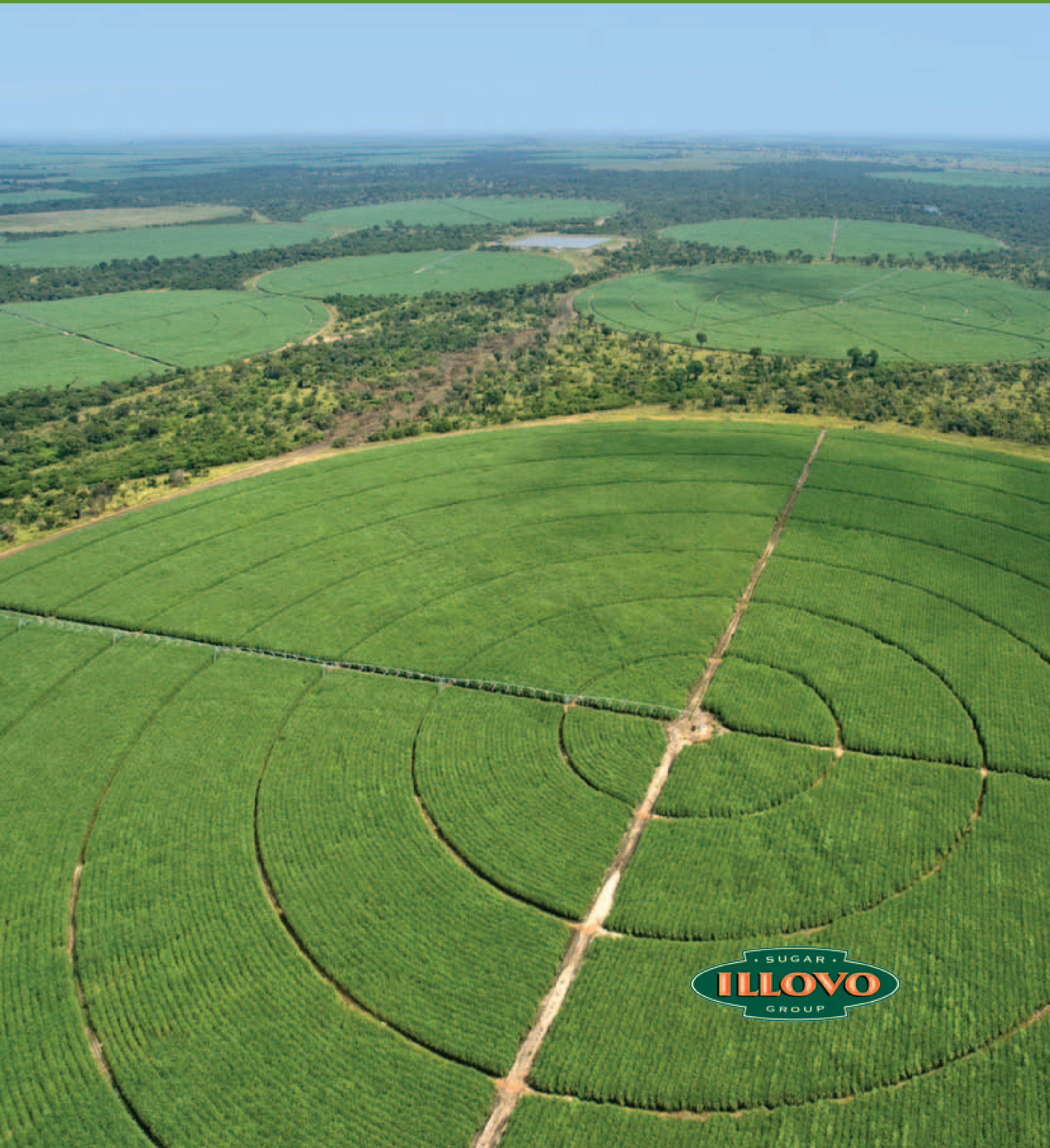
Zambia Sugar Plc

ANNUAL REPORT 2011



Above: The recent successful major expansion of Zambia Sugar, increasing annual sugar production capacity from around 200 000 tons to 450 000 tons, saw all previous production and sales records being exceeded in the 2010/11 season. Combined with deliveries from Zambia Sugar's supplying outgrowers, total cane throughput amounted to 3.1 million tons, representing a 19% increase compared to the previous year.

