	24	**318 745**	317 157	168 834	**311 139**	307 959	167 349
Short-term borrowings	22	**284 705**	577 150	-	**284 705**	577 150	-
Amounts due to related parties	25.4	**483 883**	250 565	242 294	**520 746**	272 173	268 009
Derivative financial instruments	26(a)	**-**	22 221	42 109	**-**	22 221	42 109
Current tax liability		**-**	-	270	**-**	-	-
Bank overdraft	20	**61 967**	178 113	5 623	**61 967**	178 113	5 623
Provisions	27	**14 168**	11 226	9 405	**14 168**	11 226	9 405
Total liabilities		**2 592 295**	2 312 699	1 497 086	**2 596 679**	2 299 303	1 498 225
Total equity and liabilities		**3 535 585**	3 280 765	2 410 400	**3 420 943**	3 162 570	2 321 911

Certain amounts shown above do not correspond to the 2016 financial statements and reflect adjustments made (refer to note 29) or represent a reclassification of balances within current liabilities.

The responsibilities of the company's directors with regard to the preparation of the financial statements are set out on page 46. The financial statements on pages 52 to 107 were approved and authorised for issue by the board of directors on 30 May 2017 and were signed on its behalf by:

Fidelis M Banda
Chairman

Rebecca Katowa
Managing Director

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Share capital and premium	Capital redemption reserve	Hedging reserve	Dividend reserve	Retained earnings	Attributable to share holders of Zambia Sugar Plc	Non-controlling interest	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
GROUP								
Balance at 1 April 2015	247 338	40	(37 055)	47 486	706 806	964 615	36 360	1 000 975
Change in accounting policy/ restatement of prior year (Note 29)	-	-	-	-	(86 300)	(86 300)	(1 361)	(87 661)
Balance at 1 April 2015 - restated*	**247 338**	**40**	**(37 055)**	**47 486**	**620 506**	**878 315**	**34 999**	**913 314**
Total comprehensive income for the year	-	-	19 938	-	80 135	100 073	5 461	105 534
Profit for the year as reported in the 2016 financial statements	-	-	-	-	114 354	114 354	6 165	120 519
Change in accounting policy/ restatement of prior year (Note 29)	-	-	-	-	(34 219)	(34 219)	(704)	(34 923)
Cash flow hedges	-	-	19 938	-	-	19 938	-	19 938
Dividends paid	-	-	-	(47 486)	-	(47 486)	(3 296)	(50 782)
Balance at 31 March 2016-restated*	**247 338**	**40**	**(17 117)**	**-**	**700 641**	**930 902**	**37 164**	**968 066**
Total comprehensive loss for the year	-	-	39 802	-	(66 609)	(26 807)	6 512	(20 295)
Loss for the year	-	-	-	-	(66 609)	(66 609)	6 512	(60 097)
Cash flow hedges	-	-	39 802	-	-	39 802	-	39 802
Dividends paid	-	-	-	-	-	-	(4 481)	(4 481)
Balance at 31 March 2017	**247 338**	**40**	**22 685**	**-**	**634 032**	**904 095**	**39 195**	**943 290**

	Share capital and premium	Capital redemption reserve	Hedging reserve	Dividend reserve	Retained earnings	Attributable to share holders of Zambia Sugar Plc	Non-controlling interest	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
COMPANY								
Balance at 1 April 2015	247 338	40	(37 055)	47 486	643 998	901 807	-	901 807
Change in accounting policy/ restatement of prior year (Note 29)	-	-	-	-	(78 121)	(78 121)	-	(78 121)
Balance at 1 April 2015 - restated*	**247 338**	**40**	**(37 055)**	**47 486**	**565 877**	**823 686**	**-**	**823 686**
Total comprehensive income for the year	-	-	19 938	-	67 129	87 067	-	87 067
Profit for the year as reported in the 2016 financial statements	-	-	-	-	97 119	97 119	-	97 119
Change in accounting policy/ restatement of prior year (Note 29)	-	-	-	-	(29 990)	(29 990)	-	(29 990)
Cash flow hedges	-	-	19 938	-	-	19 938	-	19 938
Dividends paid	-	-	-	(47 486)		(47 486)	-	(47 486)
Balance at 31 March 2016-restated*	**247 338**	**40**	**(17 117)**	**-**	**633 006**	**863 267**	**-**	**863 267**
Total comprehensive loss for the year	-	-	39 802	-	(78 805)	(39 003)	-	(39 003)
Loss for the year	-	-	-	-	(78 805)	(78 805)		(78 805)
Cash flow hedges	-	-	39 802	-	-	39 802	-	39 802
Balance at 31 March 2017	**247 338**	**40**	**22 685**	**-**	**554 201**	**824 264**	**-**	**824 264**

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 restatement in terms of bearer plants relates to the change in accounting policy with respect to the treatment of cane roots. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16 and not at fair value as previously measured.

The dividend per share, calculated on a cash basis was nil (2016: 15.0 ngwee). The calculation is based on the dividends paid in the year divided by the weighted average number of ordinary shares in issue of 316 571 385 (2016: 316 571 385). No dividends were paid in 2017 (2016: K47.5 million).

*Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to note 29.

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
for the year ended 31 March 2017

	Notes	K'000	K'000	K'000	K'000
Cash flows from operating activities					
Operating profit		410 508	327 416	372 062	288 463
Adjustments for:					
Depreciation	12	101 829	86 577	94 637	78 766
Change in fair value of growing cane	17	78 074	(180 991)	65 584	(151 862)
Provisions raised during the year	27	14 168	11 226	14 168	11 226
Provisions utilised during the year	27	(11 226)	(9 405)	(11 226)	(9 405)
Factory overhaul costs expensed	18	75 463	55 619	75 463	55 619
Loss/(profit) on disposal of property, plant and equipment		35	(606)	35	(606)
Cash operating profit		668 851	289 836	610 723	272 201
Working capital movements		45 409	(78 698)	64 461	(89 959)
Increase in inventories		(28 301)	(29 516)	(27 149)	(28 766)
Factory overhaul costs incurred	18	(71 335)	(66 327)	(71 335)	(66 327)
Increase in net amounts due to related parties		237 616	61 077	252 871	56 970
Increase in trade and other receivables		(94 159)	(192 255)	(93 106)	(192 446)
Increase in trade and other payables		1 588	148 323	3 180	140 610
Cash generated from operations		714 260	211 138	675 184	182 242
Net financing costs	7	(469 791)	(221 915)	(482 520)	(227 583)
Income tax paid	8	(6 625)	(10 244)	(156)	(5 837)
Dividends paid to shareholders of Zambia Sugar Plc	10	-	(47 485)	-	(47 485)
Dividends paid to non-controlling shareholders		(4 481)	(3 296)	-	-
Net cash inflows/(outflows) from operating activities		233 363	(71 802)	192 508	(98 663)
Cash flows from investing activities					
Payments for property, plant and equipment	12	(216 169)	(588 694)	(202 410)	(577 864)
Dividends received		-	-	26 926	19 804
Proceeds from disposal of property, plant and equipment		2	1 490	2	1 490
Net cash outflows from investing activities		(216 167)	(587 204)	(175 482)	(556 570)
Net cash inflows/(outflows) before financing activities		17 196	(659 006)	17 026	(655 233)
Cashflows from financing activities					
Borrowings raised	22	252 913	486 326	252 913	486 326
Repayment of borrowings		(71 292)	-	(71 292)	-
Net cash inflows from financing activities		181 621	486 326	181 621	486 326
Net increase/(decrease) in cash and cash equivalents		198 817	(172 680)	198 647	(168 907)
Net cash and cash equivalents at beginning of year		(100 419)	72 261	(100 671)	68 236
Net cash and cash equivalents at end of year		98 398	(100 419)	97 976	(100 671)
Comprising of:					
Cash and bank balances		160 365	77 694	159 943	77 442
Bank overdraft		(61 967)	(178 113)	(61 967)	(178 113)

1. GENERAL INFORMATION

Zambia Sugar Plc is a public limited company incorporated in Zambia. Its parent company is Illovo Group Holdings Limited and its ultimate holding company is Associated British Foods Plc. The addresses of its registered office and principal place of the business are disclosed under corporate information on page 1 of these annual financial statements The principal activities of the Company and its subsidiaries (the Group) are described in the Directors' report.

2. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1994 (as amended), using the historical cost convention except for certain financial instruments and biological assets that are stated at fair value. All principal accounting policies have been applied on a basis consistent with those of the previous year, except for the application of the revised standards which have been described in note 3. The application of these standards, specifically those related to the acccounting for cane roots, has had a material impact on the financial statements. As a result, the comparative financial information has been restated. A summary of the effect of the restatement has been included in note 29.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements are presented in Zambian Kwacha ("K") in units of Thousands.

The principal accounting policies are set out below apply to both consolidated and separate financial statements.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and Nanga Farms Plc (its subsidiary). Control is achieved where the company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of consolidation (Continued)

not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

2.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that: deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively; liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and 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 are measured in accordance with that Standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 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 from sale of goods is recognised when the title to the goods has passed, which usually coincides with the date of delivery, at which time all the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

2.4 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 (see note 2.6 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.5 Foreign currencies

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 and separate financial statements, the results and financial position are expressed in Zambian Kwacha ('K'), which is the functional currency of the company and its subsidiary, as well as the presentation currency for the consolidated and separate financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currencies (Continued)

In preparing the financial statements of the Company and its subsidiary, transactions in currencies other than the Company and its subsidiary's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise except for: exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings and exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 2.18 below for hedging accounting policies).

2.6 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 or loss in the period in which they are incurred.

2.7 Retirement benefits

The group's employees are members of a separately administered defined contribution pension scheme. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The group also contributes to the National Pension Scheme 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.

2.8 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 before tax' as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Taxation (Continued)

in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets 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 end of the reporting period.

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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.9 Property, plant and equipment

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are initially shown as capital work in progress and are later classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment (Continued)

Freehold land is not depreciated (Continued)

The group's depreciation rates are as follows:

Leasehold buildings	2 - 60 years
Furniture, fittings and equipment	5 - 12 years
Plant and machinery	15 - 50 years
Vehicles	5 - 15 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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 or 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.

Bearer plants comprising of cane roots are stated at cost less accumulated depreciation and accumulated impairment losses. Costs capitalised to cane roots include preparing the land, maintaining a source of seed cane, planting the seed cane and costs related to establishing new area under cane. Depreciation of bearer plants commence when they are ready for their intended use. Costs incurred for infilling including block infilling are generally recognized in the Statement of Profit and Loss unless there is a significant increase in the yield of the sections, in which case such costs are capitalized and depreciated over the remaining useful life of the respective fields. Depreciation on bearer plants is recognised so as to write off its cost less residual values over useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful lives of the bearer plants has been determined to be 8 years.

2.10 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Asset impairment review (Continued)

money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.11 Growing cane

Growing cane is valued at fair value determined using the estimated sucrose content in cane at 31 March valued at the estimated sucrose price for the following season, less estimated costs of harvesting and transport.

2.12 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.

