ANNUAL REPORT

FOR THE PERIOD ENDED 31 AUGUST 2017

On the Path to Building a Thriving Business

Zambia Sugar

AN ILLOVO SUGAR AFRICA COMPANY

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

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Zambia Sugar is an agricultural and sugar manufacturing company, driven by its vision to become a world class brand. We take pride in our 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.

VISION

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

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. 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.

SUGAR ILLOVO AFRICA

Illovo Sugar Africa (Pty) Ltd
Countries of operation: Zambia, Malawi, Mozambique, South Africa, Swaziland and Tanzania

ZAMBIA SUGAR OWNERSHIP STRUCTURE AND OPERATING LOCATIONS

ASSOCIATED BRITISH FOODS *

100%

Associated British Foods plc

ABSugar

ILLOVO SUGAR AFRICA (PTY) LTD

75%

SUGAR ILLOVO AFRICA

ZAMBIA SUGAR PLC

Zambia Sugar

HEAD OFFICE:
Nakambala Estate
P.O. Box 670240, Mazabuka, Zambia
Plot No. 118a Lubombo Road,
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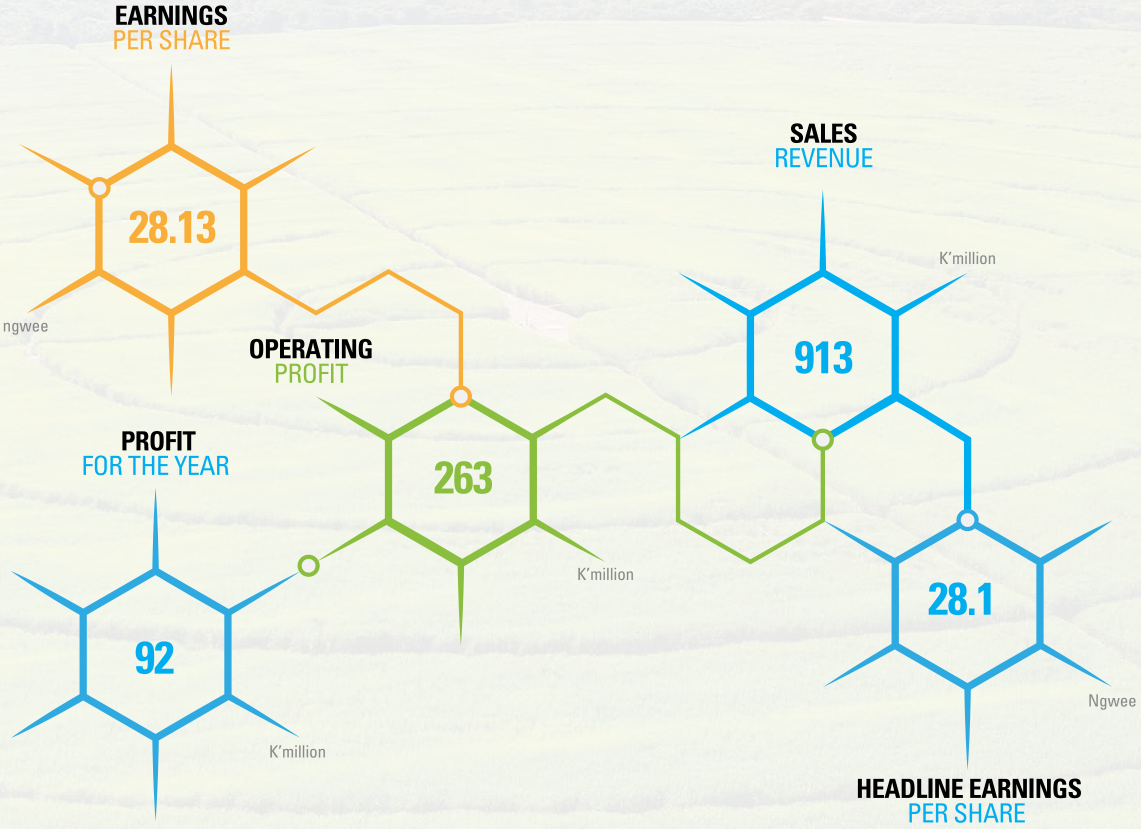
MAZABUKA – agricultural, sugar manufacturing, packing and distribution operations.

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

FINANCIAL HIGHLIGHTS

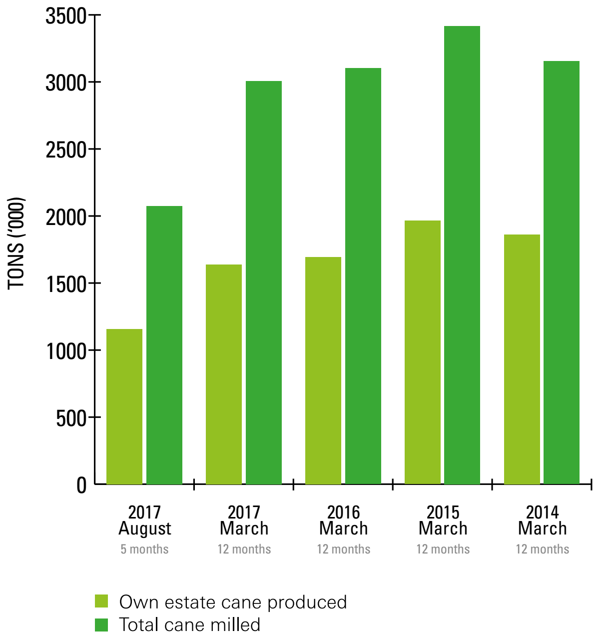
(THIS REPORT IS FOR THE PERIOD APRIL 2017 TO AUGUST 2017, COVERING THE GAP PERIOD FOLLOWING THE CHANGE OF FINANCIAL YEAR FROM APRIL-MARCH TO SEPTEMBER-AUGUST)



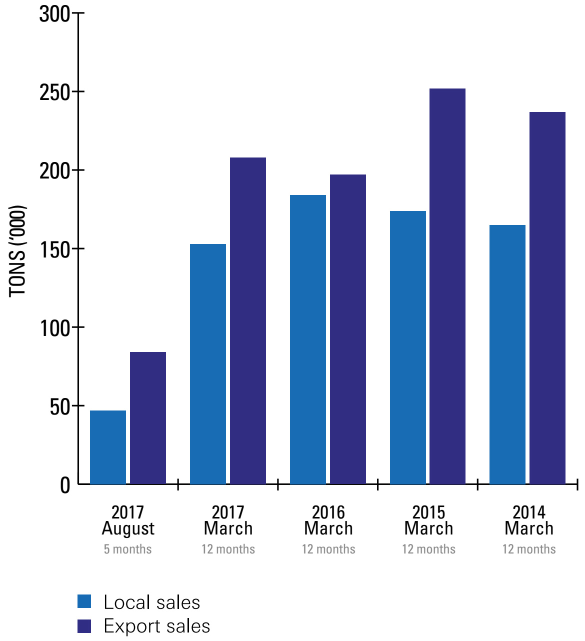
KEY FEATURES	5 months ended August 2017	12 months ended March 2017
Revenue (K'000)	**912 829**	2 479 348
Operating profit (K'000)	**262 707**	410 508
Profit for the year (K'000)	**91 574**	(60 097)
Earnings per share (ngwee)	**28.1**	(21.0)
Headline earnings per share (ngwee)	**28.1**	(21.0)
Number of shares in issue ('000)	**316 571**	316 571

FIVE YEAR REVIEW

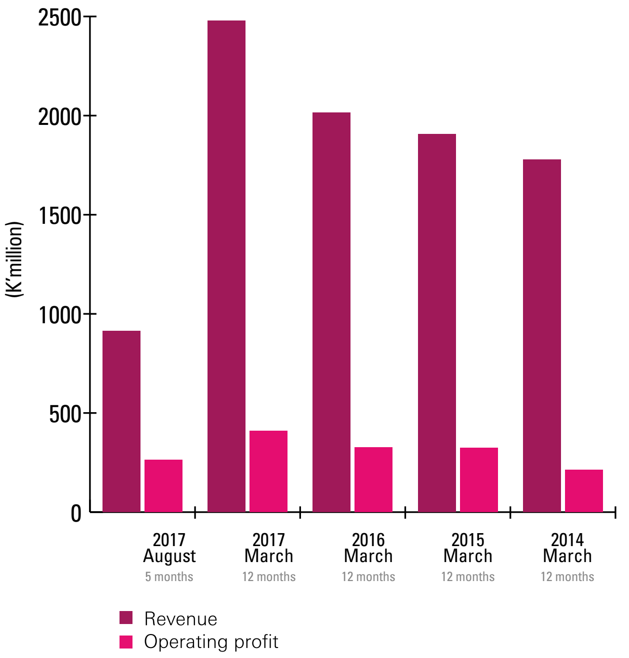
Sugar cane production



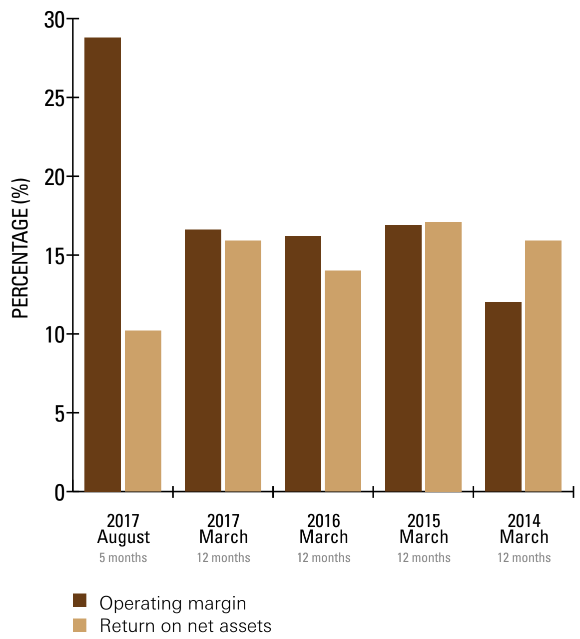
Sugar sales



Revenue



Profit



					Restated	Restated	Restated
			5 months ended August	12 months ended March	12 months ended March	12 months ended March	12 months ended March
			Tons '000	Tons '000	Tons '000	Tons '000	Tons '000
PRODUCTION & SALES (Tons '000)	Notes		2017	2017	2016	2015	2014
Own estate cane produced			**1 158**	1 639	1 694	1 965	1 863
Total cane milled			**2 074**	3 007	3 102	3 417	3 154
Sugar production			**249**	359	380	424	393
Cane sugar ratio			**8.33**	8.38	8.16	8.06	8.03
Sugar sales			**131**	361	381	426	402
Local			**47**	153	184	174	165
Export			**84**	208	197	252	237
Molasses sales			**36**	104	103	111	94
Local			**20**	49	42	47	44
Export			**16**	55	61	64	50
FINANCIAL							
Statement of comprehensive income			**K '000**	K '000	K '000	K '000	K '000
Revenue			**912 829**	2 479 348	2 015 435	1 907 169	1 778 172
Operating profit			**262 707**	410 508	327 416	323 034	212 513
Net financing costs			**(151 674)**	(469 791)	(221 915)	(163 900)	(138 812)
Profit/(loss) before taxation			**111 033**	(59 283)	105 501	159 134	73 701
Taxation			**(19 459)**	(814)	(19 905)	(19 445)	(27 475)
Profit/(loss) for the year			**91 574**	(60 097)	85 596	139 689	46 226
Profit attributable to non-controlling interest			**(2 507)**	(6 512)	(5 461)	(4 216)	(2 955)
Profit/(loss) attributable to shareholders of Zambia Sugar Plc			**89 067**	(66 609)	80 135	135 473	43 271
Other comprehensive income/(loss)			**13 517**	39 802	19 938	(7 979)	(33 152)
Total comprehensive income/(loss) for the year attributable to shareholders of Zambia Sugar Plc			**102 584**	(26 807)	100 073	127 494	10 119
Reconciliation of headline earnings (K'000)							
Profit/(loss) attributable to shareholders of Zambia Sugar Plc			**89 067**	(66 609)	80 135	135 473	43 271
Headline earnings for the year			**89 067**	(66 609)	80 135	135 473	43 271
Statement of financial position			**K '000**	K '000	K '000	K '000	K '000
Property, plant and equipment			**1 920 001**	1 931 227	1 826 528	1 325 296	1 312 492
Intangible asset			**67 902**	67 902	67 902	67 902	67 902
Current assets			**1 634 257**	1 376 091	1 308 641	939 318	699 591
Cash and bank balances			**290 920**	160 365	77 694	77 884	66 352
Borrowings			**(1 680 260)**	(1 647 914)	(1 582 439)	(923 623)	(929 413)
Deferred tax liability			**(143 428)**	(127 585)	(129 091)	(110 551)	(96 955)
Current liabilities			**(1 045 737)**	(816 796)	(601 169)	(462 912)	(272 043)
Net asset value			**1 043 655**	943 290	968 065	913 313	847 926
Profitability and asset management (%)							
Operating margin		%	**28.8**	16.6	16.2	16.9	12.0
Return on net assets	1	%	**10.2**	15.9	14.0	17.1	15.9
Liquidity and borrowings							
Current ratio	2	times	**1.8**	1.9	2.3	2.3	2.8
Interest cover	3	times	**1.7**	0.9	1.5	2.0	1.5
Net debt: equity	4	%	**133**	158	155	93	102
Gearing	5	%	**57**	61	61	48	50
Earnings and dividends per share							
Earnings per share	6	ngwee	**28.13**	(21.04)	25.31	42.79	13.67
Headline earnings per share	7	ngwee	**28.13**	(21.04)	36.12	44.64	39.00
Dividend per share	8	ngwee	**-**	-	-	23.00	20.00
Dividend cover	9	times	**-**	-	-	1.9	2.1
Dividend paid		K'000	**-**	-	47 486	63 314	68 379
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	**3.3**	2.98	3.06	2.89	2.68
Market price per share at year end		K	**2.7**	2.70	4.78	6.00	6.83
Dividend yield at year end 11%	11	%	**-**	-	-	3.8	2.9
Price: headline earnings ratio	12	%	**9.6**	(12.8)	13.2	13.4	17.5

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, K527 million (March 2017: K967 million) was created. Of this amount, K380 million (March 2017: K938 million) was distributed to employees, providers of capital and to government. Of the wealth created, 41% (March 2017: 47%) was paid to employees.