Right: Sugar production increased to 385 000 tons from 315 000 tons in the previous season, representing a new sugar production record for Zambia Sugar and the most produced by a single factory in the Illovo group over the same period. Factory time efficiencies and the recovery of sugar from cane showed considerable improvement compared to the previous season.

Above: Domestic sugar sales of 143 000 tons for the year reflected a 10% increase on the previous year. Zambia Sugar again benefited from its well-established sugar marketing and distribution systems to reach all of its markets across the country.

Below: Zambia Sugar has embarked upon a sustainability reporting process to assess, quantify and disclose the company's key social and environmental impacts. All water abstracted under permit from the Kafue River is continuously measured and used efficiently to irrigate the crop.

Above: Stakeholder activities include ongoing visits to the Nakambala factory and cane estate, as well as participation in the annual Zambia Agricultural and Commercial Show at which, in 2010, the company won several of the top exhibition categories.

Below: Zambia Sugar administers a large estate with more than 2 500 housing units, accommodating over 16 000 people. The company provides and supports all municipal-type services, together with schooling and medical services. During 2010/11 the company spent ZK22.7 billion on employee-related social investment.

ZAMBIA SUGAR Plc

KEY FEATURES	2011	2010
Revenue (ZK'million)	1 232 448	907 963
Profit from operations (ZK'million)	173 990	159 006
Profit for the year (ZK'million)	29 836	97 640
Earnings per share (ZK)	4.41	16.09
Headline earnings per share (ZK)	4.45	15.90
Dividends per share (ZK)	3.55	7.50
Number of shares in issue (000)	6 331 428	6 331 428

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COMPANY PROFILE

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

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

The company is Zambia's largest sugar producer with milling capacity to produce 450 000 tons of high-quality sugar per annum. About 40% of current production is sold to domestic consumer and industrial markets, with the balance exported to markets in the EU and to regional markets. The company also manufactures a range of sugar-based specialty products which are sold predominantly in the domestic consumer market. Molasses, a by-product of the sugar milling process, is sold mainly as stock feed into both local and regional markets.

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

Zambia Sugar is the single largest private agricultural and milling company in Zambia and the largest employer in the Mazabuka region, and is regarded externally as a premier agricultural enterprise. It currently employs around 2 000 permanent employees and just over 4 000 seasonal workers at peak periods. It is a significant earner of foreign exchange and indirectly supports the creation and sustainability of many local enterprises which supply goods and services to the company.

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

OPERATING LOCATIONS

HEAD OFFICE

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

SALES DEPOTS

DIRECTORATE

Name	Qualifications	Appointed	Position
NON-EXECUTIVE CHAIRMAN			
D G MacLeod (64)^#	BCom, AMP(Oxford)	2001	Deputy Chairman – Illovo Sugar Limited
EXECUTIVE DIRECTORS			
S D Langton (49)#	PrEng, BScEng	2008	Managing Director
L A Elkington (61)	BCompt	2010	Financial Director
D M Kabunda (48)	BA(PubAdmin), MBA	2008	Human Resources Director
R M L Katowa (50)	BA, MBA, MCIM, FZIM	2002	Marketing Director
S S Munsamy (56)	BTechMgt, MDP	2009	Operations Director
NON-EXECUTIVE DIRECTORS			
G J Clark (55)*^#	BAcct(Hons), FCA(Aust)	2001	Managing Director – Illovo Sugar Limited
B M Stuart (63)#	BCom, DipSugarTech, SEP	2009	Operations Director – Illovo Sugar Limited
K Zarnack (38)*#	BCom, CA (SA)	2005	Financial Director – Illovo Sugar Limited
NON-EXECUTIVE INDEPENDENT DIRECTORS			
F M Banda	ACIS, FCMA	2002	Director of companies
A B Chikwanda*^	BSc(Econ)	2001	Director of companies
A R Mpungwe	BA(Hons)	2007	Director of companies
M D Mwanakatwe	BA, ACCA, FZICA	2005	Director of companies
D Patel		2006	Director of companies