2.13 Intangible assets

Intangible assets acquired in a business combination

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 assessed as having an indefinite useful life are not amortised but tested for impairment annually and impaired, if necessary. Intangible assets assessed as having a finite useful life are amortised over their useful lives using a straight-line basis and are tested for impairment if there is an indication that it may be impaired.

Derecognition of intangible assets

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 or loss when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Inventories

Inventories are stated 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. Costs of inventory are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Redundant and slow moving inventories are identified and written down to their net realisable value and obsolete inventories are written off.

2.15 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 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is disclosed when the Group has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

2.16 Financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

A financial asset is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets designated as held "at fair value through profit or loss" are expensed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial instruments (Continued)

Financial assets (Continued)

Financial assets are accounted for "at fair value through profit or loss" where the financial asset is either held-for-trading or is designated as "at fair value through profit or loss".

Trade and other receivables are classified as "loans and receivables" and are measured at amortised cost, using the effective interest rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as "loans and receivables" and measured at amortised cost.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of 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 asset, the estimated future cash flows of the investment have been impacted.

For all financial assets other than available-for-sale equity instruments, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation, or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period , as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When a financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

A financial liability is a contractual obligation to deliver cash, or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial liabilities are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial liabilities designated as held "at fair value through profit or loss" are expensed.

Financial liabilities are accounted for "at fair value through profit or loss" where the financial liability is either held-for trading or is designated as "at fair value through profit or loss".

Interest-bearing bank loans and overdrafts are 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 the borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial instruments (Continued)

Financial liabilities (Continued)

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised costs, using the effective interest rate method.

Equity

Debt and equity instruments are classified as either financial liabilities or as equity based on the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments issued by the group are recorded at the value of the proceeds received, net of direct issue costs.

2.17 Derivative financial instruments

The group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks and this includes foreign exchange forward contracts.

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 recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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 they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

2.18 Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as 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 change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Hedge accounting (Continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

2.19 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.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segmental capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

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.

2.20 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 International Financial Reporting Standards affecting amounts reported and/or disclosed in the financial statements

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:

Amendments to IAS 1 Disclosure initiative

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of the financial statements to

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.1 International Financial Reporting Standards affecting amounts reported and/or disclosed in the financial statements (Continued)

Amendments to IAS 1 Disclosure initiative (Continued)

understand the impact of the particular transactions, events and conditions on the entity's financial position and financial performance.

The application of these amendments has not resulted in any impact on the financial performance of financial position of the group.

Amendments to IAS 16 and IAS 38 Classification of Acceptable Methods of Depreciation and Amortisation

The Group has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or

b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property and equipment, the application of these amendments has had no impact on the Group's financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants

The Group has applied these amendments for the first time in the current year. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The group has applied the amendments made to IAS 16 and IAS 41 in relation to bearer plants. The resulting changes to the accounting policies and retrospective adjustments made to the financial statements are explained in note 29.

Annual Improvements to IFRSs 2012 - 2014 Cycle

The Group has applied these amendments for the first time in the current year. The annual improvements to IFRSs 2012 - 2014 Cycle include a number of amendments to various IFRS which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.1 International Financial Reporting Standards affecting amounts reported and/or disclosed in the financial statements (Continued)

Annual Improvements to IFRSs 2012 - 2014 Cycle (Continued)

is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these new and revised Standards did not have a significant impact on the financial statements of the Group and the Company.

3.2 International Financial Reporting Standards in issue, but not yet effective

At the date of approval of these financial statements, the following relevant standards applicable to the Group and Company were in issue, but not yet effective:

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 amendment will be effective for the year ending 31 August 2019.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations. This standard will be effective for the year ending 31 August 2019.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be effective for the year ending 31 August 2020.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.2 International Financial Reporting Standards in issue, but not yet effective (Continued)

Amendments to IAS 7 Disclosure initiative

Amends IAS 7 'Statement of Cash Flows' to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from: cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. The amendment will be effective for the year ending 31 August 2017.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that unrealised losses resulting from the specified circumstances give rise to a deductible tax difference regardless of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling the debt instrument. In circumstances in which tax law restricts the utilisation of tax losses such that an entity can only deduct the tax losses against income of a specified type, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The amendments clarify that when estimating taxable profit of future periods, an entity can assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired. All relevant facts and circumstances should be assessed when making this assessment. The amendments make clear that, in evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with the future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences. The amendment will be effective for the year ending 31 August 2018.

Improvements to IFRS Standards 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities

Amendments have been made to clarify the scope of IFRS 12 in respect of interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Specifically it clarifies that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The standard as amended therefore makes it clear that it is only the disclosure requirements set out in paragraphs B10 – 16 that do not need to be provided for entities within the scope of IFRS 5. This annual improvement must be applied retrospectively for periods beginning on or after 1 January 2017. No transitional relief is available.

A number of the new standards (i.e. IFRS 9, IFRS 15 and IFRS 16) could have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practical to provide a reasonable estimate of the effect on the Group until a detailed review is undertaken.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets, liabilities and contingent 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 on-going 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.

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Impairment of assets

In making its judgment, 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.

4.1.2 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 judgments 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 portfolio 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.

4.2 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Key sources of estimation uncertainty (Continued)

4.2.1 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 12 to the financial statements.

4.2.2 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 17 to the financial statements.

4.2.3 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		Company	
		Restated		Restated
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000

5. REVENUE

Revenue represents proceeds receivable from the following primary business segments:				
Sugar production	1 824 021	1 517 363	1 953 150	1 608 442
Cane growing	655 327	498 072	526 198	406 993
	2 479 348	2 015 435	2 479 348	2 015 435
From secondary business segments as follows:				
Local market	1 328 244	1 261 077	1 328 244	1 261 077
Export market	1 151 104	754 358	1 151 104	754 358
	2 479 348	2 015 435	2 479 348	2 015 435

6. OPERATING PROFIT

Operating profit has been determined after charging/(crediting) the following:				
Employees remuneration expenses	421 781	357 735	403 104	341 726
Exchange loss (trading balances)	9 297	72 337	9 959	72 337
Depreciation expense (see note 12)	101 829	86 577	94 637	78 766
Factory overhaul costs expensed (see note 18)	75 463	55 619	75 463	55 619
Employer contributions to pension funds (see note 31)	34 736	29 867	33 950	29 152
Operational support fees (see note 25.1.2)	29 699	29 798	29 699	29 798
Operating lease charges	13 361	11 002	13 361	11 002
- Property	8 209	7 087	8 209	7 087
- Plant and equipment	5 152	3 915	5 152	3 915
Directors' emoluments for services as directors	1 462	1 271	1 445	1 254
Auditors' remuneration	1 788	1 238	1 452	1 014
- Audit fees	1 544	1 048	1 246	848
- Fees for other services	80	168	80	144
- Other expenses	164	22	126	22
(Loss)/profit on disposal of property, plant and equipment	35	(606)	35	(606)
Charitable donations	257	219	15	82
Fair value adjustments				
- growing cane (see note 17)	78 074	(180 991)	65 584	(151 862)

7. NET FINANCING COSTS

Interest charged on:				
Long-term borrowings	146 800	56 795	146 800	56 795
Related party borrowings (see note 25.1.2 and 25.2.1)	287 904	196 526	301 621	196 526
Bank short-term facilities	51 191	24 516	51 190	24 516
Other	3 928	1 071	2 918	6 711
Less: interest capitalised	(19 891)	(56 795)	(19 891)	(56 795)
Total interest charged	469 932	222 113	482 638	227 753
Interest received on loans and deposits	(141)	(198)	(118)	(170)
	469 791	221 915	482 520	227 583

8. TAXATION

	Group		Company	
		Restated		Restated
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Current tax				
- current year charge	6 720	3 580	246	215
- under provision in prior year	22	-	22	-
Deferred taxation (see note 23)				
- current year (credit)/charge	(5 844)	16 325	(4 911)	13 340
- over provision in prior year	(84)	-	(84)	-
Total taxation charge/(credit)	814	19 905	(4 727)	13 555
Included under current assets/(liabilities):				
Receivable/(payable) in respect of the previous year	6 394	(270)	6 317	695
Current tax charge	(6 720)	(3 580)	(246)	(215)
Under provision in prior year	(22)	-	(22)	-
	(348)	(3 850)	6 049	480
Paid during the year				
- current year	6 625	10 244	156	5 837
Taxation receivable	6 277	6 394	6 205	6 317
Asset	6 277	6 394	6 205	6 317
Reconciliation of taxation rate :	%	%	%	%
Company taxation rate applicable to agricultural entities	(10.0)	10.0	(10.0)	10.0
Increase/(decrease) in charge due to:				
- Over provision in prior years	(0.1)	-	(0.1)	-
- Expenses disallowed for tax purposes	7.2	3.9	4.7	4.8
- Tax rate differential on non-farming income	0.3	1.6	0.1	0.1
- Other - blended rate adjustment on expansion assets	4.0	3.4	2.8	4.4
- Dividends received	-	-	(3.2)	(2.5)
Effective rate of taxation	1.4	18.9	(5.7)	16.8

The Group and the Company are in a loss position for the current year, and as a result, the company tax rate in the reconciliation above has been reflected as a negative number.

Subject to agreement with the Zambia Revenue Authority, the Company has estimated tax losses of K371.1 million (2016: K100.2 million) available to carry forward for a period of not more than 5 years from the charge year in which they were incurred, for set off against future taxable profits from the same source as follows:

2016 tax losses available until 2021	101 010	100 174	101 010	100 174
2017 tax losses available until 2022	270 046	-	270 046	-
	371 056	100 174	371 056	100 174

	Group		Company	
		Restated		Restated
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000

9. EARNINGS PER SHARE

Earnings per share (ngwee per share)	(21.0)	25.3	(24.9)	21.2
Headline earnings per share (ngwee per share)	(21.0)	25.3	(24.9)	21.2
	Shares	Shares	Shares	Shares
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of earnings and headline earnings per share	316 571	316 571	316 571	316 571
Earnings	K'000	K'000	K'000	K'000
Earnings for the purposes of earnings per share	(66 609)	80 135	(78 805)	67 129
((Loss)/profit attributable to the shareholders of Zambia Sugar Plc)				
Reconciliation of headline earnings				
(Loss)/profit attributable to shareholders of Zambia Sugar Plc	(66 609)	80 135	(78 805)	67 129
Headline earnings for the year	(66 609)	80 135	(78 805)	67 129

10. DIVIDENDS PAID

13.0 ngwee per share (second interim 2015) - paid 29 June 2015	-	41 155	-	41 154
2.0 ngwee per share (final 2015) - paid 08 September 2015	-	6 331	-	6 331
	-	47 486	-	47 485
Number of ordinary shares in issue ('000)	316 571	316 571	316 571	316 571