The balance of the wealth created was retained and reinvested in the company towards the reduction of debt and the on going working capital requirements.

	GROUP		COMPANY	
	5 months ended	12 months ended	5 months ended	12 months ended
	August 2017	March 2017	August 2017	March 2017
	K '000	K '000	K '000	K '000
WEALTH CREATED				
Revenue	912 829	2 479 348	912 829	2 479 348
Dividend income	-	-	28 384	26 926
Paid to growers for cane purchases	(336 086)	(548 690)	(414 873)	(677 819)
Manufacturing and distribution costs	(49 346)	(963 835)	(1 689)	(897 776)
	527 397	966 823	524 651	930 679
WEALTH DISTRIBUTED				
To employees as salaries, wages and other benefits	218 611	456 517	210 491	437 054
To lenders of capital as interest	151 674	469 791	155 258	482 520
To shareholders as dividends	4 725	4 481	-	-
To government as taxation	5 118	6 742	575	268
	380 128	937 531	366 324	919 842
WEALTH REINVESTED				
Retained Profit/(loss)	89 067	(66 609)	101 308	(78 805)
Depreciation	43 861	101 829	40 435	94 637
Deferred taxation	14 341	(5 928)	16 584	(4 995)
	527 397	966 823	524 651	930 679
AMOUNTS PAID TO GOVERNMENT FOR TAXATION EXCLUDES THE FOLLOWING:				
Employees tax deducted from remuneration	39 502	71 933	39 015	69 681
Net VAT amount paid to government	19 948	66 137	9 750	51 130
Customs and excise duties	18 773	11 030	18 773	11 030
Withholding taxes and Withholding VAT collected on behalf of government	107 529	58 955	107 365	56 754
	185 752	208 055	174 903	188 595

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,
It is my pleasure to present the business outlook to you for the period April 2017 to August 2017. Shareholders are reminded that earlier this year, we gave notice of our intention to change our financial year end to 31 August 2017, in alignment with the new financial year end of our holding company, Illovo Sugar Africa (Pty) Ltd.

WE CONTINUE TO FIGHT CROP INFESTATIONS AND THE EFFECTS OF DROUGHT IN 2015/16 SEASON.

MANAGEMENT TEAM HAS A PLAN TO BUILD RESILIENCE IN THE BUSINESS.

THE FIVE MONTHS FINANCIAL PERIOD HAS BEEN ONE OF STEADY PROGRESS AND GROWTH.

Although the business continues to face a challenging operating environment, the operational performance of the past five months has given a positive indication for future prospects.

The major challenges continue to rise from the natural and economic conditions, affecting agricultural operations and the market environment. While we recorded favourable rains last year, we continue to fight crop infestations of yellow sugar cane aphids and black maize beetles, as well as the effects of two years of consecutive drought.

The markets continue to present different challenges with illegal imports of sugar putting pressure on domestic sales. In the export markets, low world sugar prices persisted in regional markets, despite the export sugar demand being strong in the period.

However, in the face of all these challenges you can be confident that the management team has a plan to build resilience in the business. In response to the pressures of the operating environment such as competition from illegal imports, high interest rates and infestation, the company has embarked on a cost reset initiative. Project 400 is a harmonised and comprehensive business process aimed at cost optimisation of the business. This will make Zambia Sugar a resilient business capable of surviving potential economic challenges into the future.

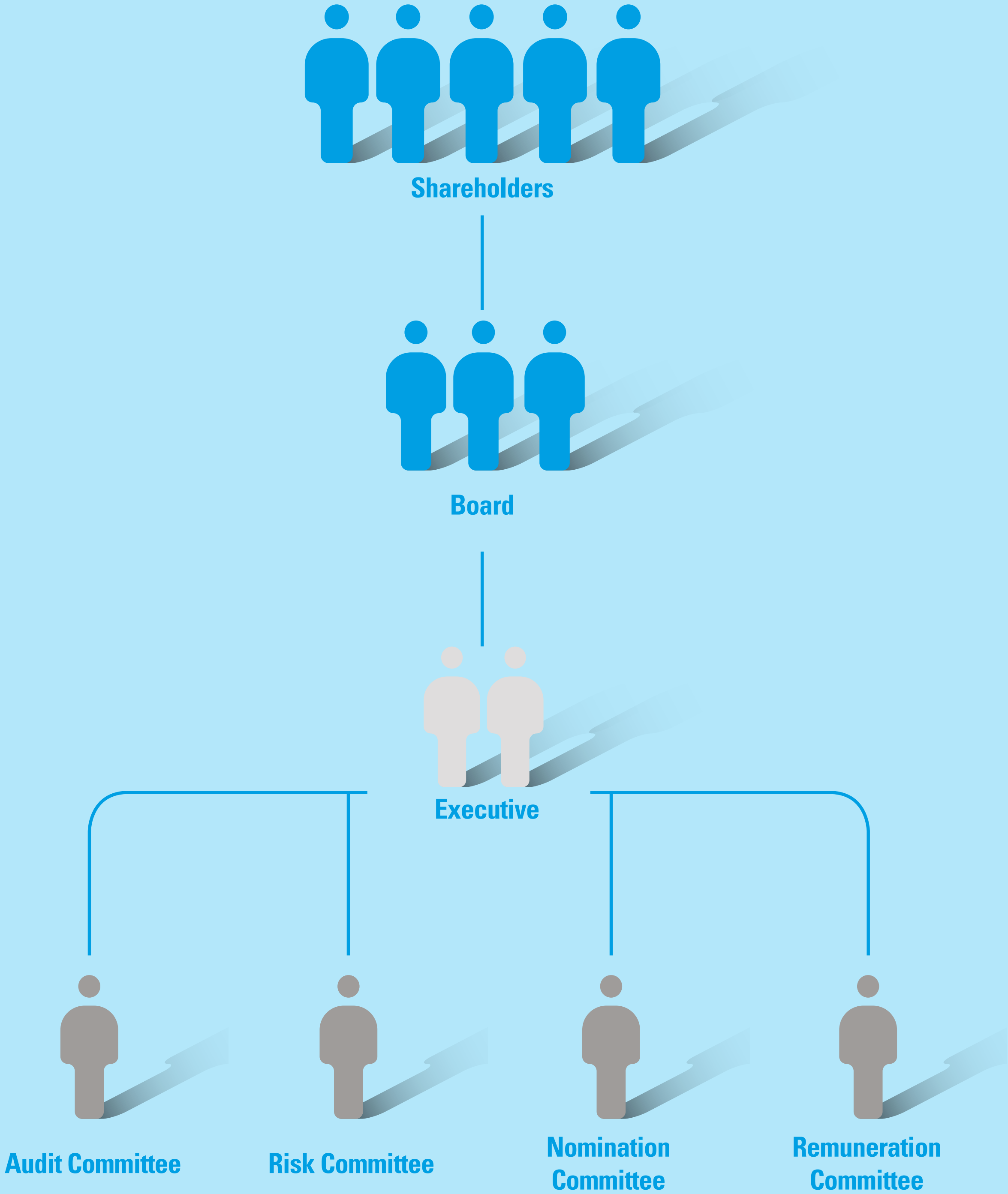
The five months financial period has been one of steady progress and growth and this is evident in our record milestones in our refinery and general business operations. The good rainfall recorded in the country resulted in higher water levels in the Kafue River which improved our irrigation and also assured stable power supply from ZESCO. The positive impact of this is expected to be felt in the near future.

I would like to assure you that the Board and Management remains steadfast and resolute in ensuring that we prioritise the goal and strategic objective of making this business profitable now and in the future.

Finally, I wish to thank you for taking keen interest in the business through your valuable contributions at the last AGM and at the Shareholders' Open Day.

FIDELIS M. BANDA
Board Chairman

GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

The Company has a unitary board of directors comprising of 10.

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 period 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 (66),
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 (43),

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 a number of corporations, she started her own business, Java Foods, in Zambia.

She also serves as non-executive director on other board including African Life Assurance (a subsidiary of Sanlam), Dangote Industries Zambia Limited and serves on the Microsoft4Afrika Advisory Council. She is a 2013 Young Global Leader (World Economic Forum) and Archbishop Desmond Tutu Leadership Fellow.

She was named Forbes Magazine Africa Investor and 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

Finance Director, Mr Henry Mambwe resigned effective 22nd August 2017 to pursue other interests outside Zambia Sugar. A process to recruit his successor is on-going and shareholders would be informed in due course.

REBECCA M. L. KATOWA (57),

Zambian

BA, MBA, DipM, MCIM, FZIM

Mrs. Katowa is the Managing Director of Zambia Sugar Plc. Prior to her appointment as Managing Director, 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.

GRAHAM M. 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 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. During his career he has been involved in a number of projects including the building and expansion of Komati Mill.

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.

NON-EXECUTIVE DIRECTORS

GAVIN B. DALGLEISH (51),
South African
MScChemEng

Mr Dalgleish is the Managing Director of Illovo Sugar Africa (Pty) Ltd. He was appointed to the Board of Zambia Sugar in 2012. He assumed the position of Operations Director for Illovo Sugar Limited (ISL) (now Illovo Sugar Africa (Pty) Ltd) 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 (46),
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 (now Illovo Sugar Africa (Pty) Ltd).

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 America 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 America's global thermal coal assets.

JOHN P. HULLEY (57),
South African
NatDipMechEng, MDP (General Management), Chairman of Risk Committee

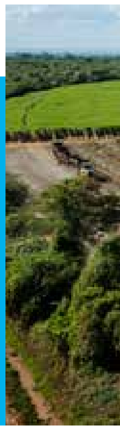
Mr Hulley is the Chairman of the Risk Committee. He was appointed to the Board in September 2013 following his appointment as Operations Director of Illovo Sugar Limited (now Illovo Sugar Africa (Pty) Ltd).

He joined Illovo Sugar Limited in 1978 and served in various positions until 1993.

He 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.

After rejoining Illovo Sugar Ltd in 2000, he held senior management positions in the company's South African operations. He was then appointed General Manager of Ubombo Sugar Limited within the Illovo Group in 2008, and subsequently its Managing Director.

MANAGING DIRECTOR'S STATEMENT



DEAR SHAREHOLDERS,
As you are aware Associated British Foods (ABF) acquired 100 per cent shareholding of Illovo on 28th June 2016. The acquisition of Illovo necessitated an integration process with ABF to align with the ABF operating models.

While the Illovo Group financial year ran from April to March, the ABF financial year runs from August to September. On full acquisition of Illovo, it was necessary to align the financial periods of the Illovo Group to that of ABF. This 5 month financial period has been necessary to transition the Illovo Group, including Zambia Sugar plc, to the new financial year cycle. Zambia Sugar's next financial year will run from 1 September 2017 to 31 August 2018.

I am delighted to report that in the period April 2017 to August 2017 our cane production was 2 073 592 tons, while sugar production was 249 227 tons and refined sugar production was 49 998 tons. Total revenue for the five months period April 2017 to August 2017 was K912 829 000. We recorded an operating profit of K262 707 while our closing borrowings were K1.954 billion.

We have continued to be a significant provider of employment, with an average workforce of 5 646 during the period, including 2 038 permanent employees and a seasonal workforce peaking at 6 477. In the short period under review (April to August 2017), I am glad to report that the company injected in excess of K527 million into the local economy through payments to amongst others, employees, cane growers as well as government in the form of direct taxation.

In our last report, I informed you of our cost optimisation strategy we dubbed "Project 400 – On a Path to Build a Thriving Business''. This is an initiative that was designed to re-position the business on a growth path. I am pleased to report that we are recording a number of successes in this process and have made significant changes

PROJECT 400

The cost optimisation process is yielding the intended results and we are on schedule to attaining our Project 400 objectives.

Factory Manager Godfrey Mpundu presenting the Power Optimisation Project to ABF, AB Sugar and Illovo executives. The Power Optimisation initiative is part of Project 400

CANE PRODUCTION
2 073 592 tons

SUGAR PRODUCTION
249 227 tons

AVERAGE WORKFORCE
5 646 employees

in our operating model to achieve the intended goal.

We are however cognisant of the fact that the external factors which control the market will continue to remain beyond our area of influence. In this regard we have chosen to handle factors that are within our control, hence the decision to embark on a diversified route to market campaign. This campaign will focus on product quality, optimised product portfolio, increased consumer engagement, efficiency in route to consumer, sales excellence, supply reliability and reducing cost to serve. We are responsive to our customers and our consumers as we grow into the future.

I wish to commend my management team for the unwavering support and leadership provided to staff during this period. The cost optimisation process is yielding the intended results and we are on schedule to attaining our Project 400 objectives.

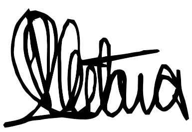
We continue to make safety our priority in all that we do and are consistently challenging ourselves to ensure that we work in a safe and healthy environment.

At Zambia Sugar, we believe that to be a successful company, we must be an interested citizen in the communities in which we operate. The focus therefore, is on creating an environment in which both our business and our communities thrive in mutually-beneficial partnerships.

We are moving towards entrenching the "Creating Shared Value" (CSV) agenda which is aimed at improving lives in our communities. Our commitment to our stakeholders is in building thriving communities through the execution of existing and new, mutually-owned, shared value projects.

Through our deliberate and strategic interventions we are contributing to the wellbeing of our employees, shareholders and the community at large.

Our collective values of Commitment, Accountability, Inclusiveness, Integrity, Commitment and Empowerment will continue to drive the business into the future.



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): Graham M. Rolfe, Japhet Banda, Chembe Kabandama, Anthony H. Domleo and Stuart S. Forbes

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 M. ROLFE
BSc - Eng, Pr - Eng, GCC, MDP
Operations Director
Responsible for agriculture and factory operations, as well as safety, health, environment and quality (SHEQ).

3. 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.

4. 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, compliance and corporate citizenship functions.

5. 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.

6. STUART S. FORBES
BTech Mgt, ABP
Supply Chain Manager
Responsible for procurement, inventory, logistics and warehousing.

7. ANTHONY H. DOMLEO
BCom, NDA
Agriculture Manager
Responsible for agricultural operations and smallholder development.

8. JAPHET BANDA
Mcom *(cum laude)* Rhodes, PDEM Rhodes, DJourn
Corporate Affairs and Communications
Responsible for advocacy, sustainability, stakeholder management and corporate communications.