SENIOR MANAGEMENT

Name	Qualifications	Joined	Operating responsibility
J Mukukwa (46)	MScChemEng	1990	Factory
L M Sievu (49)	BAcc, ACMA, ACIS, FZICA	2004	Corporate affairs/administration
H P Veenstra (54)	MAgMgt(AgEcon)	2003	Agriculture

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


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PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The benefits of the substantial capital investment in the sugar operations at Nakambala started to flow through during the past year. This successful major expansion, which has increased annual sugar production capacity from around 200 000 tons to 450 000 tons, saw all previous production and sales records being exceeded. This was a milestone achievement for Zambia Sugar, leading to the expectation of further accomplishments in the 2011/12 sugar milling season.

Record sugar production of 385 000 tons and a 23% rise in total sales increased revenue to ZK1 232 billion and operating profit to ZK174 billion, compared to ZK908 billion and ZK159 billion respectively in the previous year. However, a significant increase in net finance costs reduced profit before tax to ZK47 billion, a reduction of ZK66 billion compared to 2009/10. Taxation of ZK17 billion, representing an effective tax rate of 36%, resulted in profit after tax decreasing from last year to ZK30 billion. The composition of the tax rate is analysed in note 7 to the accompanying financial statements.

The kwacha remained strong relative to the US dollar during the year and this, together with a weaker euro, negatively impacted export revenue realisations. Conversely, the strength of the kwacha enabled the company to benefit from reduced foreign currency denominated costs.

The substantial increase in net finance costs, rising to ZK127 billion from last year’s ZK46 billion, and impacting significantly on profit for the year, was attributable largely to recognition in 2009/10 of exchange rate gains of ZK93 billion on US dollar denominated borrowings. These borrowings were refinanced in local currency during 2010/11 to remove the risk of exchange rate fluctuations. Financing costs before accounting for currency exchange differences decreased year on year, from ZK139 billion to ZK121 billion.

AGRICULTURE

The agricultural operations, including Nanga Farms, produced a record 1.97 million tons of cane in the 2010/11 season, representing a 16 percent increase compared to the previous season. Wet weather in the early and latter parts of the season affected cane harvesting operations and as a result 900 hectares of cane land were carried-over for processing in 2011/12. Combined with deliveries from Zambia Sugar’s supplying outgrowers, total cane throughput amounted to 3.1 million tons, representing a 19% increase compared to the previous year.

PRODUCTION

Milling operations were consolidated during the season, with the factory achieving its design milling capacity and improving on production efficiencies. Sugar production increased to 385 000 tons from 315 000 tons in the previous season, representing a new sugar production record for Zambia Sugar and the most produced by a single factory in the Illovo group over the same period. However, it was unfortunate that unseasonal rains hampered the crush rate and impacted negatively upon an otherwise good factory performance. Factory time efficiencies and the recovery of sugar from cane showed considerable improvement compared to the previous season.

MARKETING

Domestic sugar sales of 143 000 tons for the year reflected a 10% increase on the previous year. Zambia Sugar again benefited from its well-established sugar marketing and distribution systems to reach all of its markets across the country. Demand for sugar in rural areas improved as a result of an increase in disposable income following a good maize crop.

The increased tonnage of duty-free, quota-free sugar exports to EU markets on the back of the recent production expansion partially offset lower prices in that market and the impact of a weaker euro on revenue realisations. More recently market prices in the EU have increased, which will benefit the company going forward. Regional market sales also increased significantly and benefited from higher prices aligned with the rise in sugar prices on the world market. A record 233 000 tons of sugar were exported to EU and regional markets combined compared to 175 000 tons in the previous year.