11. SEGMENTAL ANALYSIS

	Group			Company		
	Sugar production	Cane growing	TOTAL	Sugar production	Cane growing	TOTAL
Year to 31 March 2017	K'000	K'000	K'000	K'000	K'000	K'000
Revenue	1 824 021	655 327	2 479 348	1 953 150	526 198	2 479 348
Operating profit/(loss)	414 170	(3 662)	410 508	414 170	(42 108)	372 062
Property, plant and equipment	1 458 144	473 083	1 931 227	1 445 351	369 302	1 814 653
Balance at beginning of year	1 371 347	455 181	1 826 528	1 371 347	345 174	1 716 521
Additions at cost	180 313	8 817	189 130	164 274	16 039	180 313
Acquisition of cane roots	-	27 039	27 039	-	22 097	22 097
Assets classified as held for sale	(9 604)	-	(9 604)	(9 604)	-	(9 604)
Depreciation charge for the year	(84 393)	(17 436)	(101 829)	(81 147)	(13 490)	(94 637)
Net book value of disposals	481	(518)	(37)	481	(518)	(37)
Intangible assets	-	67 902	67 902	-	-	-
Investment in subsidiary	-	-	-	-	155 624	155 624
Current assets	1 069 789	466 667	1 536 456	1 069 717	380 949	1 450 666
Inventories	167 660	24 971	192 631	167 660	15 283	182 943
Growing cane	-	418 654	418 654	-	346 674	346 674
Factory overhaul costs	54 812	-	54 812	54 812	-	54 812
Trade and other receivables	646 228	22 620	668 848	646 228	18 992	665 220
Derivative financial instruments	25 204	-	25 204	25 204	-	25 204
Current tax asset	6 277	-	6 277	6 205	-	6 205
Amounts due by related parties	61	-	61	61	-	61
Assets classified as held for sale	9 604	-	9 604	9 604	-	9 604
Cash and bank balances	159 943	422	160 365	159 943	-	159 943
Current liabilities	882 887	280 581	1 163 468	919 750	272 975	1 192 725
Trade and other payables	248 911	69 834	318 745	248 911	62 228	311 139
Short-term borrowings	185 058	99 647	284 705	185 058	99 647	284 705
Amounts due to related parties	376 326	107 557	483 883	413 189	107 557	520 746
Bank overdrafts	61 967	-	61 967	61 967	-	61 967
Provisions	10 625	3 543	14 168	10 625	3 543	14 168
Non-current liabilities	948 520	480 308	1 428 827	948 520	455 435	1 403 954
Long-term borrowings	845 808	455 435	1 301 242	845 808	455 435	1 301 242
Deferred tax liability	102 712	24 873	127 585	102 712	-	102 712
Net asset value	696 527	246 763	943 290	646 799	177 465	824 264

11. SEGMENTAL ANALYSIS (Continued)

	Group (Restated)			**Company** (Restated)		
	Sugar production	Cane growing	TOTAL	Sugar production	Cane growing	TOTAL
Year to 31 March 2016	K'000	K'000	K'000	K'000	K'000	K'000
Revenue	1 517 363	498 072	2 015 435	1 608 442	406 993	2 015 435
Profit from operations	226 565	100 851	327 416	226 564	61 899	288 463
Property, plant and equipment	1 371 347	455 181	1 826 528	1 371 347	345 174	1 716 521
Balance at beginning of year	870 188	455 108	1 325 296	870 188	348 120	1 218 308
Additions at cost	541 992	21 830	563 822	541 992	16 048	558 040
Acquisition of cane roots	-	24 872	24 872	-	19 824	19 824
Depreciation charge for the year	(40 466)	(46 111)	(86 577)	(40 466)	(38 300)	(78 766)
Net book value of disposals	(367)	(518)	(885)	(367)	(518)	(885)
Intangible assets	-	67 902	67 902	-	-	-
Investment in subsidiary	-	-	-	-	155 624	155 624
Current assets	848 895	537 440	1 386 335	848 818	441 607	1 290 425
Inventories	142 779	21 551	164 330	142 779	13 015	155 794
Growing cane	-	496 728	496 728	-	412 258	412 258
Factory overhaul costs	58 940	-	58 940	58 940	-	58 940
Trade and other receivables	555 781	18 908	574 689	555 780	16 334	572 114
Derivative financial instruments	3 201	-	3 201	3 201	-	3 201
Current tax asset	6 394	-	6 394	6 317	-	6 317
Amounts due by related parties	4 359	-	4 359	4 359	-	4 359
Cash and bank balances	77 441	253	77 694	77 442	-	77 442
Current liabilities	1 044 485	311 947	1 356 432	1 066 093	302 749	1 368 842
Trade and other payables	246 367	70 790	317 157	246 367	61 592	307 959
Short-term borrowings	375 148	202 002	577 150	375 148	202 002	577 150
Amounts due to related parties	214 217	36 348	250 565	235 825	36 348	272 173
Derivative financial instruments	22 221	-	22 221	22 221	-	22 221
Bank overdrafts	178 113	-	178 113	178 113	-	178 113
Provisions	8 419	2 807	11 226	8 419	2 807	11 226
Non-current liabilities	640 949	315 318	956 267	640 949	289 512	930 461
Long-term borrowings	537 664	289 512	827 176	537 664	289 512	827 176
Deferred tax liabilities	103 285	25 806	129 091	103 285	-	103 285
Net asset value	534 808	433 258	968 066	513 123	350 144	863 267

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Cane roots	Capital work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
GROUP							
Cost							
Balance at 1 April 2014	551 468	889 632	84 216	14 425	-	24 570	1 564 311
Restatement of bearer plants (note 29)	-	-	-	-	219 041	-	219 041
Additions	-	-	-	-	19 025	77 136	96 161
Transfers	6 305	19 276	15 519	391	-	(41 491)	-
Disposals	-	-	(3 402)	-	(14 133)	-	(17 535)
Reclassification	-	5	(4)	(1)	-	-	-
Balance at 31 March 2015 - restated	557 773	908 913	96 329	14 815	223 933	60 215	1 861 978
Additions	-	-	-	-	24 872	563 822	588 694
Transfers	1 841	18 083	13 714	803	-	(34 441)	-
Disposals	-	(466)	(9 404)	-	(24 494)	-	(34 364)
Balance at 31 March 2016 - restated	**559 614**	**926 530**	**100 639**	**15 618**	**224 311**	**589 596**	**2 416 308**
Opening adjustment	-	-	-	-	-	1 901	1 901
Additions	-	-	-	-	27 039	189 130	216 169
Transfers	182 513	550 373	11 342	6 179	-	(750 407)	-
Disposals	-	-	(2 602)	-	(52 153)	-	(54 755)
Reclassified as held for sale	-	-	-	-	-	(9 604)	(9 604)
Balance at 31 March 2017	**742 127**	**1 476 903**	**109 379**	**21 797**	**199 197**	**20 616**	**2 570 019**
Depreciation							
Balance at 1 April 2014	69 312	231 168	45 952	12 024	-	-	358 456
Restatement of bearer plants (note 29)	-	-	-	-	112 404	-	112 404
Charge for year	9 641	36 150	7 978	1 033	27 672	-	82 474
Disposals	-	-	(2 519)	-	(14 133)	-	(16 652)
Reclassification	-	(153)	(48)	201	-	-	-
Balance at 31 March 2015 - restated	78 953	267 165	51 363	13 258	125 943	-	536 682
Charge for year	9 657	38 099	9 689	457	28 675	-	86 577
Disposals	-	(466)	(8 519)	-	(24 494)	-	(33 479)
Balance at 31 March 2016 - restated	**88 610**	**304 798**	**52 533**	**13 715**	**130 124**	**-**	**589 780**
Opening adjustment	300	886	474	241	-	-	1 901
Charge for year	12 305	56 175	10 422	1 244	21 683	-	101 829
Disposals	-	-	(2 565)	-	(52 153)	-	(54 718)
Balance at 31 March 2017	**101 215**	**361 859**	**60 864**	**15 200**	**99 654**	**-**	**638 792**
Net carrying amount							
Balance at 31 March 2017	**640 912**	**1 115 044**	**48 515**	**6 597**	**99 543**	**20 616**	**1 931 227**
Balance at 31 March 2016 - restated	471 004	621 732	48 106	1 903	94 187	589 596	1 826 528
Balance at 1 April 2015 - restated	478 820	641 748	44 966	1 557	97 991	60 215	1 325 297

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings K'000	Plant and machinery K'000	Motor vehicles K'000	Furniture and fittings K'000	Cane roots K'000	Capital work in progress K'000	Total K'000
COMPANY							
Cost							
Balance at 1 April 2014	467 624	868 516	83 116	13 677	-	24 570	1 457 503
Restatement of bearer plants (note 29)	-	-	-	-	178 389	-	178 389
Additions	-	-	-	-	15 331	73 908	89 239
Transfers	6 305	16 641	14 945	372	-	(38 263)	-
Disposals	-	-	(3 402)	-	(7 206)	-	(10 608)
Balance at 31 March 2015 - restated	473 929	885 157	94 659	14 049	186 514	60 215	1 714 523
Additions	-	-	-	-	19 824	558 040	577 864
Transfers	1 841	12 550	13 465	803	-	(28 659)	-
Disposals	-	(466)	(9 404)	-	(20 545)	-	(30 415)
Balance at 31 March 2016 - restated	475 770	897 241	98 720	14 852	185 793	589 596	2 261 972
Opening adjustment	-	-	-	-	-	1 901	1 901
Additions	-	-	-	-	22 097	180 313	202 410
Transfers	182 341	547 201	11 342	6 179	-	(747 063)	-
Disposals	-	-	(2 382)	-	(47 685)	-	(50 067)
Reclassified as held for sale	-	-	-	-	-	(9 604)	(9 604)
Balance at 31 March 2017	**658 111**	**1 444 442**	**107 680**	**21 031**	**160 205**	**15 143**	**2 406 612**
Depreciation							
Balance at 1 April 2014	68 805	216 778	45 425	11 739	-	-	342 747
Restatement of bearer plants (note 29)	-	-	-	-	89 217	-	89 217
Charge for year	9 380	33 417	7 935	818	22 426	-	73 976
Disposals	-	-	(2 519)	-	(7 206)	-	(9 725)
Balance at 31 March 2015 - restated	78 185	250 195	50 841	12 557	104 437	-	496 215
Charge for year	9 439	34 673	9 396	448	24 810	-	78 766
Disposals	-	(466)	(8 519)	-	(20 545)	-	(29 530)
Balance at 31 March 2016 - restated	87 624	284 402	51 718	13 005	108 702	-	545 451
Opening adjustment	300	886	474	241	-	-	1 901
Charge for year	12 240	52 435	10 069	1 469	18 424	-	94 637
Disposals	-	-	(2 345)	-	(47 685)	-	(50 030)
Balance at 31 March 2017	**100 164**	**337 723**	**59 916**	**14 715**	**79 441**	**-**	**591 959**
Net carrying amount							
Balance at 31 March 2017	**557 947**	**1 106 719**	**47 764**	**6 316**	**80 764**	**15 143**	**1 814 653**
Balance at 31 March 2016 - restated	388 146	612 839	47 002	1 847	77 091	589 596	1 716 521
Balance at 1 April 2015 - restated	395 744	634 962	43 818	1 492	82 077	60 215	1 218 308

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 (as amended) the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the registered office of the company.

As a result of the amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture, the group has revised its accounting policy with respect to the treatment of cane roots. The amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16 and not at fair value as previously measured.

The Company has pledged by way of a first legal mortgage over all fixed property to which the company holds title and first fixed charge over all property, plant and machinery as security for the long-term borrowings referred to in note 22.