9. HENRY K. MAMBWE[1]
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.

10. GODFREY MPUNDU[2]
BEng (Chem), ALChemE
Factory Manager
Responsible for factory operations and manufacturing.

1. Resigned effective 22 August 2017 to pursue other interests outside Zambia Sugar. A process to recruit his successor is on-going and shareholders would be informed in due course.

2. Left Zambia Sugar to take up another role within the ABF Group. His replacement will be communicated in due course.

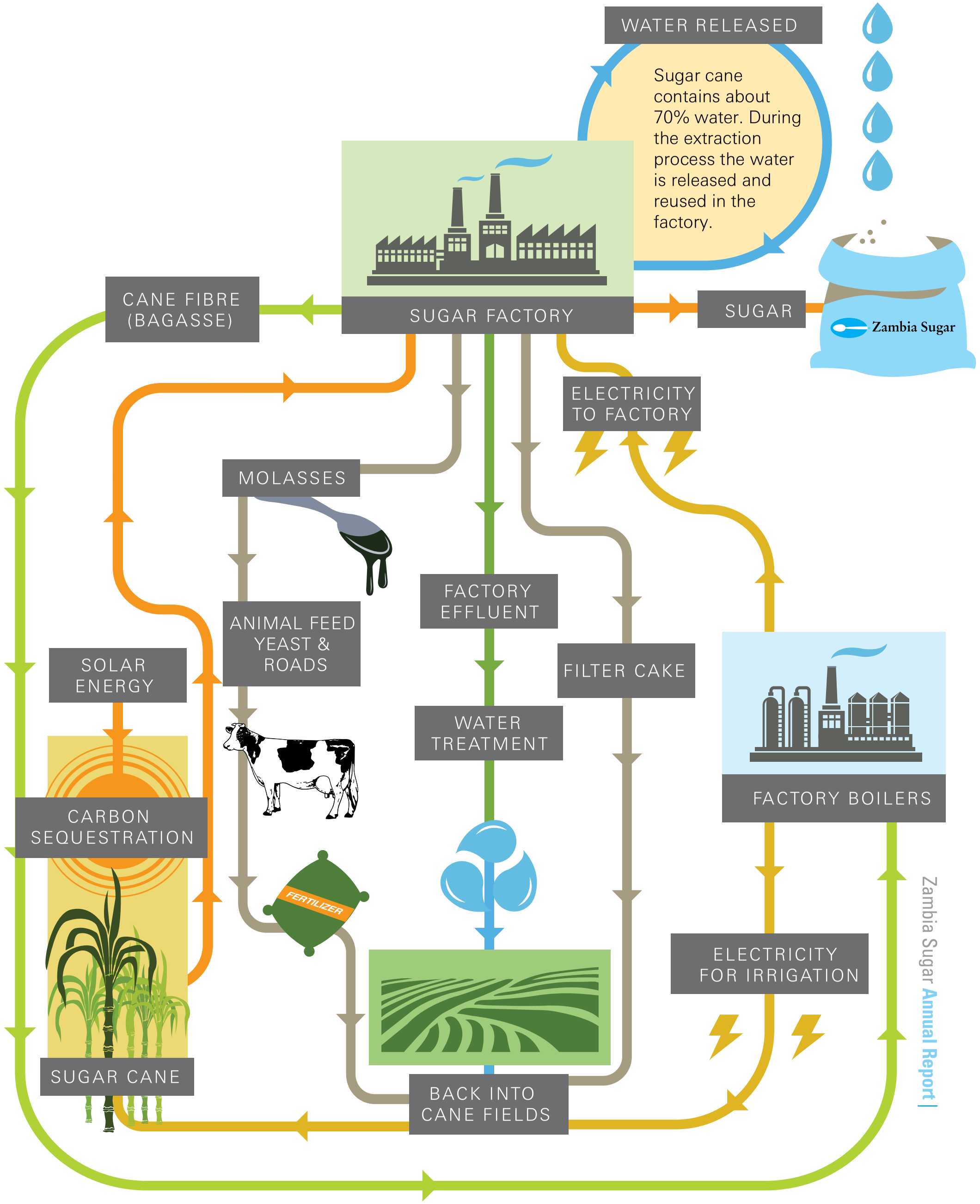
ZAMBIA SUGAR INTEGRATED SUGAR CANE PROCESSING

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 tCO2 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 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

ILLOVO THRIVING COMMUNITY

As an Illovo Sugar Africa (Pty) Limited company, Zambia Sugar is part of the Illovo's growing position within **Africa's Thriving Community** across the continent. At Zambia Sugar, the economic and development benefits of our operations continue to make a meaningful positive impact on growth and future prosperity of our own Thriving Communities within Mazabuka, and Zambia as a whole.

BUILDING A THRIVING COMMUNITY

Zambia Sugar is a development partner investing in meaningful socio-economic initiatives to build a Thriving Community. The company is involved in various interventions to create direct and indirect employment. New partnerships for Creating Shared Value (CSV) initiatives are aimed at engaging with stakeholders to create circles of opportunities and growth in our communities.

THE AREAS OF FOCUS ARE:

Trader Capacitation

The company seeks to enhance service in the distribution channel to empower medium to small scale enterprises through points of distribution and means of distribution.

Small enterprise development

The business supports local contractors and suppliers throughout the supply value chain, contributing to economic empowerment.

Environmental management

Opportunities are being evaluated for implementation through creation of value-adding businesses around environmental and water resources to benefit communities.

Alternative crop/land use

The company is exploring opportunities for alternate crops that can be grown on available land in the communities to support household food security.

ILLOVO THRIVING COMMUNITY

The initiatives are centred on four pillars of creating shared value.

- MARKET
- COMMUNITY
- INDUSTRY
- AGRICULTURE

COLLABORATING TO CREATE SHARED VALUE

Zambia Sugar is realising its Creating Shared Value approach through collaboration with major stakeholders to create small enterprises and other opportunities in the communities. During the period under review, Zambia Sugar initiated collaboration with the International Labour Organisation (ILO) on infrastructure and local economic development projects in Mazabuka district. This involves working on identified programmes to be implemented under the Employment Intensive Investment Programme (EIIP) of the ILO. The focus of the partnership is on implementing projects aimed at promoting labour-based technologies in infrastructure development, while at the same time supporting enterprise development and job creation for the local communities.

For the initial partnership, a road project in a community within Mazabuka had been identified for implementation and technical assessments have been undertaken by experts from ILO, Zambia Sugar, Mazabuka Municipal Council (MMC) and the National Council for Construction (NCC).

The Zambia Sugar seeks partnerships for business models with significant multiplier effects on communities within the Zambia Sugar value chain, including in waste management, water stewardship, bio-energy production, recycling of materials, housing, infrastructure and outgrower schemes for alternative crops.

SUSTAINABILITY

HUMAN CAPITAL

EMPLOYEE RELATIONS

Communication with employees continued during the period under review in order to facilitate their participation and enhance their contribution to the attainment of Company goals and objectives. Specific communication focuses on the need for cost optimisation. The MD's Business Forum and the Joint Consultative Committee (JCC) are among the main communication channels to employees.

Labour commissioners from Zambia, Malawi and Mozambique touring Zambia Sugar operations during a visit to Nakambala.

ORGANISATIONAL EFFECTIVENESS AND TALENT MANAGEMENT

The staffing of the organisation is at optimal and is effectively aligned with organisational structure. We strive to maintain a competent and motivated human capital at operational and managerial levels. Talent management is a priority in sharpening skills and enhancing knowledge and competences of staff.

REMUNERATION

Zambia Sugar strives to maintain competitive remuneration packages and conditions of employment for its employees.

LEARNING AND DEVELOPMENT

In order to respond to remain competitive and respond to external challenges, Zambia Sugar invests in retention and development of its employees. To achieve the goals and objectives of the learning and development programmes, Zambia Sugar implements group (Illovo) management development programmes. Specific training programmes in Agricultural and manufacturing (Factory) are undertaken at the Illovo Academy to enable individual employees improve on their professional qualifications.

Electrical employees graduate from a professional course in Electrical Basic Line Work at the Zambia Sugar Training Centre, Mazabuka.

DIVERSITY AND EQUAL OPPORTUNITY

The Company implements policies and procedures that promote equal opportunity and fair treatment of all employees. 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 promote a safe working environment in all Zambia Sugar operations. Safety is everything from every aspect of the Company's operations, and to a large extent influence the design of work methods. The measurement of safety indicators starts with an individual to team and operation level.

EMPLOYEE WELLNESS

The Company runs an integrated medical service that incorporates primary health care, public health, maternal and child care, and HIV/AIDS education, treatment and care.

Average number of employees recruited

Month/Year	Average Number
Apr-17	3 943
May-17	5 922
Jun-17	5 941
Jul-17	5 944
Aug-17	6 477

Employees receive shopping vouchers during the Safety Green Cards awards for diligently observing safety measures.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

The Health, Safety and Environment (HSE) performance was satisfactory at 65.69% with targets for leading indicators contributing 49.69% while lagging indicators contributed 16.5%. The recorded Health and Safety (HS) incidents were four lost time injuries compared to three (2016), five medical treatment cases (MTC) compared 0 (2016) and 25 first aid case compared 45 (2016). There were no legal / regulatory breaches, an indication that our systems continued to be effective. There was no improvement in the performance of key lagging indicators (increased number of lost time incidents – LTIFR: 0.04 in 2016 to 0.07 in 2017).

A number of programs have been put in place to mitigate identified HS risks which include, focus on cardinal rules (working at heights, confined spaces, permit to work, motor vehicles) and visible felt leadership (behavioural audits). Safety bulletins are disseminated weekly to raise awareness among employees on various HS 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. SHE Gemba walks and weekly performance review have been undertaken to verify compliance to HS policies, legal requirements and to ensure that the business continues to align with HS best practices within and outside areas of work.

Environment

The company is subject to environmental regulations on 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.

During the period, there were no contraventions on regulated environmental aspects associated with company operations, vis-à-vis air emissions, waste water, 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 our customers drive operational efficiency, 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 FSSC 22000.

CONTINUOUS IMPROVEMENT

We have made great strides at Zambia Sugar to create a culture of Continuous improvement. Zambia sugar has taken a sustainable development approach by integrating the concepts of the best practices being implemented into all of the processes inherent to the way a company operates.

This has laid a solid foundation for improved production performance, innovation and cost reset initiatives (P400).

People engagement and leadership visibility on the shop floor were some of the success factors that contributed to the improved performance of the organisation.

The Managing Director launched 5S best Practice which creates order and discipline in the organisation being an example of leadership commitment. 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.

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.

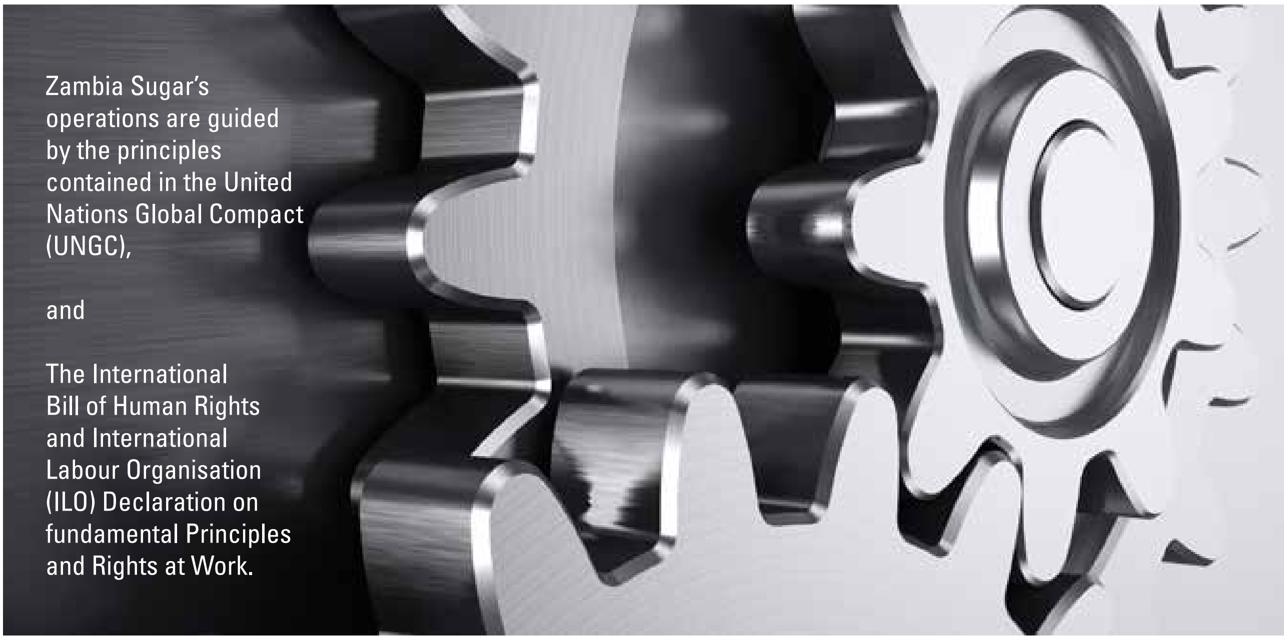
The Company continues to enforce and foster the Declaration of Gifts and the Ethics policies which are in place. In addition to compliance with regulatory requirements, Zambia Sugar Plc. endeavours to ensure that standards of ethical and responsible conduct are met throughout the organisation.

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.



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;
- Representing the views of the Board to the public;
- Acting as a conduit between the Board and being the primary point of contact between the Board and the Managing Director;
- Overseeing the Board agenda and conducting all Board meetings;
- Overseeing and conducting Annual General Meeting (AGM) and other shareholder meetings and;
- 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 five- month year under review, two meetings were held and all board members were in attendance.