PROSPECTS

Increased cane supply from expansion areas, including the Magobbo small-holder scheme, is expected to result in an increase in sugar production in the 2011/12 season.

Firm world sugar prices are expected to sustain revenue realisations from all export markets, into which increased sugar volumes are to be sold in the current season. The existing strong local economic fundamentals are expected to benefit local sales, whilst exchange rate movements and weather conditions will continue to influence profits. Financing costs are forecast to decrease year-on-year with a reduction in borrowings and the refinancing of expansion-related loans, referred to in note 29 of the financial statements.

Zambia Sugar will continue its investigation into the feasibility of installing an ethanol plant to provide alcohol for fuel blending in the country, using the factory's molasses as fermentation feedstock.

HUMAN RESOURCES

Human resource management and associated strategies are determined by the business needs of the company, in compliance with the country's labour regulations, and with the overriding objective of sustaining industrial harmony and improving productivity. The company's strategies are aligned with the Illovo group's strategic intent. Zambia Sugar is engaged in a leadership co-creation process to clarify and encourage alignment with the company's vision and objectives. A work ethic of continuous improvement which encourages all employees to realise their potential and to 'make a difference' in their areas of operation is a cornerstone of the company's policy.

Employee development and performance management combine to elicit the best from employees and ensure equitable labour practices. The company encourages and proactively engages in dialogue and partnership with the employee unions. Several communication channels such as the Joint Consultative Council, are in existence and enhance the good rapport between management and union representatives. The mutual respect this engenders has been acknowledged and commended by the Ministry of Labour and Social Security.

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

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

Technology transfer and upgrading of local skills and mentorship remains a priority. While development programmes encompass positions at all levels, emphasis was again placed on the upliftment of artisans and operators to impart the new skills required by higher levels of factory automation installed during the expansion programme. The company continues to benefit from participation in Illovo group training initiatives such as the Leadership and Development Programme for senior managers.

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

To enhance employee performance all senior and middle managers have been trained in a recently implemented on-line performance and talent management system. This is an Illovo group system to facilitate the interactive preparation of individual performance plans and periodic assessment of performance against plan.

SUSTAINABILITY

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

Materials

The inputs used in the operations of the company contribute to the conservation of the global resource-base and efforts to reduce resource intensity. Organic filter cake, mixed with clarified boiler ash, is returned to the fields as a soil conditioner and low concentrate organic fertiliser. The use of these waste products as nutrient supplements reduces the company's reliance on inorganic fertilisers, resulting in a decrease in resource-intensity and greenhouse gas (GHG) emissions.

Energy

The consumption of fossil fuels is a major source of GHG emissions. The energy requirements of Zambia Sugar are generated primarily from renewable resources, by utilising bagasse, the fibrous residue remaining after the juice extraction process, to produce steam for processing requirements and to generate electricity to power the factory and other operations. This process greatly reduces the company's GHG footprint. In the recently completed major capacity expansion project, the company installed a sixth bagasse-powered boiler and a new turbine generating set, increasing the total power generating capacity to 40 MW during the crushing season. Sugar cane bagasse is considered a carbon neutral energy feedstock due to carbon sequestration during the plant growth phase, balancing CO_2 emissions released during combustion. Therefore, by substituting coal with bagasse as a boiler fuel, the company is substantially decreasing its GHG emissions and potentially facilitating global climate change mitigation.

Water

The company possesses water rights from the Zambian Water Board for abstracting water from the Kafue River for use primarily as irrigation water on the estate. Water abstraction is measured continuously using a digital flow meter. The recent agricultural expansion, involving the establishment of a network of dams, canals, pipelines and pump stations in order to service the irrigation demands of both estate and outgrower operations, including those of small-holder growers, was designed primarily to improve the efficiency of water use. Consequently, all new expansion land was developed to centre pivot irrigation which is more energy and water efficient compared to flood irrigation systems.