The Directors consider that the fair value of the property, plant and equipment as at 31 March 2017 is at least equal to their carrying values as reflected in the statement of financial position.

Leasehold Land

On 1 April 2007, the Company entered into land leasehold agreements with six local farmers for the purposes of growing sugar cane. The agreements are for a period of 17 years and the total leasehold land area is 2 055 ha. The leases are treated as operating leases and will be charged to profit or loss over the lease period as follows:

	Group		Company	
	2017	Restated 2016	2017	Restated 2016
	K'000	K'000	K'000	K'000
Within one year	8 209	7 211	8 209	7 211
More than one year but less than five years	29 422	18 737	29 422	18 737
More than five years	49 497	34 350	49 497	34 350
	87 128	60 298	87 128	60 298

13. ASSETS HELD FOR SALE

On 30 May 2016, management completed the construction of the refinery and decided to discontinue the internal use of the heavy duty machinery (cranes), contractors' camp and other assets directly connected to the construction of the refinery. This decision was taken in line with the company's strategy to focus on its sugar business and related products. Consequently, all excess assets were classified as a disposal group. There were no liabilities associated with this decision. Measurement of the disposal group's assets at fair value less costs to sell did not result in a profit or loss.

The Company's management expects to sell these assets within the next twelve months. No part of the assets classified as held for sale had been sold at the reporting date. Assets held for sale were not allocated for segment reporting purposes.

The carrying amount of assets in the disposal group is analysed as follows:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Property, plant & equipment	9 604	-	9 604	-

14. INTANGIBLE ASSET

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Balance at the beginning and end of year	67 902	67 902	-	-

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.

15. INVESTMENTS IN SUBSIDIARIES

	Issued capital K'000	Effective percentage holding %	Shares at cost K'000	Amounts due by subsidiary K'000	Amounts due to subsidiary K'000
The principal subsidiaries of Zambia Sugar Plc are as follows:					
2017					
Direct Investment					
Tukunka Agriculture Ltd	10 000	100	-	-	-
Indirect Investment					
Nanga Farms Plc	487	85.73	155 624	-	38 790
2016					
Direct Investment					
Tukunka Agriculture Ltd	10 000	100	-	-	-
Indirect Investment					
Nanga Farms Plc	487	85.73	155 624	-	26 539

16. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Maintenance stores	111 629	95 359	106 203	90 731
Provision for obsolescence	(2 008)	(4 451)	(1 525)	(4 090)
	109 621	90 908	104 678	86 641
Livestock	4 745	4 269	-	-
Finished goods - sugar	78 265	69 153	78 265	69 153
	192 631	164 330	182 943	155 794

A first agricultural and floating charge over agriculture assets, crops and stocks has been pledged as security for the long-term borrowings and is referred to in note 22.

17. GROWING CANE

The carrying value of growing cane is reconciled as follows:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Carrying value at beginning of year	496 728	315 737	412 258	260 396
Change in fair value	(78 074)	180 991	(65 584)	151 862
Carrying value at end of year	418 654	496 728	346 674	412 258

The fair value of the growing cane is determined using inputs that are unobservable, using the best information available in the circumstances for using the growing cane and therefore fall into the level 3 fair value category (see note 2).

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March:

	2017	2016	2017	2016
Expected area to harvest (hectares)	16 304	17 039	13 534	14 251
Estimated yield (tons cane per hectare)	110.7	103.1	109.4	102.0
Sucrose content in cane (%)	14.52	14.58	14.52	14.58
Average maturity of cane at 31 March (%)	65.7	65.7	65.7	65.7

A 1% change in the unobservable inputs could increase or decrease the fair value of the standing cane by the following values:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Estimated sucrose content	4 187	5 129	3 467	4 123
Estimated sucrose price	7 829	5 819	6 434	4 812

A first agricultural and floating charge over agriculture assets, crops and stocks has been pledged as security for the long-term borrowings and is referred to in note 22.

18. FACTORY OVERHAUL COSTS

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Balance at beginning of year	58 940	48 232	58 940	48 232
Capitalised during the year	71 335	66 327	71 335	66 327
	130 275	114 559	130 275	114 559
Amortised during the year	(75 463)	(55 619)	(75 463)	(55 619)
Balance at end of year	54 812	58 940	54 812	58 940

19. TRADE AND OTHER RECEIVABLES

Trade receivables comprise amounts receivable in respect of the sale of sugar and molasses:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Gross trade receivables	498 084	438 694	498 084	438 694
Allowance for doubtful debts	(314)	(250)	(314)	(250)
	497 770	438 444	497 770	438 444
VAT receivable	136 797	107 850	133 821	105 527
Other receivables	34 281	28 395	33 629	28 143
Balance at end of year	668 848	574 689	665 220	572 114
Movement in the allowance for doubtful debts				
Balance at beginning of year	250	622	250	622
Amounts written off during the year	(39)	(176)	(39)	(176)
Amounts raised/(reduced) during the year	103	(196)	103	(196)
Balance at end of year	314	250	314	250

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Additional disclosures concerning the management of credit risk have been provided in note 30.4

An assignment of all present and future rights and claims to material contracts, insurances and all other receivables has been pledged as security for the long-term borrowings and is referred to in note 22.

20. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Bank and cash balances	160 365	77 694	159 943	77 442
Bank overdraft - unsecured	(61 967)	(178 113)	(61 967)	(178 113)
Cash and cash equivalents at end of year	98 398	(100 419)	97 976	(100 671)

21. SHARE CAPITAL AND PREMIUM

Authorised:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
350 000 000 (2016: 350 000 000) ordinary shares of K0.01 each (2016: K0.01 each)	3 500	3 500	3 500	3 500
Issued and fully paid:				
316 571 385 (2016: 316 571 385) ordinary shares of K0.01 each (2016: K0.01 each)	3 166	3 166	3 166	3 166
Share premium	244 172	244 172	244 172	244 172
	247 338	247 338	247 338	247 338

22. BORROWINGS

	Note	Years of repayment	Effective Interest rate (%)				
Syndicated bank loan	a	2018 - 2021	26.26	491 131	486 326	491 131	486 326
Related party loans	b			1 094 816	918 000	1 094 816	918 000
Total borrowings				1 585 947	1 404 326	1 585 947	1 404 326
Less:							
Current portion - Syndicated bank loan	a			140 000	62 150	140 000	62 150
Current portion - related party loans	b			144 705	515 000	144 705	515 000
Short-term portion				284 705	577 150	284 705	577 150
Long-term portion				1 301 242	827 176	1 301 242	827 176
The amounts are due for repayment in the following years ending 31 March:							
2017				-	577 150	-	577 150
2018				284 705	124 300	284 705	124 300
2019				140 260	527 300	140 260	527 300
2020				140 260	112 197	140 260	112 197
2021 and beyond				1 020 722	63 379	1 020 722	63 379
				1 585 947	1 404 326	1 585 947	1 404 326

Summary of borrowing arrangements

a. The syndicated bank loan from four financial institutions was first drawn down in July 2015 in order to finance the Product Alignment and Refinery (PAAR) capital project. The final draw down was made in August 2016. The four participating banks are Barclays Bank, Stanbic Bank, Citibank and Zambia National Commercial Bank Plc. The loan is denominated in Zambian Kwacha. The loan is repayable in eight equal instalments commencing in January 2017 and attracts interest at the ruling 182 day Treasury Bill interest rate at the beginning of each interest period plus a 2.5% margin. The weighted average effective interest rate on the loan is 26.26% per annum. The loan is secured by way of a first legal mortgage over all fixed property to which the company holds title, a first fixed charge over all property, plant and machinery, a first agricultural and floating charge over agriculture assets, crops and stocks and assignment of all present and future rights and claims to material contracts, insurances and all other receivables.

b. Loans from related parties are disclosed in Note 25.2.1.

23. DEFERRED TAX LIABILITY

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Balance at beginning of year	129 091	120 292	103 285	96 411
Restatement in terms of bearer plants	-	(9 741)	-	(8 681)
Balance at beginning of year - restated	129 091	110 551	103 285	87 730
Charged to profit or loss:				
- Current year (credit)/charge	(5 844)	16 325	(4 911)	13 340
- Prior year over provision	(84)	-	(84)	-
Other comprehensive income	4 422	2 215	4 422	2 215
Balance at end of year	127 585	129 091	102 712	103 285
Analysis of liability:				
Property, plant and equipment	108 398	73 329	97 853	71 079
Intangible asset	6 790	6 790	-	-
Factory overhaul costs	5 481	5 894	5 481	5 894
Growing cane	41 865	49 844	34 667	41 226
Tax losses	(37 106)	(10 017)	(37 106)	(10 017)
Other	2 157	3 251	1 817	(4 897)
Balance at end of year	127 585	129 091	102 712	103 285

24. TRADE AND OTHER PAYABLES

Trade payables comprise amounts outstanding for trade purchases and on-going costs.

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trade payables	107 943	82 223	103 839	75 335
Other payables	210 802	234 934	207 300	232 624
Balance at end of year	318 745	317 157	311 139	307 959

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

The group has financial risk management policies in place to ensure that suppliers are paid within the pre-agreed credit terms.

25. AMOUNTS DUE TO/(BY) RELATED PARTIES

The Group, in the ordinary course of business, enters into various transactions with related parties.

25.1 Holding Companies

The Group is controlled by the following entities:

Names	Type	2017	2016
Illovo Group Holdings Limited, incorporated in Mauritius	Immediate holding Company	76.4%	76.4%
Illovo Sugar Proprietary Limited, incorporated in South Africa	Illovo holding Company	76.4%	76.4%
Associated British Foods plc, incorporated in United Kingdom	Ultimate holding Company	76.4%	39.2%

25.1.1 Ultimate Holding Company

On 28 June 2016, Associated British Foods plc ("ABF") acquired all the remaining ordinary shares in Illovo Sugar Proprietary Limited ("ISPL"). ABF now holds 100% of the issued share capital of ISPL and therefore has an effective ownership interest of 76.4% in the Group. There were no transactions between the company and Associated British Foods plc in the either the current year or the previous year.

25.1.2 Illovo Holding Company

Illovo Sugar Proprietary Limited ("ISPL") holds 100% of the issued share capital of Illovo Group Holdings Limited and therefore has an effective ownership interest of 76.4% in the Group.

Transactions and balances with Illovo Sugar Proprietary Limited related to procurement services:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balances owing by the Group	86 094	63 762	84 167	62 801
Procurement of goods and services	110 781	131 309	108 343	124 481
Interest paid: procurement	4 522	2 363	4 430	2 314

The Group utilises the centralised procurement office to share in the benefit of the bulk purchasing power that arises from ISPL combining the procurement requirements of six operations to negotiate preferential supply arrangements. On receipt of an order from the Group, the centralised procurement office sources and purchases the required goods and services from third party suppliers. The cost of the goods and services procured, together with any transport costs, is recovered from the Group. No mark-up is charged on the recovery of the procurement expenditure and any pricing benefit negotiated with the third party supplier by the centralised procurement office is passed on to the Group. The decrease in the value of goods and services procured through the centralised procurement office relates to the Product Alignment and Refinery Project which was underway for the duration of the prior year and completed in May 2016.