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	246th Board Meeting (30/05/17)	247th Board Meeting (22/08/17)	Total Meetings Attended	Total Meetings Held
F M Banda	✔	✔	2	2
GB Dalgleish	✔	✔	2	2
JP Hulley	✔	✔	2	2
MH Abdool-Samad	✔	✔	2	2
AR Mpungwe	✔	✔	2	2
DK Patel	✔	✔	2	2
MK Musonda	✔	✔	2	2
RL Katowa	✔	✔	2	2
GM Rolfe	✔	✔	2	2
HK Mambwe	✔	✔	2	2

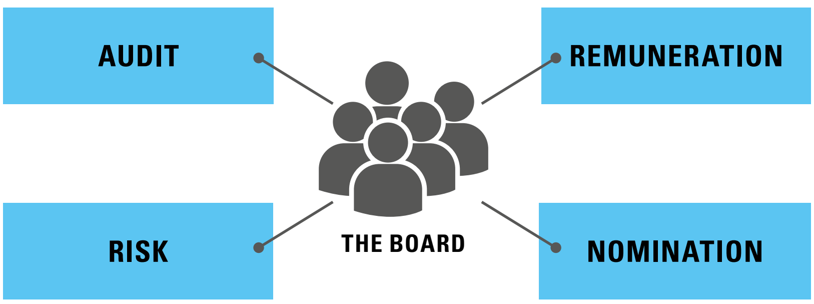
KEY

✔	Attended
✖	Absent
BA	Before Appointment
RS	Resigned

COMMITTEES OF BOARD

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

- the Audit Committee
- the Risk Committee
- the Remuneration Committee and
- the Nomination Committee



The board committees operate under approved mandates and terms of reference, which define their functions and responsibilities. Through, the Company's executive committee, management 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 program.

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

Audit Committee Attendance Schedule

Name	Category	May Audit Meeting (30/05/17)	Aug Audit Meeting (22/08/17)
MH Abdool-Samad	Non-Executive Chairman	✔	✔
AR Mpungwe	Non-Executive Director	✔	✔
MK Musonda	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	May (30/05/17)	Aug (22/08/17)
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	-
MK Musonda	Non-Executive Independent Chairperson	-
GB Dalgleish	Non-Executive Director	-
AR Mpungwe	Non-Executive Director	-

NOTE

- Remuneration Committee did not meet during the 5 months period to August 2017

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	-
FM Banda	Non-Executive Independent Chairman	-
GB Dalgleish	Non-Executive Director	-
RML Katowa	Executive Director (Also Managing Director)	-

NOTE

- Nomination Committee did not meet during the 5 months period to August 2017

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 & distribution and finally payment system for our goods and services. All the outlining 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 well 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 well before the AGM as this ensures the shareholders have insight of the business performance.

Internally the Board and Management consider effective communication as being critical to the success of the business. To this effect, the 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 the Company accomplish its objectives 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 and Touche. As a reassurance, Deloitte and 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 abovementioned 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 abovementioned internal controls and systems has occurred during the period 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 Policy (ABC). 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 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
20 October 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the five months ended 31 August 2017

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REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report which forms part of the annual financial statements of Zambia Sugar Plc and the subsidiary ("Group") for the 5 months period 1 April 2017 to 31 August 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 period was 2 073 592 metric tons, of which Miller-Cum-Planter ("MCP") cane supply was 1 158 088 tons, at an average cane yield of 115 tons cane per hectare harvested. Early season cane yields were 3% above the prior season for the same period. Out-growers supplied a total of 915 504 tons of sugar cane at an average yield of 116 tons cane per hectare, 8% down on the previous season yields.

Cane production continues to be challenged by climatic conditions including prior season drought followed by abnormally high summer rainfall. The excessive rainfall between December and April 2017 resulted in flooding of low lying areas. The cane supply area continues to be affected by the outbreak of pests, including yellow sugar cane aphid, and black maize beetle. Furthermore, erratic power supply and load-shedding in the prior year had a detrimental effect on out-grower current season production.

PRODUCTION

Total sugar production was 249 277 tons of sugar, including refined sugar production of 49 998 tons. The Project Alignment and Refinery ("PAAR") project business case performance parameters were achieved during the period under review.

The factory continues to focus and drive improvement projects that deliver optimisation in asset utilisation, quality, cost reduction and engineering reliability of the plant.

Furthermore, a 5 year energy road map has been developed to make Zambia Sugar power self-sufficient through focus on own generation, energy utilisation and energy conservation.

MARKETING

Total revenue for the 5 month period to 31 August 2017 was K912.8m. The financial period has seen an increase in illegal sugar imports, putting substantial pressure on domestic sales. Despite improvements in economic fundamentals, liquidity in the market remained tight, adversely impacting on domestic demand.

While regional sugar demand was strong in the financial period, revenue was depressed due to low global sugar prices.

The business continues to focus on the primary regional markets of the Democratic Republic of Congo, (Eastern DRC and Southern DRC), and the Great Lakes Area (Rwanda and Burundi).

SUPPLY CHAIN

Supply and demand planning continues to add value to the business by aligning the operational supply with the market demand. Progress has been made in the development of this process and people capability.

HUMAN RESOURCES

The company continued to be a significant provider of employment, with an average workforce of 5 646 (March 2017: 5 200) during the period, including 2 035 (March 2017: 1 980) permanent employees with the seasonal workforce peaking at 6 477 (March 2017: 6 469). The company injected in excess of K527 million (March 2017: K967 million) into the local economy through payments to amongst others, employees, cane growers and government in the form of direct taxation.

PROSPECTS

Management have taken mitigating actions to improve cane production, including improved bulk water supply through better maintenance programmes, specific pest and disease research to develop an integrated pest management system, and the implementation of proactive agronomic practices.

The domestic market conditions are expected to remain challenging, although favourable economic fundamentals are expected to filter through the economy. Strong growth is expected to continue in the regional export markets although margins will remain under pressure from low global sugar prices. Realisations in these export markets are further influenced by exchange rate fluctuations.

FINANCIAL RESULTS

The Group's results are as follows:

		5 months ended August	12 months ended March
Group		2017	2017
	Notes	K'million	K'million
Revenue	5	913	2 479
Operating profit	6	263	411
Net financing costs	7	(152)	(470)
Profit/(loss) before taxation		111	(59)
Taxation	8	(19)	(1)
Profit/(loss) for the year		92	(60)
Profit/(loss) attributable to:			
Non-controlling interest		3	7
Shareholders of Zambia Sugar Plc		89	(67)
Earnings per share (ngwee per share)	9	28.1	(21.0)

DIVIDENDS

Owing to the major capital investment in the new refinery, high debt levels, and continued difficult commercial environment, a 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
Graham M. Rolfe	Operations Director
Mwansa M. Mutimushi	Company Secretary

Appointments and Resignations

During the period under review the following changes were made to the Board:

Mr H.K. Mambwe resigned from the board as an executive director, effective 22 August 2017, to take up other interests outside Zambia Sugar.

Directors Interests

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

	August 2017	March 2017
	No. of shares	No. of shares
Fidelis M. Banda	7 176	7 176

PROPERTY, PLANT AND EQUIPMENT

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

	August 2017	March 2017
	K'000	K'000
Leasehold land, plant & machinery, vehicles and furniture and fittings	1 786	174 107
Increase in cane roots (bearer plants)	18 001	27 039
Capital work in progress	12 848	15 023
	32 635	216 169

During the period, assets valued at K33 million were added to property, plant and equipment as capital work in progress. Of this, K2 million was completed and transferred to the relevant category of assets. Cane roots are now being accounted for as a fixed asset in accordance with the amendments made to IAS 16 Property, Plant and Equipment and during the period K18 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	2 488	868 481	0.3%
1001 - 5 000	589	1 301 338	0.4%
5 001 - 10 000	128	925 136	0.3%
10 001 - 100 000	103	3 173 114	1.0%
100 001 - 1 000 000	18	7 479 674	2.4%
> 1 000 001 - 100 000 000	8	60 936 665	19.2%
> 100 000 001	1	241 886 977	76.4%
Totals	3 335	316 571 385	100%

Classification	Number of Holders	Number of shares	%
Illovo Group Holdings Ltd	1	241 886 977	76.4
Pension Funds	53	57 169 798	18.1
Local Companies	73	13 026 627	4.1
Local Individuals	2 835	3 577 107	1.1
Foreign Individuals	343	743 961	0.2
Foreign Companies	30	166 915	0.1
Totals	3 335	316 571 385	100.0

Significant Shareholding

As at 31 August 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.

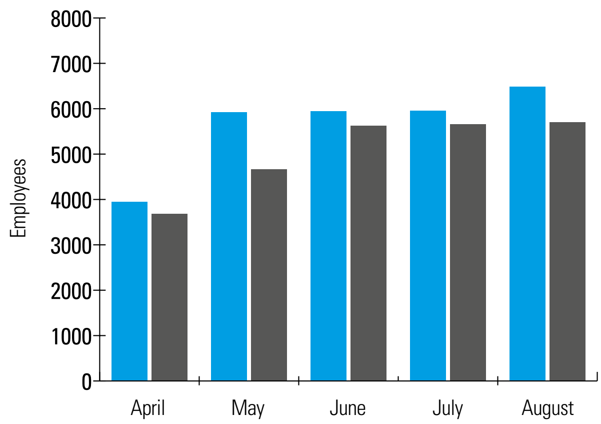
The Lusaka Stock Exchange (LuSE) regulations require that all listed companies must have a minimum of 25% of its shares held by public investors in terms of a free-float. As a result Illovo Group Holdings Limited (IGHL) reduced its shareholding in Zambia Sugar Plc from 81.55% to 76.40% in September 2014.

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 period under review was as follows:

Year	April	May	June	July	Aug
August 2017	3 943	5 922	5 941	5 948	6 477
March 2017	3 681	4 663	5 627	5 653	5 696



The total remuneration paid in respect of the above employees was **K219 million (March 2017 - K457 million).**

EXPORTS

The value of products exported by the Group during the five month period was K514 million (March 2017: K1.151 billion).

DONATIONS

The Group made donations to the value of K16 000 (March 2017: K257 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 Company has a strong focus on a safety culture, supported by training and development programmes. Performance for the financial period, as indicated by the Lost Time Injury Frequency Rate (LTIFR), was within the Company target.

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 manufacture 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 technical 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 and Touche will retire as auditors of the Group at the forthcoming Annual General Meeting.

OTHER LEGAL AND REGULATORY REQUIREMENTS

In December 2016, following the enactment of the Securities Act, 2016 (the Act), the auditor of a listed company or company whose securities are registered with the Commission is required under Section 149 of the Act, to issue, in the audit report of the company, a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the company.

The Securities and Exchange Commission has not specified the relevant internal control framework that would be required for the purposes of compliance with Section 149 of Act and no transitional guidance is available as at the date of this report. The Group was therefore unable to carry out the assessments envisaged under Section 147 of the Act.

This has been referred to in the auditors report on page 38

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 preparing the directors report. The independent external auditors, Messrs Deloitte & Touche, have audited the annual financial statements and their report is set out on page 36 to 38.

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 period 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 profit of the Group and the Company for the financial five month period ended 31 August 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 August 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 profit of the Company and its subsidiary for the financial period.
  (ii) the state of affairs of the Company and its subsidiary as at the end of the financial period; 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 20 October 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 39 to 82, which comprise the consolidated and separate statement of financial position as at 31 August 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 5 months period 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 August 2017, and of its consolidated and separate financial performance and consolidated and separate cash flows for the 5 months period 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 ("IESBA" code), together with other ethical requirements that are relevant to our audit of the financial statements in Zambia. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. 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.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
GROWING CANE VALUATION	
As disclosed in note 17, the carrying value of the growing cane balance amounted to K303.8 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. The carrying value of growing cane is considered to be a key audit matter due to the significance of the balance and the judgements associated with determining the carrying value.	In considering the appropriateness of the valuation of growing cane, we performed various procedures, including but not limited to the following: ▪ Assessed the design and implementation of the controls around the valuation of 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 model. ▪ 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 Groups various markets, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof. ▪ Performed a recalculation of the valuation and compared with amounts computed by the Group. ▪ Assessed the appropriateness of the disclosures about the impact of the sensitivity of the various assumptions, in particular the estimated sucrose content and estimated sucrose price for the growing cane. Our tests did not reveal any material misstatements and we consider management's key assumptions used in the valuation model to be within a reasonable range and disclosures to be appropriate.

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</th></tr>
<tr><td colspan="2">VALUE ADDED TAX REFUNDS</td></tr>
<tr><td>The Company has assessments from Zambia Revenue Authority (ZRA) under dispute amounting to K96.3298 million comprising of K63.109 million in principal and interest of K33.219 million. The major portion of the VAT assessment relates to the standard rating of exports of sugar to the Democratic Republic of Congo (DRC) for which Zambia Sugar is currently in the process of providing proof of export as specified under Rule 18 of the Value Added Tax Act.

Due to the current dispute, the ZRA has withheld Input VAT claims amounting to K184 million as at 31 August 2017 disclosed under Note 19.

Because of the practical challenges in obtaining documentation required as 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.

We considered this as a key matter as the amounts in dispute and withheld by the ZRA are significant to the financial statements as a whole.</td><td>Our audit work involved the evaluation of the recoverability of the VAT claims withheld.
▪ 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.
▪ 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.
▪ Based on our procedures, we consider management's key assumptions used to be reasonable.</td></tr>
<tr><td colspan="2">COMPETITION AND CONSUMER PROTECTION COMMISSION (CCPC) FINE</td></tr>
<tr><td>As disclosed in Note 32 to the financial statements, subsequent to the period end, CCPC fined the Company K76.6 million for alleged price discrimination and unfair pricing which the company is disputing and is in the process of lodging an appeal.

We consider this as a key audit matter as the fine is subject to inherent uncertainty as it is dependent upon management's judgement about the likelihood of the appeal succeeding.</td><td>▪ Assessed the competence and objectivity of the external legal and other experts involved in the assessment of the validity CCPC's findings;
▪ Discussed the grounds of appeal with management and the Group's external legal experts;
▪ Obtained opinion from the Group's external legal and other experts regarding the likely outcome of the Group's appeal.
▪ We assessed the adequacy of the Group's disclosure of CCPC's findings.
Based on the stage of the judicial process, we concur with management's decision to disclose this matter as a subsequent event and we consider the disclosures to be appropriate.</td></tr>
</table>

Other Information

The Directors are responsible for the other information. The other information comprises the directors' report, sustainability report and the corporate governance report on compliance with the Lusaka Stock Exchange requirements, which we obtained prior to the date of this auditor's report and the Annual Report. 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 and separate 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 and separate 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 and separate 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 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.