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

Emissions, effluent and waste

Zambia Sugar is developing an Environmental Management Plan (EMP) which includes a Waste Management Strategy (WMS) to reduce waste generation and improve waste disposal systems. The EMP includes environmental monitoring of all waste streams such as packaging materials, including chemical containers, plastic, paper and polypropylene, together with used automotive batteries, used lubricating oil, air emissions, factory effluent and agriculture runoffs.

Emissions

A pollutant emitted by the boilers installed at the Nakambala factory is particulate matter in the form of ash and unburnt bagasse. Emission levels of sulphur dioxide (SO_2) and nitrogen oxides (NOx) are low compared to conventional fossil fuels due to the characteristically low levels of sulphur and nitrogen contained in bagasse. The new boiler installed during the expansion project was fitted with a wet scrubber, which serves to remove almost all the particulate matter and SO_2 gas from emissions into the atmosphere.

Effluent

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

Waste

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

Occupational health and safety

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

Health and safety performance

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

Serious disease

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

Strategies towards controlling the spread of HIV/AIDS include preventative awareness programmes along with an established in-house Wellness Programme for those afflicted. These programmes continue to be developed in accordance with appropriate 'best practice' aligned to international standards. They involve on-going high-profile education and awareness campaigns, effective treatment and prevention of sexually transmitted infections, use of peer counsellors in the process of preventative activities and education, voluntary counselling and testing (VCT), use of prophylactic antibiotics, effective screening for tuberculosis, and the promotion of a healthy lifestyle.

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

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

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

Society

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

Product responsibility

Product safety at Zambia Sugar is governed by the Zambian Bureau of Standards and is subject to strict regulatory requirements as set out in the Food Drugs Act regulations. Zambia Sugar is currently working towards Food Safety Management system certification and is implementing a number of HACCP requirements in the sugar processing and packaging operations.

No incidents of non-compliance with food hygiene regulations, product quality and services were recorded during 2010/11.

Economic

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

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

Zambia Sugar is the largest employer in the Mazabuka district and has an extensive indirect financial impact on the surrounding community through the payment of more than ZK190 billion in salaries, wages and benefits to employees. The largest of these positive impacts is experienced by the company's outgrowers whose total earnings for cane delivered to the Nakambala factory amounted to more than ZK200 billion in the 2010/11 season.

By supporting local business in the supply chain, Zambia Sugar indirectly attracts additional investment to the local economy. The proportion of local spending is an important factor in contributing to the local economy and maintaining community relations. Approximately 70% of the procurement budget is spent on Zambian suppliers

On the basis of employee, cane and supplier payments, the company is making an active contribution towards poverty alleviation and job creation through small and medium enterprise development.

Social investment

The company has an active social investment programme to address specific needs in the wider community. During 2010/11, Zambia Sugar spent ZK2.1 billion on social responsibility initiatives, with financial and other support for a new classroom block at the Mazabuka Girls High School, schools athletics sponsorships, traditional and cultural ceremonies, football clubs and several community projects. The company runs a large estate with more than 2 500 housing units, accommodating over 16 000 people. The company provides and supports municipal-type services such as water and sewerage services, road maintenance, recreation facilities, refuse removal, security, schooling and medical services. During 2010/11 the company spent ZK22.7 billion on employee-related social investment.

DIRECTORATE AND SECRETARY

Directors

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

Mr A B Chikwanda, having attained the age of 70, retired as a director of the company on 4 May 2011. Mr D G MacLeod, who will become chairman of the board of Illovo Sugar Limited at the time of its forthcoming annual general meeting, resigned as chairman of Zambia Sugar Plc on 4 May 2011. He was succeeded as chairman by Mr G J Clark from that date. Ms K Zarnack, who resigned from the board of Illovo Sugar Limited on 31 May 2011, simultaneously resigned from the board of the company. Her successor will be appointed effective 1 September 2011. Mr S D Langton resigned as managing director of the company on 4 May 2011 following his redeployment within the Illovo group. He was succeeded as managing director by Mr I G Parrott from that date. Mr Parrott is also the managing director of Illovo Sugar (Malawi) Limited.