The trading balance owing in respect of procurement expenditure is unsecured, is repayable within 30 days from statement date and only bears interest if the repayment terms have been exceeded, after which a market-related interest is charged. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balance will be settled by cash payments.

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.1 Holding Companies (Continued)

25.1.2 Illovo Holding Company (Continue)

Other transactions and balances with Illovo Sugar Proprietary Limited:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balances owing by the Group	54 528	24 264	54 528	24 264
Operational support fees	29 699	29 798	29 699	29 798
Cost reimbursement (general)	6 086	10 690	6 086	10 690
Directors fees	736	644	736	644

Operational support fees are charged to the Group in order to recover the costs of providing technical support, business support and operating a centralised procurement office. Technical support includes services rendered to monitor and improve agricultural and manufacturing performance as well as technical engineering services. Business support covers the provision of a range of services including legal, taxation, treasury, governance, human resources and information technology. The services provided by the centralised procurement office are detailed above. Operational support fees are charged on a cost-plus basis, allowing a margin of 8% with the exception of the procurement services component for which the margin is 15%.

Various third party costs incurred by the Group are paid for by ISPL and for which ISPL is reimbursed with no mark-up charged. ISPL is also compensated for the services rendered by G.B. Dalgleish, J.P. Hulley, M.H. Abdool-Samad and G.H. Williams (who resigned on 1 February 2017) as directors of the company.

The trading balance owing by the company represents amounts outstanding for transactions detailed above. The trading balance is unsecured, has no fixed repayment terms and does not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balance will be settled by cash payments.

25.1.3 Immediate Holding Company

Transactions and balances with Illovo Group Holdings Limited ("IGHL"):

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balances owing to the Group	28	-	28	-
Cost recoveries (general)	28	-	28	-
Dividends paid	-	36 282	-	36 282

The trading balance owing to the Group by IGHL represents stock exchange related costs paid for by the Group on behalf of IGHL and for which the Group will be reimbursed. The trading balance is unsecured, has no fixed repayment terms and does not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balance will be settled by cash payments.

25.2 Fellow Subsidiaries of the Company

25.2.1 Illovo Group Financing Services ("IGFS")

			Group		Company	
			2017	2016	2017	2016
			K'000	K'000	K'000	K'000
Funding balances owing by the Group						
	Years of repayment	Effective Interest rate (%)				
Loan 1 - Zambian Kwacha	2020	24.35	547 111	515 000	547 111	515 000
Loan 2 - Zambian Kwacha	2018	24.83	403 000	403 000	403 000	403 000
Loan 3 - US Dollar	2018	3.98	144 705	-	144 705	-
Total related party borrowings			1 094 816	918 000	1 094 816	918 000
Current portion - Loan 1			-	515 000	-	515 000
Current portion - Loan 3			144 705	-	144 705	-
Short-term portion			144 705	515 000	144 705	515 000
Long-term portion			950 111	403 000	950 111	403 000
Trading balances owing by the Group						
Accrued interest - Loan 1			142 195	54 464	142 195	54 464
Accrued interest - Loan 2			165 111	49 386	165 111	49 386
Accrued interest - Loan 3			-	-	-	-
			307 306	103 850	307 306	103 850
Trading balances owing by the Group						
Loan 1 - Zambian Kwacha			152 995	102 800	152 995	102 800
Loan 2 - Zambian Kwacha			130 387	91 293	130 387	91 293
			283 382	194 093	283 382	194 093

The Group has three loans from IGFS. Loans 1 and 2 are long-term in nature and were novated by IGHL to IGFS on 1 August 2015. On 9 June 2016, an additional amount of K32 million was drawn down from the Loan 1 facility in order to finance a portion of the Product Alignment and Refinery project. Loan 3 was advanced at the end of March 2017 in order to assist with the Group's working capital funding requirements and is short-term in nature.

The balance owing on Loan 1 comprises K547 million capital (2016: K515 million) and K142 million accrued interest (2016: K54 million). The loan is denominated in Zambian Kwacha, 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 interest rate is reset at the prevailing 91 day T-Bill rate on or before 30 June, 30 September, 31 December and 31 March. During the current financial year, the repayment date of the loan was extended from 31 March 2017 to 31 March 2020 by mutual agreement between the Group and IGFS.

The balance owing on Loan 2 comprises K403 million capital (2016: K403 million) and K165 million accrued interest (2016: K49 million). The loan is denominated in Zambian Kwacha, is unsecured and attracts interest at the ruling 182 day T-Bill rate plus a 2.25% margin. The interest rate is reset bi-annually at the prevailing 182 day T-Bill rate on or before 30 September and 31 March. The loan is to be fully repaid by 25 October 2018.

The balance owing on Loan 3 comprises K145 million capital (2016: Nil). The loan is denominated in US Dollars, is unsecured and attracts interest at the ruling 1 month US LIBOR rate plus a 3.00% margin. The loan is to be fully repaid by 31 March 2018. The US$ denominated loan will be repaid using future foreign currency export proceeds earned from regional markets to minimise any realised exchange losses.

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.2 Fellow Subsidiaries of the Company (Continued)

25.2.2 Illovo Group Marketing Services Limited ("IGMS")

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balance owing by the Group	28 833	57 303	28 833	57 303
Trading balance owing to the Group	-	2 118	-	2 118
Export agency commission	11 698	23 637	11 698	23 637
Logistics cost reimbursement	7 946	26 311	7 946	26 311

Illovo Group Marketing Services Limited ("IGMS") is the Group's appointed agent to coordinate and manage the marketing, sale and distribution of all the Group's export sugar for which it receives a commission. The commission expense declined year-on-year largely in line with the reduction in the commission rate from 2% to 1%, effective 1 April 2016. The commission rate was reduced to account for lower export activity in European markets.

Third party export logistics costs incurred by the company are paid for on its behalf by IGMS and for which IGMS is reimbursed with no mark-up charged. The reimbursement for logistics costs declined year-on-year in line with lower volumes exported to Europe.

Trading balance owing by the Group to IGMS represent amounts outstanding for commissions and logistic costs yet to be reimbursed. In the prior year, the trading balance owing to the Group by IGMS represents proceeds received from export customers over the year-end cut-off which, as a result, were not able to be remitted to the company. All trading balances with IGMS are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

25.2.3 Mitra Sugar Limited ("Mitra")

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balance owing to the Group	-	753	-	753
Sales transactions to third parties through Mitra supply contracts	52 231	180 309	52 231	180 309

Mitra has long-term supply contracts with third parties in preferential European markets. The Group accesses these contracts through its agent, IGMS. Mitra charges IGMS a handling fee per ton of sugar exported and no margin is retained by Mitra on these sales. IGMS absorbs the handling fee as part of its commission and does not on charge this to the Group. Sales through Mitra declined year-on-year as the sales volumes committed by Mitra to third party customers, and the resultant obligations, have been fulfilled and the long-term supply contracts have ended.

Trading balance owing to the Group by Mitra represents proceeds received from export customers over the year-end cut-off which, as a result, were not able to be remitted to the Group. The trading balance is unsecured, has no fixed repayment terms and does not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balance will be settled by cash payments.

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.2 Fellow Subsidiaries of the Company (Continued)

25.2.4 East African Supply Proprietary Limited ("EAS")

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balance owing by the Company	177	97	177	97
Air services	1 231	1 463	1 231	1 463

EAS recovers the cost of air services provided to the Group necessary to facilitate the provision of operational support and director services by Illovo Sugar Proprietary Limited.

The trading balance owing by the Group to EAS in respect of air services is unsecured, has no fixed repayment terms and does not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balance will be settled by cash payments.

25.2.5 Illovo Sugar Ireland ("ISI")

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Interest paid on overdue balances	-	119	-	119

ISI previously held a contract with the company for the provision of operational support services such as technical support, business support and operating a centralised procurement office. ISI operations have since been discontinued and this service is now being provided by ISPL as disclosed above.

There are no outstanding balances owing to or by the Group.

25.2.6 Illovo Sugar (South Africa) Limited ("ISSA")

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balance owing to the Group	-	1 403	-	1 403
Trading balance owing by the Group	6 929	1 289	6 929	1 289
Export sugar sales	38 308	66 613	38 308	66 613
Distribution cost reimbursement	2 574	10 692	2 574	10 692

During the current and prior year, a limited amount of sugar was sold to ISSA on either the same commercial terms and conditions that would be available to third party customers or on more favourable commercial terms to the Group (e.g. pre-export funding).

Certain distribution costs incurred by the Group are paid for on its behalf by ISSA and for which ISSA is reimbursed with no mark-up charged.

In the prior year, the trading balance owing to the Group by ISSA represented proceeds outstanding for the sale of sugar. The trading balance owing by the Group to ISSA represents distribution costs yet to be reimbursed. The trading balances are unsecured, but have repayment terms in line with those applicable to third party customers (i.e. interest is payable on overdue accounts). No expense has been recognised in the current or prior year in respect

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.2 Fellow Subsidiaries of the Company (Continued)

25.2.6 Illovo Sugar (South Africa) Limited ("ISSA") (Continued)

of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

25.2.7 Kilombero Sugar Company Limited ("KSC")

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Export sugar sales	-	12 114	-	12 114
Cost recoveries (general)	455	557	455	557

During the prior year, a limited amount of sugar was sold to KSC on the same commercial terms and conditions that would be available to third party customers.

Certain costs (e.g. internal audit costs) are paid for by the Group on behalf of KSC and are recovered by the company with no mark-up.

There are no outstanding balances owing to or by the Group.

25.2.8 Other fellow subsidiaries

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Trading balance owing to the Group				
- Illovo Sugar (Malawi) Limited	33	85	33	85
Cost reimbursement (general)				
- Ubombo Sugar Limited	63	-	63	-
Cost recoveries (general)				
- Illovo Sugar (Malawi) Limited	428	854	428	854

Various costs are paid for by the Group on behalf of other fellow subsidiaries. Similarly, various costs are paid for by other fellow subsidiaries on behalf of the Group. All such costs are recovered and/or reimbursed with no mark-up charged.

All trading balances related to cost recoveries and/or reimbursements are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.3 Subsidiary of Zambia Sugar Plc.

The Company holds 100% of the ordinary share capital for Tukunka Agricultural Ltd. Tukunka Agricultural Ltd owns 85.73% of the ordinary share capital for Nanga Farms Plc. The Company, therefore has an effective ownership interest of 85.73% in Nanga Farms Plc. The Company has entered into a long term agreement with Nanga Farms for the supply of sugar cane.

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Nanga Farms Plc				
Trading balance owing by the Company	-	-	38 790	22 569
Operational support fees received	-	-	1 827	1 549
Cane purchases	-	-	129 129	91 079
Dividend income	-	-	26 926	19 804
Interest paid on overdue balances	-	-	13 809	6 152

Operational support income is received by the company from Nanga Farms Plc for costs recovered in providing technical support and business support. Technical support includes services rendered to monitor and improve agricultural performance. Business support covers the provision of a range of services including legal, taxation, treasury, governance, human resources and information technology.

The trading balance owing by the company represents amounts outstanding for the supply of sugarcane. The trading balance is unsecured, has no fixed repayment terms and bears interest at variable market-related rates. The balance will be settled by cash payments.