We have been unable to perform necessary procedures in order to issue a statement on the existence, adequacy and effectiveness or otherwise of the company's internal control system as required by Section 149 of the Securities Act, 2016 (as amended) because the Act does not specify the internal control framework applicable to the company.

Accordingly we do not express any opinion or conclusion thereon.

Deloitte & Touche

F.M. NCHIMUNYA (AUD F000181)
PARTNER
31 October 2017

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the five months ended 31 August 2017 (comparatives are for the twelve months ended 31 March 2017)

		Group		Company	
		5 months ended August 2017	12 months ended March 2017	5 months ended August 2017	12 months ended March 2017
	Notes	**K'000**	K'000	**K'000**	K'000
Revenue	5	**912 829**	2 479 348	**912 829**	2 479 348
Cost of sales		**(387 533)**	(1 450 083)	**(407 283)**	(1 493 728)
Gross profit		**525 296**	1 029 265	**505 546**	985 620
Loss on disposal of plant and equipment		**-**	(35)	**-**	(35)
Distribution expenses		**(120 627)**	(264 478)	**(120 627)**	(264 478)
Administration expenses		**(141 962)**	(354 244)	**(139 578)**	(349 045)
Operating profit	6	**262 707**	410 508	**245 341**	372 062
Dividend income		**-**	-	**28 384**	26 926
Net finance costs	7	**(151 674)**	(469 791)	**(155 258)**	(482 520)
Interest paid		**(151 833)**	(469 932)	**(155 405)**	(482 638)
Interest received		**159**	141	**147**	118
Profit/(loss) before taxation		**111 033**	(59 283)	**118 467**	(83 532)
Taxation	8	**(19 459)**	(814)	**(17 159)**	4 727
Profit/(loss) for the year		**91 574**	(60 097)	**101 308**	(78 805)
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent years:					
Adjustments in respect of cash flow hedges		**15 019**	44 224	**15 019**	44 224
Taxation effect of cash flow hedges		**(1 502)**	(4 422)	**(1 502)**	(4 422)
Other comprehensive income for the year, net of income tax		**13 517**	39 802	**13 517**	39 802
Total comprehensive income/(loss) for the year		**105 091**	(20 295)	**114 825**	(39 003)
Profit/(loss) for the year attributable to:					
Shareholders of Zambia Sugar Plc		**89 067**	(66 609)	**101 308**	(78 805)
Non-controlling interest		**2 507**	6 512	**-**	-
		91 574	(60 097)	**101 308**	(78 805)
Total comprehensive income/(loss) for the year attributable to:					
Shareholders of Zambia Sugar Plc		**102 584**	(26 807)	**114 825**	(39 003)
Non-controlling interest		**2 507**	6 512	**-**	-
		105 091	(20 295)	**114 825**	(39 003)
Earnings per share (ngwee per share)	9	**28.1**	(21.0)	**32.0**	(24.9)

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 31 August 2017

	Notes	Group August 2017 K'000	Group March 2017 K'000	Company August 2017 K'000	Company March 2017 K'000
ASSETS					
Non-current assets		1 987 903	1 999 129	1 958 532	1 970 277
Property, plant and equipment	12	1 920 001	1 931 227	1 802 908	1 814 653
Intangible asset	14	67 902	67 902	-	-
Investment in subsidiary	15	-	-	155 624	155 624
Current assets		1 925 177	1 536 456	1 861 421	1 450 666
Inventories	16	687 313	192 631	677 416	182 943
Growing cane	17	303 806	418 654	253 209	346 674
Factory overhaul costs	18	23 282	54 812	23 282	54 812
Trade and other receivables	19	558 896	665 594	552 506	661 966
Derivative financial instruments	26	40 231	25 204	40 231	25 204
Taxation receivable	8	2 001	6 277	5 921	6 205
Amounts due from related parties	25.4	9 124	3 315	9 124	3 315
Assets classified as held for sale	13	9 604	9 604	9 604	9 604
Cash and bank balances	20	290 920	160 365	290 128	159 943
Total assets		3 913 080	3 535 585	3 819 953	3 420 943
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Zambia Sugar Plc		1 006 679	904 095	939 089	824 264
Share capital and premium	21	247 338	247 338	247 338	247 338
Capital redemption reserve		40	40	40	40
Hedging reserve		36 202	22 685	36 202	22 685
Retained earnings		723 099	634 032	655 509	554 201
Non-controlling interest		36 977	39 195	-	-
Total equity		1 043 656	943 290	939 089	824 264
Non-current liabilities		1 371 805	1 428 827	1 349 175	1 403 954
Long-term borrowings	22	1 228 377	1 301 242	1 228 377	1 301 242
Deferred tax liability	23	143 428	127 585	120 798	102 712
Current liabilities		1 497 619	1 163 468	1 531 689	1 192 725
Trade and other payables	24	595 150	318 745	573 410	311 139
Short-term borrowings	22	304 339	284 705	304 339	284 705
Amounts due to related parties	25.4	434 858	483 883	490 668	520 746
Derivative financial instruments	26	8	-	8	-
Bank overdraft	20	147 544	61 967	147 544	61 967
Provisions	27	15 720	14 168	15 720	14 168
Total liabilities		2 869 424	2 592 295	2 880 864	2 596 679
Total equity and liabilities		3 913 080	3 535 585	3 819 953	3 420 943

The responsibilities of the company's directors with regard to the preparation of the financial statements are set out on page 35. The financial statements on pages 39 to 82 were approved and authorised for issue by the board of directors on 20 October 2017 and were signed on its behalf by:

FIDELIS M BANDA
Chairman

REBECCA KATOWA
Managing Director

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the five months ended 31 August 2017 (comparatives are for the twelve months ended 31 March 2017)

	Share capital and premium	Capital redemption reserve	Hedging reserve	Retained earnings	Attributable to share holders of Zambia Sugar Plc	Non-controlling interest	Total
GROUP							
Balance at 1 April 2016	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**
Total comprehensive income for the year	-	-	13 517	89 067	102 584	2 507	105 091
Profit for the year	-	-	-	89 067	89 067	2 507	91 574
Cash flow hedges	-	-	13 517	-	13 517	-	13 517
Dividends paid	-	-	-	-	-	(4 725)	(4 725)
Balance at 31 August 2017	**247 338**	**40**	**36 202**	**723 099**	**1 006 679**	**36 977**	**1 043 656**
COMPANY							
Balance at 1 April 2016	247 338	40	(17 117)	633 006	863 267	-	863 267
Total comprehensive income 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**
Total comprehensive income for the year	-	-	13 517	101 308	114 825	-	114 825
Profit for the year	-	-	-	101 308	101 308		101 308
Cash flow hedges	-	-	13 517	-	13 517	-	13 517
Balance at 31 August 2017	**247 338**	**40**	**36 202**	**655 509**	**939 089**	**-**	**939 089**

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 August 2017 which mature in the new financial year.

No dividends were paid during the five months ended 31 August 2017 (March 2017: Nil) and therefore the dividend per share, calculated on a cash basis, was nil (March 2017: Nil).

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the five months ended 31 August 2017 (comparatives are for the twelve months ended 31 March 2017)

		Group		Company	
		5 months ended August 2017	12 months ended March 2017	5 months ended August 2017	12 months ended March 2017
	Note	K'000	K'000	K'000	K'000
Cash flows from operating activities					
Operating profit		262 707	410 508	245 341	372 062
Adjustments for:					
Depreciation	12	43 861	101 829	40 435	94 637
Change in fair value of growing cane	17	114 848	78 074	93 465	65 584
Provisions raised during the period	27	15 720	14 168	15 720	14 168
Provisions utilised during the period	27	(14 168)	(11 226)	(14 168)	(11 226)
Factory overhaul costs expensed	18	45 456	75 463	45 456	75 463
Loss on disposal of property and equipment		-	35	-	35
Cash operating profit		468 424	668 851	426 249	610 723
Working capital movements		(180 339)	45 409	(172 555)	64 461
Increase in inventories		(494 682)	(28 301)	(494 473)	(27 149)
Factory overhaul costs incurred	18	(13 926)	(71 335)	(13 926)	(71 335)
(Increase)/decrease in amounts due to/from related parties		(54 834)	237 616	(35 887)	252 871
Decrease/(increase) in trade and other receivables		106 698	(94 159)	109 460	(93 106)
Increase in trade and other payables		276 405	1 588	262 271	3 180
Cash generated from operations		288 085	714 260	253 694	675 184
Net financing costs	7	(151 674)	(469 791)	(155 258)	(482 520)
Taxation paid	8	(842)	(6 625)	(291)	(156)
Dividends paid to non-controlling shareholder		(4 725)	(4 481)	-	-
Net cash inflows from operating activities		130 844	233 363	98 145	192 508
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(32 635)	(216 169)	(28 690)	(202 410)
Dividends received		-	-	28 384	26 926
Proceeds from disposal of plant and equipment		-	2	-	2
Net cash outflows from investing activities		(32 635)	(216 167)	(306)	(175 482)
Net cash inflows before financing activities		98 209	17 196	97 839	17 026
Cash flows from financing activities					
Borrowings raised	22	161 755	252 913	161 755	252 913
Repayment of borrowings		(214 986)	(71 292)	(214 986)	(71 292)
Net cash (outflows)/inflows from financing activities		(53 231)	181 621	(53 231)	181 621
Net increase in cash and cash equivalents		44 978	198 817	44 608	198 647
Net cash and cash equivalents at beginning of period		98 398	(100 419)	97 976	(100 671)
Net cash and cash equivalents at end of period		143 376	98 398	142 584	97 976
Comprising of:					
Cash and bank balances		290 920	160 365	290 128	159 943
Bank overdraft		(147 544)	(61 967)	(147 544)	(61 967)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period ended 31 August 2017

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 31 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 has had no material impact on the financial statements.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of consolidation (Continued)

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 Employee Benefits 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 Share-based Payment 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.

2.3 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Leases (Continued)

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.

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 period. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Taxation (Continued)

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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment (Continued)

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 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

The fair value of growing cane is determined as the estimated sucrose content in the sugarcane at 31 March, valued at the estimated sucrose price for the following season. The estimated sucrose price is adjusted for the estimated cost of harvesting the sugarcane and transporting it from the field to the mill. The sucrose content is estimated in tons and is adjusted by a factor to reflect the growth of the cane at 31 March (i.e. the cane growth percentage). The cane growth percentage reflect the long-term average climate and agricultural conditions at each operation and will not fluctuate for year-on-year changes in milling season length or weather events (e.g. floods or drought). Rather, such changes are embodied in the fair value through a revision to the estimated sucrose content to which the cane growth percentage is applied.

The valuation as at August is derived from the March valuation by deducting the cost necessarily incurred to farm sugarcane until the commencement of the following season and the expected profit margin on the cane growing activity.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.14 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial instruments (Continued)

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.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial instruments (Continued)

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Derivative financial instruments (Continued)

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.

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:

Annual Improvements to IFRSs 2012 - 2014 Cycle

The Group has applied these amendments for the first time in the current period. 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 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.

Amendments to IAS 12 Recognition of Deferred Tax Assets for unrealised losses

The Group has applied these amendments for the first time in the current period. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

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

Annual improvements to IFRSs 2014 - 2016 Cycle

The Group has applied these amendments to IFRS 12 included in the Annual improvements to IFRs 2014 - 2016 Cycle for the first time in the current period. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 3.2)

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

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)

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: (a) at cost; (b) in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS9); or (c) using the equity method as described in IAS 28 Investments in Associates and joint ventures. The same accounting must be applied to each category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

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.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

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

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.

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

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

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

approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be effective for the year ending 31 August 2020.

IFRIC 22 Foreign currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction 'for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue.

The interpretation specifies that the date of the transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of the transaction for each payment or receipt in advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements. This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

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

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

4.1 Critical judgments in applying accounting policies (Continued)

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.

4.2.1 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 valued at the estimated sucrose price for the following season, less estimated costs for harvesting and transport. The value of growing cane is further adjusted for the estimated cane growth percentage, the cost necessarily incurred to farm the sugarcane until the commencement of the following season and the expected profit margin on the cane growing activity. 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. In addition, management prepares detailed costs forecast to determine the costs to farm the sugacane to maturity as well as the expected profit margin. 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	
	5 months ended August 2017	12 months ended March 2017	5 months ended August 2017	12 months ended March 2017
	K'000	K'000	K'000	K'000

5. REVENUE

Revenue represents proceeds receivable from the following primary business segments:				
Sugar production	457 851	1 824 021	536 638	1 953 150
Cane growing	454 978	655 327	376 191	526 198
	912 829	2 479 348	912 829	2 479 348
From secondary business segments as follows:				
Local market	399 297	1 328 244	399 297	1 328 244
Export market	513 532	1 151 104	513 532	1 151 104
	912 829	2 479 348	912 829	2 479 348

6. OPERATING PROFIT

Operating profit has been determined after charging/(crediting) the following:				
Employees remuneration expenses	202 466	421 781	194 703	403 104
Exchange loss (trading balances)	7 821	9 297	7 989	9 959
Depreciation expense (see note 12)	43 861	101 829	40 435	94 637
Factory overhaul costs expensed (see note 18)	45 456	75 463	45 456	75 463
Employer contributions to pension funds (see note 30)	16 145	34 736	15 788	33 950
Operational support fees (see note 25.1.2)	12 500	29 699	12 500	29 699
Operating lease charges	7 089	13 361	7 089	13 361
- Property	4 406	8 209	4 406	8 209
- Plant and equipment	2 683	5 152	2 683	5 152
Directors' emoluments for services as directors	554	1 462	545	1 445
Auditors' remuneration	1 235	1 788	1 059	1 452
- Audit fees	1 196	1 544	1 020	1 246
- Fees for other services	36	80	36	80
- Other expenses	3	164	3	126
Loss on disposal of plant and equipment	-	35	-	35
Charitable donations	16	257	2	15
Fair value adjustments				
- growing cane (see note 17)	114 848	78 074	93 465	65 584

7. NET FINANCING COSTS

Interest charged on:				
Long-term borrowings	48 136	146 800	48 136	146 800
Related party borrowings (see note 25.3 and 25.5)	90 100	287 904	93 641	301 621
Bank overdraft and short-term facilities	13 441	51 191	13 441	51 190
Other	156	3 928	187	2 918
Less: interest capitalised	-	(19 891)	-	(19 891)
Total interest charged	151 833	469 932	155 405	482 638
Interest received on loans and deposits	(159)	(141)	(147)	(118)
	151 674	469 791	155 258	482 520

8. TAXATION

	Group		Company	
	5 months ended August 2017	12 months ended March 2017	5 months ended August 2017	12 months ended March 2017
	K'000	K'000	K'000	K'000
Current tax				
- current period charge	4 796	6 720	253	246
- under provision in prior year	322	22	322	22
Deferred taxation (see note 23)				
- current period charge/(credit)	17 196	(5 844)	19 439	(4 911)
- over provision in prior year	(2 855)	(84)	(2 855)	(84)
Total taxation charge/(credit)	19 459	814	17 159	(4 727)
Included under current assets:				
Taxation receivable at beginning of period	6 277	6 394	6 205	6 317
Current period charge	(4 796)	(6 720)	(253)	(246)
Under provision in prior year	(322)	(22)	(322)	(22)
	1 159	(348)	5 630	6 049
Taxation paid during the period	842	6 625	291	156
Taxation receivable at end of period	2 001	6 277	5 921	6 205
Reconciliation of taxation rate:	%	%	%	%
Statutory 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	(2.3)	(0.1)	(2.1)	(0.1)
- Expenses disallowed for tax purposes	1.3	7.2	1.2	4.7
- Tax rate differential on non-farming income	0.5	0.3	0.3	0.1
- Other - blended rate adjustment on expansion assets	8.0	4.0	7.5	2.8
- Dividends received	-	-	(2.4)	(3.2)
Effective rate of taxation	17.5	1.4	14.5	(5.7)

The Group and the Company were in a loss position in the prior year and as a result, the statutory tax rate in the reconciliation above has been reflected as a negative number.