Company Secretary

LM Sievu

DIRECTORS' INTERESTS

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

The beneficial interest of directors holding office at the end of the year under review in the issued ordinary share capital of the company as at 31 March 2011 were as follows:

	2011 No of shares	2010 No of shares
F M Banda	143 505	143 505
A B Chikwanda	200 000	200 000
D M Kabunda	350 000	350 000

ANALYSIS OF SHAREHOLDERS

	Number of holders	Number of shares	%
Individuals			
1 - 250 000	3 326	67 983 080	1.07
250 001 - 500 000	33	11 803 645	0.19
500 001 - 750 000	11	6 140 669	0.10
750 001 - 1 000 000	5	4 407 404	0.07
1 000 001 - 2 000 000	8	10 653 929	0.17
2 000 001 and above	1	2 278 000	0.04
	3 384	**103 266 727**	**1.64**
Banks Nominees and Trusts	23	164 166 160	2.59
Pensions Funds	49	879 636 693	13.89
Companies	36	21 201 456	0.33
Illovo Sugar Coöperatief U.A.	1	5 163 156 672	81.55
	109	**6 228 160 981**	**98.36**
Total	3 493	6 331 427 708	100.00

DIVIDENDS

An interim dividend of ZK1.85 per share (2010: ZK5.00) was paid to shareholders on 31 December 2010. Notice is hereby given that a second interim dividend of ZK0.70 per share (2010: ZK2.00) has been declared in respect of the year ended 31 March 2011. This dividend will be paid on 22 June 2011 to shareholders registered at the close of business on 19 May 2011.

At the forthcoming annual general meeting to be held on 19 August 2011, the directors will propose a final dividend for the year ended 31 March 2011 of ZK1.00 per share (2010: ZK0.50). This will result in a total dividend for the year of ZK3.55 per share (2010: ZK7.50).

EMPLOYEES

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

Month	Year	Average Number
April	2010	4 186
May	2010	4 227
June	2010	4 801
July	2010	4 859
August	2010	4 851
September	2010	4 838

Month	Year	Average Number
October	2010	4 833
November	2010	4 814
December	2010	3 112
January	2011	2 708
February	2011	3 145
March	2011	4 962

The total remuneration and benefits paid in respect of the above employees for the year ended 31 March 2011 was ZK200 billion (2010: ZK175 billion).

RESEARCH AND DEVELOPMENT

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

AUDITORS

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


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

THE BOARD AND BOARD COMMITTEES

The company has a unitary board of directors, which has a predominance of non-executive directors. The roles of the chairman and chief executive are separated and the chairman is non-executive. The company's board of directors is accountable to shareholders and responsible for reviewing the performance of management against budgets and business plans, ensuring a comprehensive system of internal control policies and procedures operates and complies with sound corporate governance principles, and identifying key risk areas.

The board is ultimately responsible for ensuring that the business is a going concern, and to this end effectively controls the company and its management and is involved in all decisions that are material for this purpose. The board delegates the day-to-day management of the business to the managing director assisted by senior management. During the year, the board met to consider issues of operational strategy, capital expenditure, and other matters having a material effect on the company. The board of directors held four regular meetings in the past year where the management presented matters for board discussion and approval. There was full attendance at all meetings except Messrs AB Chikwanda, MD Mwanakatwe (Mrs), and DK Patel at the April 2010 meeting, Messrs RL Katowa (Mrs) and A Mpungwe at the August 2010 meeting and A Mpungwe at the February 2011 meeting. The directors gave satisfactory reasons to the board for not attending the meetings.