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.4 Related Party Balances - Summary

		Group		Company	
		2017	2016	2017	2016
	Note	K'000	K'000	K'000	K'000
Long-term borrowings					
Illovo Group Financing Services	25.2.1	950 111	403 000	950 111	403 000
Short-term borrowings					
Illovo Group Financing Services	25.2.1	144 705	515 000	144 705	515 000
Amounts due by related parties					
Illovo Group Holdings Limited	25.1.3	28	-	28	-
Illovo Group Marketing Services Limited	25.2.2	-	2 118	-	2 118
Illovo Sugar (South Africa) Limited	25.2.6	-	1 403	-	1 403
Mitra Sugar Limited	25.2.3	-	753	-	753
Illovo Sugar (Malawi) Limited	25.2.8	33	85	33	85
		61	4 359	61	4 359
Amounts due to related parties					
Illovo Sugar Limited - Procurement Division	25.1.2	86 094	63 762	84 167	62 801
Illovo Sugar Limited - Corporate Division	25.1.2	54 528	24 264	54 528	24 264
Illovo Group Financing Services	25.2.1	307 306	103 850	307 306	103 850
Illovo Group Marketing Services Limited	25.2.2	28 833	57 303	28 833	57 303
Illovo Sugar (South Africa) Limited	25.2.6	6 929	1 289	6 929	1 289
East African Supply (Pty) Limited	25.2.4	177	97	177	97
Ubombo Sugar Limited	25.2.8	16	-	16	-
Nanga Farms Plc	25.3	-	-	38 790	22 569
		483 883	250 565	520 746	272 173

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.5 Related Party Transactions - Summary

	Note	Nature of transaction	Group 2017 K'000	Group 2016 K'000	Company 2017 K'000	Company 2016 K'000
Income						
Illovo Sugar (South Africa) Limited	25.2.6	Export revenue	38 308	66 613	38 308	66 613
Kilombero Sugar Company Limited	25.2.7	Export revenue	-	12 114	-	12 114
Kilombero Sugar Company Limited	25.2.7	Cost recoveries	455	557	455	557
Illovo Sugar (Malawi) Limited	25.2.8	Cost recoveries	428	854	428	854
Illovo Group Holdings Limited	25.1.3	Cost recoveries	28	-	28	-
			39 219	80 138	39 219	80 138
Expenditure						
Illovo Sugar (Pty) Limited - Procurement Division	25.1.2	Goods and services procured	110 781	131 309	108 343	124 481
Illovo Sugar (Pty) Limited - Corporate Division	25.1.2	Operational support	29 699	29 798	29 699	29 798
Illovo Sugar (Pty) Limited - Corporate Division	25.1.2	Cost reimbursement	6 086	10 690	6 086	10 690
Illovo Sugar (Pty) Limited - Corporate Division	25.1.2	Directors fees	736	644	736	644
Illovo Group Marketing Services Limited	25.2.2	Export agency commission	11 698	23 637	11 698	23 637
Illovo Group Marketing Services Limited	25.2.2	Cost reimbursement	7 946	26 311	7 946	26 311
East African Supply (Pty) Limited	25.2.4	Air services	1 231	1 463	1 231	1 463
Illovo Sugar (South Africa) Limited	25.2.6	Cost reimbursement	2 574	10 692	2 574	10 692
Ubombo Sugar Limited	25.2.8	Cost reimbursement	63	-	63	-
			170 814	234 544	168 376	227 716
Financing costs						
Illovo Sugar (Pty) Limited - Procurement Division	25.1.2	Overdue trading balances	4 522	2 363	4 430	2 314
Illovo Sugar Financing Services	25.2.1	Funding balances	283 382	194 093	283 382	194 093
Illovo Sugar Financing Services	25.2.5	Overdue trading balances	-	119	-	119
			287 904	196 575	287 812	196 526
Other						
Illovo Group Holdings Limited	25.1.3	Dividends	-	36 282	-	36 282
Mitra Sugar Limited	25.2.3	Sales to third parties through supply contracts	52 231	180 309	52 231	180 309

25. AMOUNTS DUE TO/(BY) RELATED PARTIES (Continued)

25.6 Compensation of key management

	Salary (K'000)	Housing Allowance (K'000)	Car Allowance (K'000)	Air Fares Allowance (K'000)	Medicals (K'000)	Bonus (K'000)	Retirement Benefit (K'000)	Phantom Shares Option Scheme (K'000)
Non-Executive								
Fidelis Banda	210	-	-	-	-	-	-	-
Monica Musonda	184	-	-	-	-	-	-	-
Ami Mpungwe	184	-	-	-	-	-	-	-
Dipak Patel	177	-	-	-	-	-	-	-
Gavin Dalgleish [4]	184	-	-	-	-	-	-	-
Mohammed Abdool-Samad [4]	184	-	-	-	-	-	-	-
John Hulley [4]	184	-	-	-	-	-	-	-
Guy Williams [1 4]	153	-	-	-	-	-	-	-
Executive								
Rebecca Katowa	1 357	407	Company Car	-	Company Medical	746	10	199
Graham Rolfe [2]	1 170	Company House	Company Car	-	10	501	77	45
Marc Pousson [3]	957	Company House	Company Car	174	9	410	41	251
Henry K. Mambwe	1 079	Company House	Company Car	-	Company Medical	547	161	162

[1] - Resigned as a Director of the Board on 1 February 2017.

[2] - Was appointed as Operations Director on 1 October 2016. Remuneration figures shown are from 1 October 2016 to 31 March 2017.

[3] - Resigned as Operations Director on 30 September 2016. Remuneration figures shown are from 1 April 2016 to 30 September 2016.

[4] - Fees earned by these directors, who are nominated by the Group's majority shareholder, are paid to ISPL.

26. DERIVATIVE FINANCIAL INSTRUMENTS

(a). Derivative financial instruments

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Forward exchange contracts - designated as cash flow hedges	25 204	(19 020)	25 204	(19 020)
Comprising:				
Assets	25 204	3 201	25 204	3 201
Liabilities	-	(22 221)	-	(22 221)
	25 204	(19 020)	25 204	(19 020)

The fair values of derivative instruments are determined using inputs that are observable, either directly (i.e.. as prices), or indirectly (i.e. derived from prices), other than quoted prices in an active market and therefore fall into the level 2 fair value category. Additional disclosures concerning the derivative financial instruments used to manage currency risk have been provided in Note 30.3.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b). Derivative financial instruments - amounts reclassified to profit and loss

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Hedging (gains) / losses	(36 609)	190 376	(36 609)	190 376

27. PROVISIONS

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
At beginning of year	11 226	9 405	11 226	9 405
Provisions made during the year	14 168	11 226	14 168	11 226
Utilised during the year	(11 226)	(9 405)	(11 226)	(9 405)
At end of year	14 168	11 226	14 168	11 226
Analysed as follows:				
Provision for leave pay	14 168	11 226	14 168	11 226

The provision represents annual leave accrued. The provision for annual leave is calculated at current salary and wage rates multiplied by the number of available leave days. There are no uncertainties envisaged that may affect the above provision.

28. CAPITAL COMMITMENTS

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Approved but not contracted	16 440	120 249	14 640	120 249
Contracted	14 015	54 768	12 857	42 626
	30 455	175 017	27 497	162 875

Capital expenditure will be financed from cash resources, short term borrowings and external debt financing.

29. CHANGE IN ACCOUNTING POLICY

The Group has restated certain transactions and balances presented in the financial statements to reflect the effect of the revised International Financial Reporting Standards relating to IAS 16 Property, plant and equipment and IAS 41 Agriculture.

IAS 16 Property, plant and equipment: Bearer Plants

"As a result of the amendments to IAS 16 Property, Plant & Equipment and IAS 41 Agriculture, the Group has revised its accounting policy with respect to the treatment of cane roots. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment. Bearer plants are measured using either the cost model or the revaluation model and not at fair value as previously measured.

Cane roots meet the definition of a bearer plant and has had the following impact on the Group:

- Cane roots are no longer separately disclosed on the statement of financial position, rather has been included as a separate category within the property, plant and equipment note
- Cane roots are measured using the cost model and not at fair value, with the definition of replant costs aligned to that of the requirements of IAS 16
- The cost of replanting fields is no longer recognised in profit or loss, however is capitalised to property, plant and equipment.

29. CHANGE IN ACCOUNTING POLICY (Continued)

The impact of the application of the above revised standards on the Group's financial results and financial position is disclosed below.

(a). Statement of profit or loss and other comprehensive income

	GROUP			COMPANY		
	For the year ended 31 March 2016			For the year ended 31 March 2016		
	Previously reported	Restatement effect of IAS 16	Restated	Previously reported	Restatement effect of IAS 16	Restated
	K'000	K'000	K'000	K'000	K'000	K'000
Revenue	2 015 435	-	**2 015 435**	2 015 435	-	**2 015 435**
Cost of sales	(990 365)	(38 803)	**(1 029 168)**	(1 039 541)	(33 322)	**(1 072 863)**
Gross profit	1 025 070	(38 803)	**986 267**	975 894	(33 322)	**942 572**
Other gains	606	-	**606**	606	-	**606**
Distribution expenses	(353 886)	-	**(353 886)**	(353 886)	-	**(353 886)**
Administrative expenses	(305 571)	-	**(305 571)**	(300 829)	-	**(300 829)**
Operating profit	366 219	(38 803)	**327 416**	321 785	(33 322)	**288 463**
Dividend income	-	-	**-**	19 804	-	**19 804**
Net finance costs	(221 915)	-	**(221 915)**	(227 583)	-	**(227 583)**
Profit before taxation	144 304	(38 803)	**105 501**	114 006	(33 322)	**80 684**
Taxation	(23 785)	3 880	**(19 905)**	(16 887)	3 332	**(13 555)**
Profit for the year	120 519	(34 923)	**85 596**	97 119	(29 990)	**67 129**
Attributable to:						
Shareholders of Zambia Sugar Plc	114 354	(34 219)	**80 135**	97 119	(29 990)	**67 129**
Non-controlling interest	6 165	(704)	**5 461**	-	-	**-**
	120 519	(34 923)	**85 596**	97 119	(29 990)	**67 129**
Other Comprehensive Income						
Items that will not be reclassified subsequently to profit or loss						
Adjustments in respect of cash flow hedges	22 153	-	**22 153**	22 153	-	**22 153**
Tax effect of cash flow hedges	(2 215)	-	**(2 215)**	(2 215)	-	**(2 215)**
Total comprehensive income for the year	140 457	(34 923)	**105 534**	117 057	(29 990)	**87 067**
Attributable to:						
Shareholders of Zambia Sugar Plc	134 292	(34 219)	**100 073**	117 057	(29 990)	**87 067**
Non-controlling interest	6 165	(704)	**5 461**	-	-	**-**
	140 457	(34 923)	**105 534**	117 057	(29 990)	**87 067**