Subject to agreement with the Zambia Revenue Authority, the Group and Company has estimated tax losses of K266.2 million (March 2017: K371.1 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:

March 2016 tax losses available until 2021	-	101 010	-	101 010
March 2017 tax losses available until 2022	266 224	270 046	266 224	270 046
	266 224	371 056	266 224	371 056

9. EARNINGS PER SHARE

	Group		Company	
	5 months ended August 2017	12 months ended March 2017	5 months ended August 2017	12 months ended March 2017
Earnings per share (ngwee per share)	28.1	(21.0)	32.0	(24.9)
Headline earnings per share (ngwee per share)	28.1	(21.0)	32.0	(24.9)
	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
Reconciliation of earnings	K'000	K'000	K'000	K'000
Profit/(loss) attributable to shareholders of Zambia Sugar Plc	89 067	(66 609)	101 308	(78 805)
Earnings for the purposes of earnings per share	89 067	(66 609)	101 308	(78 805)
Reconciliation of headline earnings				
Profit/(loss) attributable to shareholders of Zambia Sugar Plc	89 067	(66 609)	101 308	(78 805)
Headline earnings for the year	89 067	(66 609)	101 308	(78 805)

10. DIVIDENDS PAID

No dividends were declared or paid in either the current period or the prior year by the Company. The subsidiary paid a dividend of K4.725 million to the minority shareholder.

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
Period ended 31 August 2017	K'000	K'000	K'000	K'000	K'000	K'000
Revenue	457 851	454 978	912 829	536 638	376 191	912 829
Operating profit/(loss)	176 274	86 433	262 707	177 045	68 296	245 341
Property, plant and equipment	1 439 716	480 285	1 920 001	1 426 923	375 985	1 802 908
Balance at beginning of period	1 458 144	473 083	1 931 227	1 445 351	369 302	1 814 653
Additions at cost	8 221	24 414	32 635	8 221	20 469	28 690
Depreciation charge for the period	(26 649)	(17 212)	(43 861)	(26 649)	(13 786)	(40 435)
Intangible assets	-	67 902	67 902	-	-	-
Investment in subsidiary	-	-	-	-	155 624	155 624
Current assets	1 531 800	393 377	1 925 177	1 535 720	325 701	1 861 421
Inventories	620 824	66 489	687 313	620 824	56 592	677 416
Growing cane	-	303 806	303 806	-	253 209	253 209
Factory overhaul costs	23 282	-	23 282	23 282	-	23 282
Trade and other receivables	541 044	22 290	563 334	541 044	15 900	556 944
Derivative financial instruments	40 231	-	40 231	40 231	-	40 231
Taxation receivable	2 001	-	2 001	5 921	-	5 921
Amounts due from related parties	4 686	-	4 686	4 686	-	4 686
Assets classified as held for sale	9 604	-	9 604	9 604	-	9 604
Cash and bank balances	290 128	792	290 920	290 128	-	290 128
Current liabilities	1 250 748	246 871	1 497 619	1 306 557	225 132	1 531 689
Trade and other payables	458 728	136 422	595 150	458 728	114 682	573 410
Short-term borrowings	197 820	106 519	304 339	197 820	106 519	304 339
Amounts due to related parties	434 858	-	434 858	490 668	-	490 668
Derivative financial instruments	8	-	8	8	-	8
Bank overdrafts	147 544	-	147 544	147 544	-	147 544
Provisions	11 790	3 930	15 720	11 789	3 931	15 720
Non-current liabilities	919 243	452 562	1 371 805	919 243	429 932	1 349 175
Long-term borrowings	798 445	429 932	1 228 377	798 445	429 932	1 228 377
Deferred tax liability	120 798	22 630	143 428	120 798	-	120 798
Net asset value	801 525	242 131	1 043 656	736 843	202 246	939 089

11. SEGMENTAL ANALYSIS (Continued)

	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	1 442 105	489 122	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	164 274	51 895	216 169	164 274	38 136	202 410
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)
Disposals at net book value	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
Taxation receivable	6 277	-	6 277	6 205	-	6 205
Amounts due from 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	948 519	480 308	1 428 827	948 519	455 435	1 403 954
Long-term borrowings	845 807	455 435	1 301 242	845 807	455 435	1 301 242
Deferred tax liabilities	102 712	24 873	127 585	102 712	-	102 712
Net asset value	680 488	262 802	943 290	646 799	177 465	824 264

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 2016	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**
Additions	-	-	-	-	18 001	14 634	**32 635**
Transfers	-	12 158	-	-	-	(12 158)	**-**
Balance at 31 August 2017	742 127	1 489 061	109 379	21 797	217 198	23 092	**2 602 654**
Accumulated depreciation							
Balance at 1 April 2016	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**
Charge for period	5 323	24 039	4 465	716	9 318	-	**43 861**
Balance at 31 August 2017	106 538	385 898	65 329	15 916	108 972	-	**682 653**
Net carrying amount							
Balance at 31 August 2017	635 589	1 103 163	44 050	5 881	108 226	23 092	**1 920 001**
Balance at 31 March 2017	640 912	1 115 044	48 515	6 597	99 543	20 616	**1 931 227**
COMPANY							
Cost							
Balance at 1 April 2016	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**
Additions	-	-	-	-	16 988	11 702	**28 690**
Transfers	-	8 137	-	-	-	(8 137)	**-**
Balance at 31 August 2017	658 111	1 452 579	107 680	21 031	177 193	18 708	**2 435 302**
Accumulated depreciation							
Balance at 1 April 2016	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**
Charge for period	5 242	22 376	4 368	712	7 737	-	**40 435**
Balance at 31 August 2017	105 406	360 099	64 284	15 427	87 178	-	**632 394**
Net carrying amount							
Balance at 31 August 2017	552 705	1 092 480	43 396	5 604	90 015	18 708	**1 802 908**
Balance at 31 March 2017	557 947	1 106 719	47 764	6 316	80 764	15 143	**1 814 653**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

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 August 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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Within one year	**4 406**	8 209	**4 406**	8 209
More than one year but less than five years	**31 551**	29 422	**31 551**	29 422
More than five years	**53 011**	49 497	**53 011**	49 497
	88 968	87 128	**88 968**	87 128

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 twelve months period effective 1 April 2017. No part of the assets classified as held for sale has been sold at the reporting date. Assets held for sale were not allocated for segment reporting purposes. Management have plans in place to sale the assets and an active programme to locate buyers and complete the plan are in place. The assets are actively being marketed for sale.

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

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Property, plant & equipment	**9 604**	9 604	**9 604**	9 604

14. INTANGIBLE ASSET

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Balance at the beginning and end of period	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:					
August 2017					
Direct Investment					
Tukunka Agriculture Ltd	10 000	100.0	-	-	-
Indirect Investment					
Nanga Farms Plc	487	85.7	155 624	-	57 649
March 2017					
Direct Investment					
Tukunka Agriculture Ltd	10 000	100.0	-	-	-
Indirect Investment					
Nanga Farms Plc	487	85.7	155 624	-	38 790

16. INVENTORIES

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Maintenance stores	114 951	111 629	109 297	106 203
Provision for obsolescence	(1 748)	(2 008)	(1 748)	(1 525)
	113 203	109 621	107 549	104 678
Livestock	4 243	4 745	-	-
Finished goods - sugar	569 867	78 265	569 867	78 265
	687 313	192 631	677 416	182 943

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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Carrying value at beginning of period	418 654	496 728	346 674	412 258
Change in fair value	(114 848)	(78 074)	(93 465)	(65 584)
Carrying value at end of period	303 806	418 654	253 209	346 674

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

The following are the key assumptions in the valuation of growing cane:

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
Expected area to harvest (hectares)	16 504	16 304	13 780	13 534
Estimated yield (tons cane per hectare)	116.8	110.7	115.9	109.4
Sucrose content in cane (%)	14.47	14.52	14.47	14.52
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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Estimated sucrose content	5 075	4 187	4 225	3 467
Estimated sucrose price	6 885	7 829	5 711	6 434

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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Balance at beginning of period	54 812	58 940	54 812	58 940
Capitalised during the period	13 926	71 335	13 926	71 335
	68 738	130 275	68 738	130 275
Amortised during the period	(45 456)	(75 463)	(45 456)	(75 463)
Balance at end of period	23 282	54 812	23 282	54 812

19. TRADE AND OTHER RECEIVABLES

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

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Gross trade receivables	349 038	494 830	349 038	494 830
Allowance for doubtful debts	(314)	(314)	(314)	(314)
	348 724	494 516	348 724	494 516
VAT receivable	184 567	136 797	178 337	133 821
Other receivables	25 605	34 281	25 445	33 629
Balance at end of period	558 896	665 594	552 506	661 966
Movement in the allowance for doubtful debts				
Balance at beginning of period	314	250	314	250
Amounts written off during the period	-	(39)	-	(39)
Amounts raised during the period	-	103	-	103
Balance at end of period	314	314	314	314

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 29.4

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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Bank and cash balances	290 920	160 365	290 128	159 943
Bank overdraft - unsecured	(147 544)	(61 967)	(147 544)	(61 967)
Cash and cash equivalents at end of period	143 376	98 398	142 584	97 976

21. SHARE CAPITAL AND PREMIUM

Authorised:

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
350 000 000 (March 2017: 350 000 000) ordinary shares of K0.01 each (March 2017: K0.01 each)	3 500	3 500	3 500	3 500
Issued and fully paid:				
316 571 385 (March 2017: 316 571 385) ordinary shares of K0.01 each (March 2017: 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 - 2020	23.15	420 850	491 131	420 850	491 131
Related party loans	b			1 111 866	1 094 816	1 111 866	1 094 816
Total borrowings				1 532 716	1 585 947	1 532 716	1 585 947
Less:							
Current portion - Syndicated bank loan	a			142 584	140 000	142 584	140 000
Short-term related party loans	b			161 755	144 705	161 755	144 705
Short-term borrowings				304 339	284 705	304 339	284 705
Long-term borrowings				1 228 377	1 301 242	1 228 377	1301 242
The amounts are due for repayment in the following years ending 31 August/31 March 2017:							
2018				304 339	284 705	304 339	284 705
2019				545 584	140 260	545 584	140 260
2020				682 793	140 260	682 793	140 260
2021 and beyond				-	1 020 722	-	1 020 722
				1 532 716	1 585 947	1 532 716	1 585 947

Summary of borrowing arrangements

a. The syndicated Zambian Kwacha denominated 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 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 was 23.15% per annum during the five months period (March 2017: 26.26%). 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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Balance at beginning of period	127 585	129 091	102 712	103 285
Charged to profit or loss:				
- Current period income statement charge/(relief)	17 196	(5 844)	19 439	(4 911)
- Prior year income statement relief	(2 855)	(84)	(2 855)	(84)
- Current period other comprehensive income charge	1 502	4 422	1 502	4 422
Balance at end of period	143 428	127 585	120 798	102 712
Analysis of liability:				
Property, plant and equipment	127 327	108 398	116 786	97 853
Intangible asset	6 790	6 790	-	-
Factory overhaul costs	2 328	5 481	2 328	5 481
Growing cane	30 381	41 865	25 321	34 667
Tax losses	(26 622)	(37 106)	(26 622)	(37 106)
Other	3 224	2 157	2 985	1 817
Balance at end of period	143 428	127 585	120 798	102 712

24. TRADE AND OTHER PAYABLES

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

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trade payables	132 774	107 943	125 142	103 839
Other payables	462 376	210 802	448 268	207 300
Balance at end of period	595 150	318 745	573 410	311 139

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/(FROM) 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:

		Ownership Interest in Zambia Sugar Plc	
Names	Type	August 2017	March 2017
Illovo Group Holdings Limited, incorporated in Mauritius	Immediate holding Company	76.4%	76.4%
Illovo Sugar Africa 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%	76.4%

25.1.1 Ultimate Holding Company

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

25.1.2 Illovo Holding Company

Illovo Sugar Africa Proprietary Limited ("ISAPL") 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 Africa Proprietary Limited related to procurement services:

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balances owing by the Group	99 625	86 094	97 786	84 167
Procurement of goods and services	176 366	110 781	175 302	108 343
Interest paid: procurement	2 446	4 522	2 446	4 430

The Group utilises the centralised procurement office to share in the benefit of the bulk purchasing power that arises from ISAPL 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 trading balance owing in respect of procurement expenditure on goods and services 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 (9% per annum) is charged. Interest is not raised on goods that have not been received, or damaged in transit, and for which there are legitimate queries pending. 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/(FROM) RELATED PARTIES (Continued)

25.1 Holding Companies (Continued)

Other transactions and balances with Illovo Sugar Africa Proprietary Limited:

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balances owing by the Group	44 682	54 528	44 682	54 528
Operational support fees	12 500	29 699	12 500	29 699
Cost reimbursement (general)	655	6 086	655	6 086
Directors fees	299	736	299	736

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 procurement services component for which the margin is 15%.