In addition, there is provision in the company's Articles of Association for decisions taken between meetings to be confirmed by way of directors' resolution.

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

AUDIT COMMITTEE

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

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

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

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

The committee met twice during the past year and there was full attendance by its members at both meetings.

REMUNERATION COMMITTEE

The Remuneration committee comprises three non-executive directors. The committee is responsible for reviewing compensation to attract, retain and motivate executives and senior managers of quality required for the business. The committee assesses and approves a broad remuneration strategy of the company, and is also responsible for developing and determining the company's general policy on executive and senior management. The committee plays an integral part in the succession planning relative to senior managers. The committee met once during the past year and there was full attendance.

RISK MANAGEMENT COMMITTEE

The company's Risk Management committee comprises three non-executive directors and one executive director and is chaired by a non-executive director.

The committee has formal terms of reference approved by the board. The committee is responsible for reviewing the company's risk philosophy, strategy and policies, and ensuring compliance with such policies; reviewing the adequacy and overall effectiveness of the company's risk management function; ensuring the implementation of an ongoing process for risk identification, mitigation and management; ensuring the establishment of a comprehensive system of controls; pursuing measures for increasing risk awareness throughout the company; reviewing any significant legal matters; and reviewing the adequacy of insurance coverage. The committee gives particular focus to operational risks, including health and safety. The committee met twice during the past year and there was full attendance by its members at both meetings.

EXECUTIVE COMMITTEE OF MANAGEMENT

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

MANAGEMENT REPORTING

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

INTERNAL CONTROL

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

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

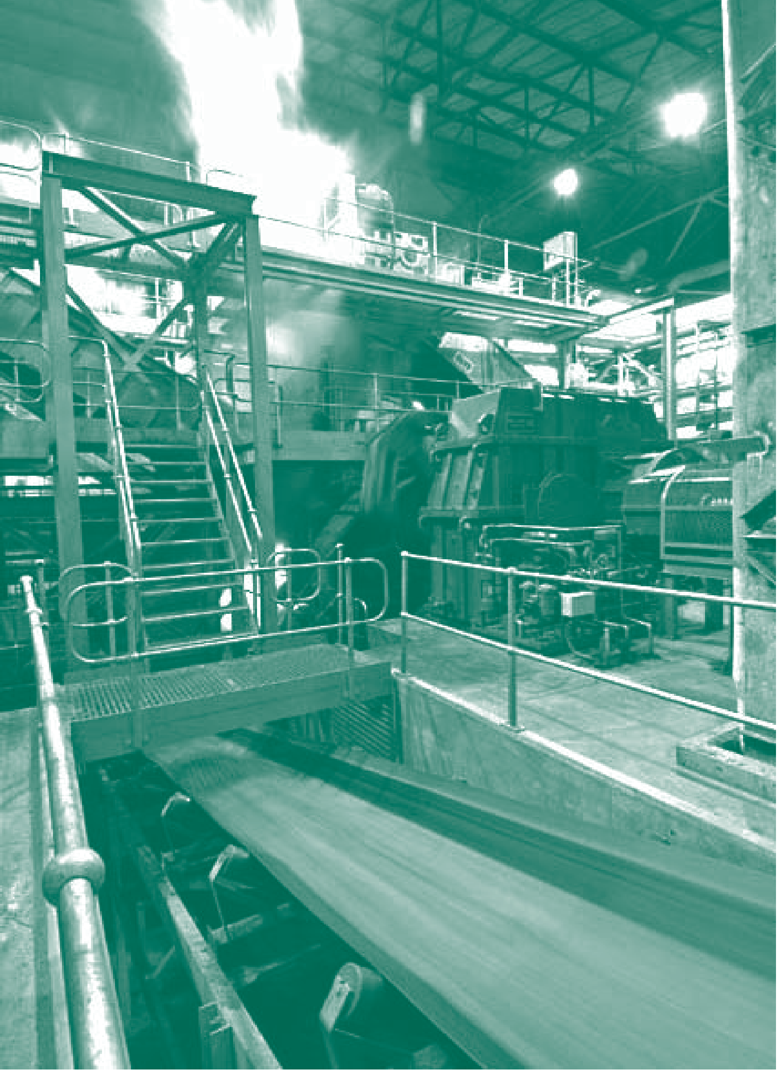
Nothing has come to the attention of the directors or the independent auditors to indicate that any material breakdown in the functioning of internal controls and systems has occurred during the year under review.