29. CHANGE IN ACCOUNTING POLICY (Continued)

(b). Statement of financial position

	GROUP					
	For the year ended 31 March 2016			For the year ended 31 March 2015		
	Previously reported	Restatement effect of IAS 16	Restated	Previously reported	Restatement effect of IAS 16	Restated
	K'000	K'000	K'000	K'000	K'000	K'000
ASSETS						
Non-current assets	2 030 635	(136 205)	1 894 430	1 490 600	(97 402)	1 393 198
Property, plant and equipment	1 732 341	94 187	1 826 528	1 227 306	97 990	1 325 296
Intangible asset	67 902	-	67 902	67 902	-	67 902
Cane roots	230 392	(230 392)	-	195 392	(195 392)	-
Current assets	1 386 335	-	1 386 335	1017 202	-	1 017 202
Inventories	164 330	-	164 330	134 814	-	134 814
Growing cane	496 728	-	496 728	315 737	-	315 737
Factory overhaul costs	58 940	-	58 940	48 232	-	48 232
Trade and other receivables	574 689	-	574 689	382 434	-	382 434
Derivative financial instruments	3 201	-	3 201	936	-	936
Current tax asset	6 394	-	6 394	-	-	-
Amounts due by related parties	4 359	-	4 359	57 165	-	57 165
Cash and bank balances	77 694	-	77 694	77 884	-	77 884
Total assets	3 416 970	(136 205)	3 280 765	2 507 802	(97 402)	2 410 400
EQUITY AND LIABILITIES						
Equity attributable to shareholders of Zambia Sugar Plc	1 051 421	(120 519)	930 902	964 615	(86 300)	878 315
Share capital and premium	247 338	-	247 338	247 338	-	247 338
Capital redemption reserve	40	-	40	40	-	40
Hedging reserve	(17 117)	-	(17 117)	(37 055)	-	(37 055)
Dividend reserve	-	-	-	47 486	-	47 486
Retained earnings	821 160	(120 519)	700 641	706 806	(86 300)	620 506
Non-controlling interest	39 229	(2 065)	37 164	36 360	(1 361)	34 999
Total equity	1 090 650	(122 584)	968 066	1 000 975	(87 661)	913 314
Non-current liabilities	969 888	(13 621)	956 267	1 038 292	(9 741)	1 028 551
Long-term borrowings	827 176	-	827 176	918 000	-	918 000
Deferred taxation liability	142 712	(13 621)	129 091	120 292	(9 741)	110 551
Current liabilities	1 356 432	-	1 356 432	468 535	-	468 535
Trade and other payables	317 157	-	317 157	168 834	-	168 834
Short-term borrowings	577 150	-	577 150	-	-	-
Amounts due to related parties	250 565	-	250 565	242 294	-	242 294
Derivative financial instruments	22 221	-	22 221	42 109	-	42 109
Current tax liability	-	-	-	270	-	270
Bank overdraft	178 113	-	178 113	5 623	-	5 623
Provisions	11 226	-	11 226	9 405	-	9 405
Total liabilities	2 326 320	(13 621)	2 312 699	1 506 827	(9 741)	1 497 086
Total equity and liabilities	3 416 970	(136 205)	3 280 765	2 507 802	(97 402)	2 410 400

29. CHANGE IN ACCOUNTING POLICY (Continued)

(c). Statement of financial position

	COMPANY					
	For the year ended 31 March 2016			For the year ended 31 March 2015		
	Previously reported	Restatement effect of IAS 16	Restated	Previously reported	Restatement effect of IAS 16	Restated
	K'000	K'000	K'000	K'000	K'000	K'000
ASSETS						
Non-current assets	1 992 269	(120 124)	1 872 145	1 460 734	(86 802)	1 373 932
Property, plant and equipment	1 639 430	77 091	1 716 521	1 136 231	82 077	1 218 308
Cane roots	197 215	(197 215)	-	168 879	(168 879)	-
Investment in subsidiary	155 624	-	155 624	155 624	-	155 624
Current assets	1 290 425	-	1 290 425	947 979	-	947 979
Inventories	155 794	-	155 794	127 028	-	127 028
Growing cane	412 258	-	412 258	260 396	-	260 396
Factory overhaul costs	58 940	-	58 940	48 232	-	48 232
Trade and other receivables	572 114	-	572 114	379 668	-	379 668
Derivative financial instruments	3 201	-	3 201	936	-	936
Current tax asset	6 317	-	6 317	695	-	695
Amounts due by related parties	4 359	-	4 359	57 165	-	57 165
Cash and bank balances	77 442	-	77 442	73 859	-	73 859
Total assets	3 282 694	(120 124)	3 162 570	2 408 713	(86 802)	2 321 911
EQUITY AND LIABILITIES						
Equity attributable to shareholders of Zambia Sugar Plc	971 378	(108 111)	863 267	901 807	(78 121)	823 686
Share capital and premium	247 338	-	247 338	247 338	-	247 338
Capital redemption reserve	40	-	40	40	-	40
Hedging reserve	(17 117)	-	(17 117)	(37 055)	-	(37 055)
Dividend reserve	-	-	-	47 486	-	47 486
Retained earnings	741 117	(108 111)	633 006	643 998	(78 121)	565 877
Total equity	971 378	(108 111)	863 267	901 807	(78 121)	823 686
Non-current liabilities	942 474	(12 013)	930 461	1 014 411	(8 681)	1 005 730
Long-term borrowings	827 176	-	827 176	918 000	-	918 000
Deferred taxation liability	115 298	(12 013)	103 285	96 411	(8 681)	87 730
Current liabilities	1 368 842	-	1 368 842	492 495	-	492 495
Trade and other payables	307 959	-	307 959	167 349	-	167 349
Short-term borrowings	577 150	-	577 150	-	-	-
Amounts due to related parties	272 173	-	272 173	268 009	-	268 009
Derivative financial instruments	22 221	-	22 221	42 109	-	42 109
Bank overdraft	178 113	-	178 113	5 623	-	5 623
Provisions	11 226	-	11 226	9 405	-	9 405
Total liabilities	2 311 316	(12 013)	2 299 303	1 506 906	(8 681)	1 498 225
Total equity and liabilities	3 282 694	(120 124)	3 162 570	2 408 713	(86 802)	2 321 911

29. CHANGE IN ACCOUNTING POLICY (Continued)

(d). Statement of cash flows

	GROUP			COMPANY		
	For the year ended 31 March 2016			For the year ended 31 March 2016		
	Previously reported	Restated effect of IAS 16	Restated	Previously reported	Restated effect of IAS 16	Restated
	K'000	K'000	K'000	K'000	K'000	K'000
Cash flows from operating activities						
Cash operating profit	264 964	24 872	289 836	252 377	19 824	272 201
Working capital movements	(78 698)	-	(78 698)	(89 959)	-	(89 959)
Cash generated from operations	186 266	24 872	211 138	162 418	19 824	182 242
Net financing costs	(221 915)	-	(221 915)	(227 583)	-	(227 583)
Income tax paid	(10 244)	-	(10 244)	(5 837)	-	(5 837)
Dividends paid to shareholders of Zambia Sugar Plc	(47 485)	-	(47 485)	(47 485)	-	(47 485)
Dividends paid to non-controlling shareholders	(3 296)	-	(3 296)	-	-	-
Net cash outflows from operating activities	(96 674)	24 872	(71 802)	(118 487)	19 824	(98 663)
Cash flows from investing activities						
Payments for property, plant and equipment	(563 822)	(24 872)	(588 694)	(558 040)	(19 824)	(577 864)
Dividend received	-	-	-	19 804	-	19 804
Proceeds from disposal of property, plant and equipment	1 490	-	1 490	1 490	-	1 490
Net cash outflows from investing activities	(562 332)	(24 872)	(587 204)	(536 746)	(19 824)	(556 570)
Net cash outflows before financing activities	(659 006)	-	(659 006)	(655 233)	-	(655 233)
Cash flows from financing activities						
Borrowings raised	486 326	-	486 326	486 326	-	486 326
Net cash inflows from financing activities	486 326	-	486 326	486 326	-	486 326
Net decrease in cash and cash equivalents	(172 680)	-	(172 680)	(168 907)	-	(168 907)
Net cash and cash equivalents at beginning of year	72 261	-	72 261	68 236	-	68 236
Net cash and cash equivalents at the end of year	(100 419)	-	(100 419)	(100 671)	-	(100 671)
Comprising of:						
Cash and bank balances	77 694	-	77 694	77 442	-	77 694
Bank overdraft	(178 113)	-	(178 113)	(178 113)	-	(178 365)

30. 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		Company	
		2017	2016	2017	2016
		K'000	K'000	K'000	K'000
	Fair value hierarchy:				
Financial assets					
Loans and receivables	Level 3	829 273	656 742	825 223	653 915
Derivative financial instruments designated as cash flow hedges	Level 2	25 204	3 201	25 204	3 201
Financial liabilities					
Derivative financial instruments designated as cash flow hedges	Level 2	-	(22 221)	-	(22 221)
Financial liabilities measured at amortised cost	Level 3	2 450 542	2 150 161	2 479 799	2 162 571
Reconciliation to the statement of financial position:					
Trade and other receivables	Level 3	668 848	574 689	665 220	572 114
Amounts due by related parties	Level 3	61	4 359	61	4 359
Cash and bank balances	Level 3	160 365	77 694	159 943	77 442
Loans and receivables	Level 3	829 274	656 742	825 224	653 915
Long-term borrowings	Level 3	1 301 242	827 176	1 301 242	827 176
Short-term borrowings	Level 3	284 705	577 150	284 705	577 150
Trade and other payables	Level 3	318 745	317 157	311 139	307 959
Amounts due to related parties	Level 3	483 883	250 565	520 746	272 173
Bank overdraft	Level 3	61 967	178 113	61 967	178 113
Financial liabilities measured at amortised cost	Level 3	2 450 542	2 150 161	2 479 799	2 162 571

30.1 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.

The Group treasury has access to the following unsecured local banking facilities at 31 March:

	Group	Group
	2017	2016
	K'000	K'000
Unsecured bank overdraft facility, reviewed annually and payable at call:		
- Amount utilised	61 967	178 113
- Amount unutilised	203 533	20 387
Total local bank overdraft facilities	265 500	198 500

30. FINANCIAL RISK MANAGEMENT (Continued)

30.2 Interest rate risk management

Taking cognisance of the seasonality of the Group's cash flow 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 2017 is as follows:

	Floating rate		
	Less than one year	Greater than one year	Total borrowings
Borrowings (K'million)	654	1 301	1 955
% total borrowings	33%	67%	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	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
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:	(7 438)	(7 524)	(7 440)	(7 525)

30.3 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 uncovered foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
GROUP	K'000	K'000	K'000	K'000
US Dollars	136 936	83 066	30 410	52 278
SA Rands	2 242	32 401	143 117	90 152
Euros	11 953	10 584	11 402	14 949
COMPANY				
US Dollars	136 936	83 066	30 410	48 597
SA Rands	2 242	32 401	141 190	89 191
Euros	11 953	10 584	11 402	14 949

30. FINANCIAL RISK MANAGEMENT (Continued)

30.3 Currency risk management (Continued)

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 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 K'000

	US Dollar		SA Rand		Euro	
	2017	2016	2017	2016	2017	2016
Group						
Monetary assets	(13 694)	(8 307)	(224)	(3 240)	(1 195)	(1 058)
Monetary liabilities	3 041	5 228	14 312	9 015	1 140	1 495
	(10 653)	(3 079)	14 088	5 775	(55)	437
Company						
Monetary assets	(13 694)	(8 307)	(224)	(3 240)	(1 195)	(1 058)
Monetary liabilities	3 041	4 860	14 119	8 919	1 140	1 495
	(10 653)	3 447	13 895	5 679	55	437

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

	Rates at 31 March		Average for year	
	2017	2016	2017	2016
Kwacha/Rand	0.71	0.75	0.71	0.70
Kwacha/US dollar	9.60	11.15	9.93	9.72
Kwacha/Euro	10.26	12.62	10.90	10.73

The Group has entered into certain forward exchange contracts to cover forecast foreign currency proceeds not yet receivable. The contracts will be utilised for purposes of trade during the 2018 financial year.