Various third party costs incurred by the Group are paid for by ISAPL and for which ISAPL is reimbursed with no mark-up charged. ISAPL is also compensated for the services rendered by G.B. Dalgleish, J.P. Hulley and M.H. Abdool-Samad as directors of the company.

The trading balance owing by the Group 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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balances owing to the Group	-	28	-	28
Cost recoveries (general)	-	28	-	28

The trading balance owing to the Group by IGHL represented stock exchange related costs paid for by the Group on behalf of IGHL and for which the Group was reimbursed. The trading balance was unsecured, had no fixed repayment terms and did 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 was settled by cash payments.

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

25.2 Fellow Subsidiaries of the Group

25.2.1 Illovo Group Financing Services ("IGFS")

			Group		Company	
			August 2017	March 2017	August 2017	March 2017
			K'000	K'000	K'000	K'000
Funding balances owing by the Group						
	Years of repayment	Effective Interest rate (%)				
Aggregation of Loans 1 and A			547 111	547 111	547 111	547 111
Loan 1 - Zambian Kwacha			-	547 111	-	547 111
Loan A1 - Zambian Kwacha	2020	17.39	182 000	-	182 000	-
Loan A2 - Zambian Kwacha	2020	17.39	182 000	-	182 000	-
Loan A3 - Zambian Kwacha	2020	17.39	183 111	-	183 111	-
Aggregation of Loans 2 and B			403 000	403 000	403 000	403 000
Loan 2 - Zambian Kwacha			-	403 000	-	403 000
Loan B1 - Zambian Kwacha	2019	17.00	202 000	-	202 000	-
Loan B2 - Zambian Kwacha	2019	17.00	201 000	-	201 000	-
Loan 3 - US Dollar	2018	4.71	161 755	144 705	161 755	144 705
Total related party borrowings			1 111 866	1 094 816	1 111 866	1 094 816
Short-term portion - Loan 3			161 755	144 705	161 755	144 705
Short-term borrowings			161 755	144 705	161 755	144 705
Long-term borrowings			950 111	950 111	950 111	950 111
Trading balances owing by the Group						
Aggregation of Loans 1 and A			118 944	142 195	118 944	142 195
Accrued interest - Loan 1			-	142 195	-	142 195
Accrued interest - Loan A1			39 567	-	39 567	-
Accrued interest - Loan A2			39 567	-	39 567	-
Accrued interest - Loan A3			39 810	-	39 810	-
Aggregation of Loans 2 and B			155 178	165 111	155 178	165 111
Accrued interest - Loan 2			-	165 111	-	165 111
Accrued interest - Loan B1			77 839	-	77 839	-
Accrued interest - Loan B2			77 339	-	77 339	-
			274 122	307 306	274 122	307 306
Interest paid: funding						
Aggregation of Loans 1 and A			49 164	152 995	49 164	152 995
Interest paid - Loan 1			-	152 995	-	152 995
Interest paid - Loan A1			16 353	-	16 353	-
Interest paid - Loan A2			16 353	-	16 353	-
Interest paid - Loan A3			16 458	-	16 458	-
Aggregation of Loans 2 and B			38 479	130 387	38 479	130 387
Interest paid - Loan 2			-	130 387	-	130 387
Interest paid - Loan B1			19 290	-	19 290	-
Interest paid - Loan B2			19 189	-	19 189	-
Interest paid - Loan 3			11	-	11	-
			87 654	283 382	87 654	283 382

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

25.2 Fellow Subsidiaries of the Group (Continued)

Loans 1 and A

Loan 1 is long-term in nature and was 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. On 1 April 2017, Loan 1 was restructured into three separate loan agreements of approximately equal value (i.e. Loan A1, Loan A2 and Loan A3). The restructuring allows the Group greater flexibility in determining its long-term capital structure. The terms and conditions of the loan were unchanged by the restructure.

The balance owing on the aggregate of Loans 1 and A comprises K547 million capital (March 2017: K547 million) and K119 million accrued interest (March 2017: K142 million). The loans are denominated in Zambian Kwacha, are unsecured and attract interest at the 91 day T-Bill rate, set at the beginning of each interest payment period, plus a 4.00% margin. Interest is paid on 31 March and 30 September each year or if that date is not a business day, the next business day. The repayment date of these loans is 31 March 2020 or such date as agreed in writing by the parties. These loans are subordinate to the syndicated loan detailed in note 22.

Loans 2 and B

Loan 2 is long-term in nature and was novated by IGHL to IGFS on 1 August 2015. On 1 April 2017, Loan 2 was restructured into two separate loan agreements of approximately equal value (i.e. Loan B1 and Loan B2). The restructuring allows the Group greater flexibility in determining its long-term capital structure. The terms and conditions of the loan were unchanged by the restructure.

The balance owing on the aggregate of Loans 2 and B comprises K403 million capital (March 2017: K403 million) and K155 million accrued interest (March 2017: K165 million). The loans are denominated in Zambian Kwacha, are unsecured and attract interest at the 182 day T-Bill rate, set at the beginning of each interest payment period, plus a 2.25% margin. Interest is paid on 31 March, 30 June, 30 September and 31 December each year or if that date is not a business day, the next business day. The repayment date of these loans is 25 October 2018 or such date as agreed in writing by the parties. These loans are subordinate to the syndicated loan detailed in note 22.

Loan 3

Loan 3 is short-term facility that is utilised assist with the Group's working capital funding requirements at period end. The balance owing comprises K162 million capital (March 2017: K145 million). The loan outstanding at the end of March 2017 was repaid in full during April 2017. 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 US Dollar denominated loan will be repaid using future foreign currency export proceeds to minimise any realised exchange losses.

25.2.2 Illovo Group Marketing Services Limited ("IGMS")

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balance owing by the Group	16 166	28 833	16 166	28 833
Trading balance owing to the Group	398	-	398	-
Export agency commission	5 012	11 698	5 012	11 698
Logistics cost reimbursement	2 891	7 946	2 891	7 946

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 of 1% of export revenue. The cost incurred in the period 1 April 2017 to 31 August 2017 is the product of the export revenue achieved.

Third party export logistics costs incurred by the Group are paid for on its behalf by IGMS and for which IGMS is reimbursed with no mark-up charged.

Trading balance owing by the Group to IGMS represent amounts outstanding for commissions and logistics costs yet to be

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

25.2 Fellow Subsidiaries of the Group (Continued)

reimbursed. 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 Group. 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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Sales transactions to third parties through Mitra supply contracts	-	52 231	-	52 231

Mitra had long-term supply contracts with third parties in preferential European markets. The Group accessed these contracts through its agent, IGMS. Mitra charged IGMS a handling fee per ton of sugar exported and no margin was retained by Mitra on these sales. IGMS absorbed the handling fee as part of its commission and did not charge this to the Group. 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. Therefore, there were no sales through Mitra in the current period.

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

25.2.4 East African Supply Proprietary Limited ("EAS")

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balance owing by the Group	153	177	153	177
Air services	358	1 231	358	1 231

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 Africa 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 (South Africa) Proprietary Limited ("ISSA")

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balance owing to the Group	3 810	-	3 810	-
Trading balance owing by the Group	110	6 929	110	6 929
Export sugar sales	3 810	38 308	3 810	38 308
Distribution cost reimbursement	954	2 574	954	2 574

During the current period 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.

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

25.2 Fellow Subsidiaries of the Group (Continued)

The trading balance owing to the Group represents the value of export sugar sales invoiced to ISSA, but which is not yet due to the Group. 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 of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

25.2.6 Czarnikow Group Limited

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balance owing to the Group	4 438	3 254	4 438	3 254
Export sugar sales	22 567	64 011	22 567	64 011

During the current period and prior year, sugar was sold to Czarnikow Group Limited on either the same commercial terms and conditions that would be available to third party customers.

The trading balance owing to the Group represents the value of export sugar sales invoiced to Czarnikow Group Limited, but which is not yet due to the Group. 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 period 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.

25.2.7 Other fellow subsidiaries

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Trading balance owing to the Group				
- Illovo Sugar (Malawi) plc	265	33	265	23
- Kilombero Sugar Company Limited ("KSC")	213	-	213	-
Cost reimbursement (general)				
- Ubombo Sugar Limited	-	63	-	63
Cost recoveries (general)				
- Illovo Sugar (Malawi) plc	265	428	265	428
- Kilombero Sugar Company Limited ("KSC")	213	455	213	455

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.

25.3 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 plc for the supply of sugar cane.

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

25.3 Subsidiary of Zambia Sugar Plc. (Continued)

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Nanga Farms plc				
Trading balance owing by the Company	-	-	57 649	38 790
Operational support fees received	-	-	761	1 827
Cane purchases	-	-	78 787	129 129
Dividend income	-	-	28 384	26 926
Interest paid on overdue balances	-	-	3 541	13 809

Operational support income is received by the Company from Nanga Farms Plc for costs incurred 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.

25.4 Related Party Balances - Summary

		Group		Company	
		August 2017	March 2017	August 2017	March 2017
	Note	K'000	K'000	K'000	K'000
Long-term borrowings					
Illovo Group Financing Services	25.2.1	950 111	950 111	950 111	950 111
Short-term borrowings					
Illovo Group Financing Services	25.2.1	161 755	144 705	161 755	144 705
Amounts due from related parties					
Illovo Group Holdings Limited	25.1.3	-	28	-	28
Illovo Group Marketing Services Limited	25.2.2	398	-	398	-
Illovo Sugar (South Africa) Proprietary Limited	25.2.5	3 810	-	3 810	-
Czarnikow Group Limited	25.2.6	4 438	3 254	4 438	3 254
Kilombero Sugar Company Limited	25.2.7	213	-	213	-
Illovo Sugar (Malawi) plc	25.2.7	265	33	265	33
		9 124	3 315	9 124	3 315
Amounts due to related parties					
Illovo Sugar Africa Proprietary Limited - Procurement Division	25.1.2	99 625	86 094	97 786	84 167
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	44 682	54 528	44 682	54 528
Illovo Group Financing Services	25.2.1	274 122	307 306	274 122	307 306
Illovo Group Marketing Services Limited	25.2.2	16 166	28 833	16 166	28 833
Illovo Sugar (South Africa) Proprietary Limited	25.2.5	110	6 929	110	6 929
East African Supply Proprietary Limited	25.2.4	153	177	153	177
Ubombo Sugar Limited	25.2.7	-	16	-	16
Nanga Farms plc	25.3	-	-	57 649	38 790
		434 858	483 883	490 668	520 746

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

25.5 Related Party Transactions - Summary

			Group		Company	
			August 2017	March 2017	August 2017	March 2017
	Note	Nature of transaction	K'000	K'000	K'000	K'000
Income						
Illovo Sugar (South Africa) Proprietary Limited	25.2.5	Export revenue	3 810	38 308	3 810	38 308
Czarnikow Group Limited	25.2.6	Export revenue	22 567	64 011	22 567	64 011
Kilombero Sugar Company Limited	25.2.7	Cost recoveries	213	455	213	455
Illovo Sugar (Malawi) plc	25.2.7	Cost recoveries	265	428	265	428
Illovo Group Holdings Limited	25.1.3	Cost recoveries	-	28	-	28
			26 855	103 230	26 855	103 230
Expenditure						
IIllovo Sugar Africa Proprietary Limited - Procurement Division	25.1.2	Goods and services procured	176 366	110 781	175 302	108 343
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	Operational support	12 500	29 699	12 500	29 699
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	Cost reimbursement	655	6 086	655	6 086
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	Directors fees	299	736	299	736
Illovo Group Marketing Services Limited	25.2.2	Export agency commission	5 012	11 698	5 012	11 698
Illovo Group Marketing Services Limited	25.2.2	Cost reimbursement	2 891	7 946	2 891	7 946
East African Supply Proprietary Limited	25.2.4	Air services	358	1 231	358	1 231
Illovo Sugar (South Africa) Proprietary Limited	25.2.5	Cost reimbursement	954	2 574	954	2 574
Ubombo Sugar Limited	25.2.7	Cost reimbursement	-	63	-	63
			199 035	170 814	197 971	168 376
Financing costs						
Illovo Sugar Africa Proprietary Limited - Procurement Division	25.1.2	Overdue trading balances	2 446	4 522	2 446	4 430
Illovo Sugar Financing Services	25.2.1	Funding balances	87 654	283 382	87 654	283 382
			90 100	287 904	90 100	287 812
Other						
Mitra Sugar Limited	25.2.3	Sales to third parties through supply contracts	-	52 231	52 231	52 231

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

25.6 Compensation of key management

25.6a Compensation for the period 1 April 2017 to 31 August 2017

	Salary (K'000)	Out of Country Allowance (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	88		-	-	-	-	-	-	-
Monica Musonda	77		-	-	-	-	-	-	-
Ami Mpungwe	77		-	-	-	-	-	-	-
Dipak Patel	74		-	-	-	-	-	-	-
Gavin Dalgleish [1]	77		-	-	-	-	-	-	-
Mohammed Abdool-Samad [1]	77		-	-	-	-	-	-	-
John Hulley [1]	77		-	-	-	-	-	-	-
Executive									
Rebecca Katowa	580		174	Company Car	-	Company Medical	-[6]	86	200
Graham Rolfe	636	394	Company House	Company Car	31	9	-[6]	66	50
Henry K. Mambwe[2]	461		Company House	Company Car	-	Company Medical	-[6]	575	163

25.6b Compensation for the 12 months period to 31 March 2017

	Salary (K'000)	Out of Country Allowance (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[1]	184		-	-	-	-	-	-	-
Mohammed Abdool-Samad[1]	184		-	-	-	-	-	-	-
John Hulley[1]	184		-	-	-	-	-	-	-
Guy Williams[3]	153		-	-	-	-	-	-	-
Executive									
Rebecca Katowa	1 357		407	Company Car	-	Company Medical	746	10	199
Graham Rolfe [4]	709	461	Company House	Company Car	-	10	501	77	45
Marc Pousson [5]	580	377	Company House	Company Car	174	9	410	41	251
Henry K. Mambwe	1 079		Company House	Company Car	-	Company Medical	547	161	162

1 - Fees earned by these directors, who are nominated by the Group's majority shareholder, are paid to ISAPL.
2 - Resigned as Finance Director on 22 August 2017.
3 - Resigned as a Director of the Board on 1 February 2017.
4 - Appointed as Operations Director on 1 October 2016.
5 - Resigned as Operations Director on 30 September 2016.
6 - The Executive Director qualify for a bonus based on the financial performance of the company for the reporting period and on their personal performance related to predetermined objectives. These values have yet to be finally determined and have thus been excluded from compensation disclosed above. They will be disclosed in the ensuing reporting period and are expected to be in the range 5 - 10% of annual salary.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Forward exchange contracts - designated as cash flow hedges	40 223	25 204	40 223	25 204
Comprising:				
Assets	40 231	25 204	40 231	25 204
Liabilities	(8)	-	(8)	-
	40 223	25 204	40 223	25 204

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 29.3.

Derivative financial instruments - amounts reclassified to profit and loss

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Hedging gains	(32 188)	(36 609)	(32 188)	(36 609)

27. PROVISIONS

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
At beginning of period	14 168	11 226	14 168	11 226
Provisions made during the period	15 720	14 168	15 720	14 168
Utilised during the period	(14 168)	(11 226)	(14 168)	(11 226)
At end of period	15 720	14 168	15 720	14 168
Analysed as follows:				
Provision for leave pay	15 720	14 168	15 720	14 168

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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Approved but not contracted	26 749	16 440	26 393	14 640
Contracted	7 106	14 015	7 098	12 857
	33 855	30 455	33 491	27 497

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

29. FINANCIAL RISK MANAGEMENT

Financial instruments consist primarily of cash deposits with banks, trade and other receivables, trade and other payables, derivative financial instruments and both short-term and long-term borrowings. Financial instruments are carried at fair value or amounts that approximate fair value.

Categories of financial instruments

		Group		Company	
		August 2017	March 2017	August 2017	March 2017
		K'000	K'000	K'000	K'000
	Fair value hierarchy:				
Financial assets					
Loans and receivables	Level 3	858 940	829 273	851 758	825 223
Derivative financial instruments designated as cash flow hedges	Level 2	40 231	25 204	40 231	25 204
Financial liabilities					
Derivative financial instruments designated as cash flow hedges	Level 2	8	-	8	-
Financial liabilities measured at amortised cost	Level 3	2 710 269	2 450 542	2 744 339	2 479 799
Reconciliation to the statement of financial position:					
Trade and other receivables	Level 3	368 962	668 848	368 815	665 220
Amounts due from related parties	Level 3	4 686	61	4 686	61
Cash and bank balances	Level 3	290 920	160 365	290 128	159 943
Loans and receivables	Level 3	669 006	829 274	668 067	825 224
Long-term borrowings	Level 3	1 228 377	1 301 242	1 228 377	1 301 242
Short-term borrowings	Level 3	304 339	284 705	304 339	284 705
Trade and other payables	Level 3	588 797	318 745	567 545	311 139
Amounts due to related parties	Level 3	434 858	483 883	490 668	520 746
Bank overdraft	Level 3	147 544	61 967	147 544	61 967
Financial liabilities measured at amortised cost	Level 3	2 703 915	2 450 542	2 738 473	2 479 799

29.1 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 deem fit.

The Group has access to the following unsecured local banking facilities at year end:

	Group	Group
	August 2017	March 2017
	K'000	K'000
Unsecured bank overdraft facility, reviewed annually and payable at call:		
- Amount utilised	147 544	61 967
- Amount unutilised	140 956	203 533
Total local bank overdraft facilities	288 500	265 500

29. FINANCIAL RISK MANAGEMENT (Continued)

29.2 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 August 2017 is as follows:

	Floating rate		
	Less than one year	Greater than one year	Total borrowings
Borrowings (K'million)	452	1,228	1,680
% total borrowings	27%	73%	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 period and held constant in the case of variable rate borrowings.

	Group		Company	
	5 months ended August 2017	12 months ended March 2017	5 months ended August 2017	12 months ended March 2017
	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 period would (decrease)/increase by:	(2 894)	(7 438)	(2 896)	(7 440)

29.3 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	
	August 2017	March 2017	August 2017	March 2017
GROUP	K'000	K'000	K'000	K'000
US Dollars	132 389	136 936	184 241	30 410
SA Rands	4 841	2 242	150 966	143 117
Euros	499	11 953	3 304	11 402
COMPANY				
US Dollars	132 389	136 936	180 194	30 410
SA Rands	4 841	2 242	149 054	141 190
Euros	499	11 953	3 304	11 402

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/

29. FINANCIAL RISK MANAGEMENT (Continued)

29.3 Currency risk management (Continued)

(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	
	August 2017	March 2017	August 2017	March 2017	August 2017	March 2017
Group						
Monetary assets	(13 239)	(13 694)	(484)	(224)	(50)	(1 195)
Monetary liabilities	18 424	3 041	15 097	14 312	330	1 140
	5 185	(10 653)	14 613	14 088	280	(55)
Company						
Monetary assets	(13 239)	(13 694)	(484)	(224)	(50)	(1 195)
Monetary liabilities	18 019	3 041	14 905	14 119	330	1 140
	4 780	(10 653)	14 421	13 895	280	(55)

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

	Rates at year end		Average for year	
	August 2017	March 2017	August 2017	March 2017
Kwacha/Rand	0.71	0.71	0.70	0.71
Kwacha/US dollar	9.20	9.60	9.18	9.93
Kwacha/Euro	10.93	10.26	10.36	10.90

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 August 2017			Group March 2017		
	Foreign currency million	Average rate	Amount in K'million	Foreign currency million	Average rate	Amount in K'million
Foreign currency sold						
US Dollar	70.0	10.25	717.4	25.7	11.07	284.5

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.

29.4 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 Group undertakes ongoing credit evaluations of the financial condition of their customers. Despite the increase in trade receivables overdue in excess of 120 days, at 31 August 2017, the Group does not consider there to be any material credit risk that has not been insured or adequately provided for. Subsequent to the period end, management interventions have resulted in a significant reduction in the overdue receivables balance.

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.

29. FINANCIAL RISK MANAGEMENT (Continued)

29.4 Credit risk management (Continued)

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	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Not past due	150 747	172 898	150 747	172 898
Past due by 30 days	59 528	146 734	59 528	146 734
Past due by 60 days	26 832	53 624	26 832	53 624
Past due by 90 days	12 778	66 111	12 778	66 111
Past due over 120 days	103 591	58 717	103 591	58 717
	353 476	498 084	353 476	498 084
less : allowance for doubtful debts	(314)	(314)	(314)	(314)
Total trade receivables	353 162	497 770	353 162	497 770

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

29.5 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 bank balances.

Gearing ratio

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

	Group		Company	
	August 2017	March 2017	August 2017	March 2017
	K'000	K'000	K'000	K'000
Debt (see note i)	1 806 838	1 893 253	1 806 838	1 893 253
Bank overdraft	147 544	61 967	147 544	61 967
Cash and bank balances	(290 920)	(160 365)	(290 128)	(159 943)
Net Borrowings	1 663 462	1 794 855	1 664 254	1 795 277
Equity (see note ii)	1 043 655	943 290	939 088	824 264
Net debt to equity ratio	159.4%	190.3%	177.2%	217.8%

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.

30. 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 K8.6 million (March 2017: K19.3 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 K7.5 million (March 2017: K15.4 million) during the year in respect of this scheme.

31. CONTINGENT LIABILITIES

There is a contingent liability estimated at K1.636 million (March 2017: K1.442 million) in respect of local industrial relations actions currently before the courts.

32. EVENTS AFTER THE REPORTING DATE

On the 11th October 2017, the Competition and Consumer Protection Commission (CCPC) imposed a fine on Zambia Sugar plc of K76 728 650 for alleged price discrimination and unfair pricing in the sugar industry in Zambia. The findings are disputed by Zambia Sugar both from a factual and a legal perspective. The Company is in the process of preparing an appeal to the Competition Tribunal which will be filed within the prescribed time period. This matter will only be finalised when the appeal process has been concluded.

NOTICE OF MEETING

Notice is hereby given that the 56th annual general meeting of the members of the company will be held at the Radisson Blu Hotel, Lusaka, Zambia on Friday 24 November, 2017 at 14h00 to transact the following business:

1. Minutes of the previous meeting

To receive and note the minutes of the 55th Annual General Meeting held on 22 August 2017 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 five months period ended 31 August 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 – Re-election of retiring non-executive directors retiring by rotation

To re-elect each of Messrs GB Dalgleish, DKA Patel and Mr JP Hulley 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 10-13 of the Annual Report.

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

3.2 Ordinary resolution number 2 – Approval of directors' fees

That unless otherwise determined by the company in general meeting, that fees payable by the company to directors for the period 1 September 2017 to 31 August 2018 be revised and that the Executive and Non-Executive members of the board be mandated to review the fees payable to the Independent Directors by the Company.

3.3 Ordinary resolution number 3 – 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 Ernest and Young be appointed as the company's independent registered auditor for the financial year ending 31 August 2018.

4. Non-Declaration of final dividend

The directors recommend that no dividend be paid for the five months period ended 31 August 2017. It is noted in terms of the company's Articles that 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 14h00 on Wednesday 22 November 2017.

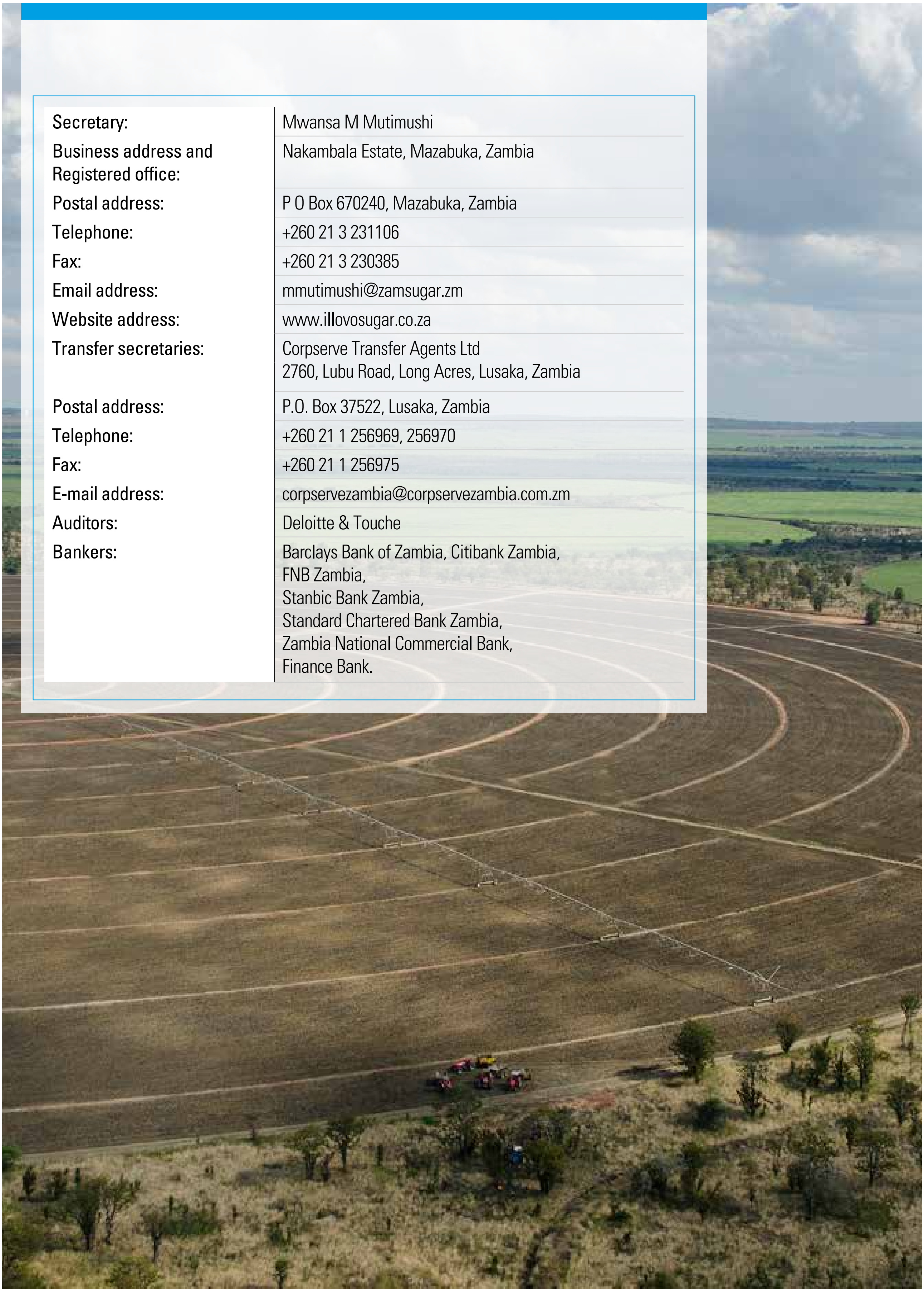
Queries pertaining to shareholder relations such as change of address or bank details are to be channelled through the Transfer Secretaries, whose contact address is:

Corpserve Transfer Agents Limited
6 Mwaleshi Road, Olympia Park, Lusaka, Zambia
Telephone: +260 (211) 256 969/70
Facsimile: +260 (211) 256 975
Email: corpservezambia@corpserve.com.zm

By order of the Board
MWANSA MULUMBA MUTIMUSHI
Company Secretary
20 October 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 56TH 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 Radisson Blu Hotel, Lusaka, Zambia on Friday 24 November, 2017 at 14h00 and at any adjournment thereof as follows:

		Mark with X where applicable		
Resolution No.	**Agenda Item**	**For**	**Against**	**Abstain**
1.	Re-election of directors			
1.1	GB Dalgleish			
1.2	JP Hulley			
1.3	DKA Patel			
2.	Approval of revision of directors' fees			
3.	Appointment of independent auditors			

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 than14h00 on Wednesday 22 November, 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.

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