	Group 2017			Group 2016		
	Foreign currency million	Average rate	Amount in K'million	Foreign currency million	Average rate	Amount in K'million
Foreign currency sold						
US Dollar	25.7	11.07	284.5	7.5	12.84	96.3

These forward exchange contracts have resulted in the Group's derivative financial instruments, the fair value of which are determined using inputs that are observable, either directly (i.e. as prices), or indirectly (i.e. derived from prices), other than quoted prices in an active market, and therefore fall into the level 2 fair value category.

30. FINANCIAL RISK MANAGEMENT (Continued)

30.4 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 2017, 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	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Not past due	172 898	257 708	172 898	257 708
Past due by 30 days	146 734	116 067	146 734	116 067
Past due by 60 days	53 624	52 104	53 624	52 104
Past due by 90 days	66 111	7 621	66 111	7 621
Past due over 120 days	58 717	5 194	58 717	5 194
	498 084	438 694	498 084	438 694
less : allowance for doubtful debts	(314)	(250)	(314)	(250)
Total trade receivables	497 770	438 444	497 770	438 444

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

30.5 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.

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	Group		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Debt (see note i)	1 893 253	1 508 176	1 893 253	1 508 176
Overdraft	61 967	178 113	61 967	178 113
Cash and bank balances	(160 365)	(77 694)	(159 943)	(77 442)
Net Debt	1 794 855	1 608 595	1 795 277	1 608 847
Equity (see note ii)	943 290	968 066	824 264	863 267
Net debt to equity ratio	190.3%	166.2%	217.8%	186.4%

i. Debt is defined as long and short term borrowings as described in note 22.
ii. Equity includes all capital and reserves of the Group that are managed as capital.

31. RETIREMENT BENEFITS

Defined contribution pension scheme

Zambia Sugar Plc 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 K19.3 million (2016: K15.8 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 K15.4 million (2016: K14.1 million) during the year in respect of this scheme.

32. CONTINGENT LIABILITIES

There is a contingent liability estimated at K1.442 million (2016: K1.362 million) in respect of local industrial relations actions currently before the courts.

33. 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 OF MEETING

Notice is hereby given that the 55th Annual General Meeting of the members of the company will be held at the Taj Pamodzi Hotel, Lusaka, Zambia on Tuesday 22nd August, 2017 at 15:00hrs to transact the following business:

1. Minutes of the previous meeting

To receive and note the minutes of the 54th Annual General Meeting held on 18 August 2016 duly approved by the Chairman in accordance with Section 160 (2) of the Companies Act.

2. Financial statements

To table the annual financial statements for the year ended 31 March 2017, including the directors and auditors reports in terms of Section 183 of the Companies Act.

3. Ordinary Resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to vote.

3.1 Ordinary resolution number 1 – Confirmation of appointment of executive director – Mr Graham Rolfe

To confirm the appointment of Mr Graham Rolfe, who was appointed by the board as an executive director with effect from 9 November 2016.

A brief curriculum vitae of Mr Rolfe appears on page 12 of the Integrated Annual Report.

3.2 Ordinary resolution number 2 – Re-election of retiring non-executive directors retiring by rotation

To re-elect each of Messrs M Abdool-Samad, H Mambwe and Mr A Mpungwe and Ms M Musonda, who retire by rotation in terms of Companies Act, and who, being eligible, offer themselves for re-election.

The motions for re-election will be moved individually.

The curricula vitae of these directors are provided on pages 11 to 13 of the Annual Report.

Based on the recommendations of the Nomination Committee, which has conducted a formal assessment of each of the above mentioned candidates, the board recommends their re-election to shareholders.

3.3 Ordinary resolution number 3 – Approval of directors' fees

That unless otherwise determined by the company in an annual general meeting, that fees payable by the company to directors for the period 1 April 2017 to 31 August 2017 be maintained at K177 000, K184 000 for committee members and K210 000 for the board chairman.

3.4 Ordinary resolution number 4 – Appointment of the independent auditor

Pursuant to the requirements of sections 171(3) and (10) of the Companies Act, and as nominated by the company's Audit Committee, to resolve that Deloitte & Touche be re-appointed as the company's independent registered auditor for the financial period ending 31 August 2017.

4. Non-Declaration of final dividend

The directors recommend that no dividend be paid for the financial year-ending 31 March 2017. It is noted in terms of the company's Articles the company may only declare a dividend if, and only if the directors have recommended a dividend.

5. 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 **15:00hrs on Friday 18 August 2017.**

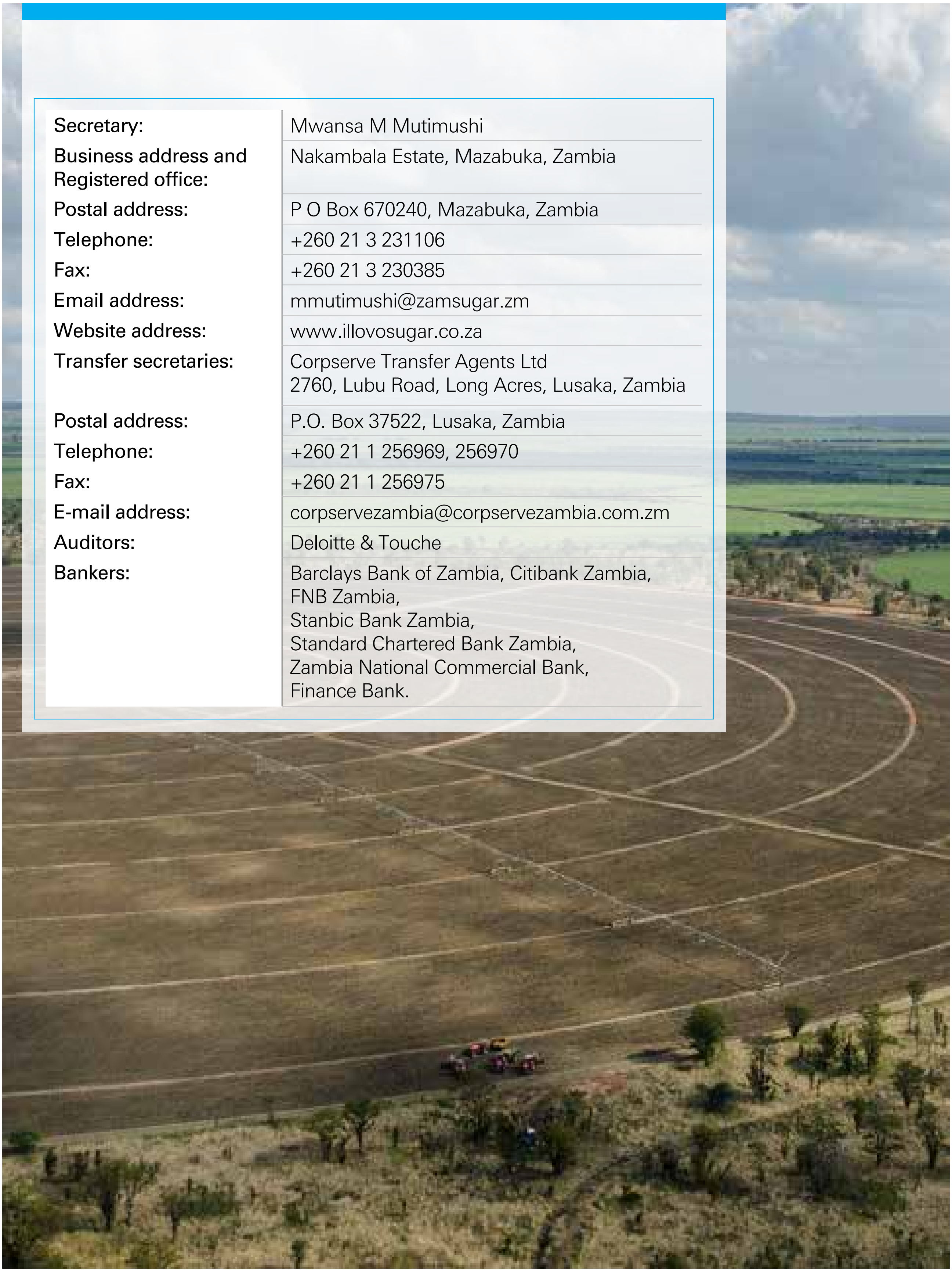
Queries pertaining to shareholder relations such as change of address or bank details are to be channelled through the Transfer Secretaries, whose contact address is:

Corpserve Transfer Agents Limited
2760, Lubu Road, Long Acres, Lusaka, Zambia
Telephone: +260 (211) 256 969/70
Facsimile: +260 (211) 256 975
Email: corpservezambia@corpserve.com.zm

By order of the Board
MM Mutimushi
Company Secretary
30 May 2017

CORPORATE INFORMATION

Secretary:	Mwansa M Mutimushi
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:	mmutimushi@zamsugar.zm
Website address:	www.illovosugar.co.za
Transfer secretaries:	Corpserve Transfer Agents Ltd 2760, Lubu Road, Long Acres, Lusaka, Zambia
Postal address:	P.O. Box 37522, Lusaka, Zambia
Telephone:	+260 21 1 256969, 256970
Fax:	+260 21 1 256975
E-mail address:	corpservezambia@corpservezambia.com.zm
Auditors:	Deloitte & Touche
Bankers:	Barclays Bank of Zambia, Citibank Zambia, FNB Zambia, Stanbic Bank Zambia, Standard Chartered Bank Zambia, Zambia National Commercial Bank, Finance Bank.



ZAMBIA SUGAR PLC | FORM OF PROXY

For the 55th Annual General Meeting

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

of ____
(address)

being the shareholder/member of the above named Company and entitled to do hereby appoint

1. ____________________ of ______________ or failing him/her

2. ____________________ of ______________ or failing him/her

3. the chairman of the meeting

Number of votes

(1 share = 1 vote)

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 22 August 2017 at 14h00 and at any adjournment thereof as follows:

Resolution No.	Agenda Item	For	Against	Abstain
		Mark with X where applicable		
1.	**Confirmation of appointment** GM Rolfe			
2.	**Re-election of directors**			
2.1	M Abdool-Samad			
2.2	MK Musonda			
2.3	HK Mambwe			
2.4	AR Mpungwe			
3.	**Approval of directors' fees**			
4.	**Appointment of the independent auditor**			

Signed at ____________________ on this ____________ day of ____________ 2017

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 than10h00 on Friday 18 August 2017.

6. The delivery of the duly completed proxy form shall not preclude any member or his/her duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.

7. If two or more proxies attended the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.

NOTES

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