ETHICS

The company's fundamental policy is to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards. The company has a Code of Conduct and Business Practices, determining the minimum standards required of all staff, which is disseminated throughout the company and reviewed annually by senior management. 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. "Hotline" facilities, inviting people from within and outside the company to anonymously report any wrongdoings are operated by independent forensic accountants, and all matters arising are then appropriately investigated and reported upon.

INSIDER TRADING

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



FIVE YEAR REVIEW

PRODUCTION & SALES	2011 Tons '000	2010 Tons '000	2009 Tons '000	2008 Tons '000	2007 Tons '000
Own estate cane produced	1 974	1 705	722	1 088	1 242
Total cane milled	3 103	2 612	1 626	1 860	1 877
Sugar production	385	315	194	234	245
Cane sugar ratio	8.06	8.29	8.38	7.96	7.66
Sugar sales	376	306	193	243	250
Local	143	130	118	116	99
Export	233	176	75	127	151
Molasses sales	86	56	45	55	51
Local	43	41	39	42	40
Exports	43	15	6	13	11

FINANCIAL	Notes		2011 ZK million	2010 ZK million	2009 ZK million	2008 ZK million	2007 ZK million
Statement of comprehensive income							
Revenue			1 232 448	907 963	532 478	585 303	570 096
Profit from operations			173 990	159 006	78 048	69 629	133 371
Net financing costs			(127 159)	(46 285)	-	(446)	(1 903)
Profit before taxation			46 831	112 721	78 048	69 183	131 468
Taxation			(16 995)	(15 081)	59 068	58 597	(30 306)
Profit for the year			29 836	97 640	137 116	127 780	101 162
Attributable to non-controlling interest			(1 922)	(1 464)	-	-	-
Profit attributable to shareholders of Zambia Sugar Plc			27 914	96 176	137 116	127 780	101 162
Other comprehensive income			912	-	-	-	-
Total comprehensive income for the year attributable to shareholders of Zambia Sugar Plc			28 826	96 176	137 116	127 780	101 162
Reconciliation of headline earnings							
Profit attributable to shareholders of Zambia Sugar Plc			27 914	96 176	137 116	127 780	101 162
Adjusted for:							
Loss/(gain) on sale of property, plant and equipment			243	(1 133)	688	(754)	(580)
Headline earnings for the year			28 157	95 043	137 804	127 026	100 582
Statement of financial position							
Property, plant and equipment			1 264 658	1 303 378	1 115 712	531 792	118 128
Intangible asset			67 902	67 902	-	-	-
Cane roots			200 380	204 826	162 595	69 850	63 759
Deferred tax asset			4 233	17 982	31 037	-	-
Current assets			511 343	427 938	311 341	200 199	187 667
Cash and bank balances			53 400	59 145	119 777	149 383	108 376
Borrowings			(1 150 181)	(1 231 550)	(1 155 345)	(454 209)	-
Deferred tax liability			(35 701)	(34 329)	-	(28 031)	(47 442)
Retirement benefit obligation			-	-	-	-	(2 075)
Current liabilities			(181 646)	(83 377)	(151 725)	(101 886)	(105 791)
Net asset value			734 388	731 915	433 392	367 098	322 622
Profitability and asset management							
Operaring margin		%	14.1	17.5	14.7	11.9	23.4
Return on net assets	1	%	9.2	13.2	7.5	11.5	39.0
Liquidity and borrowings							
Current ratio	2	times	3.1	5.8	2.8	3.4	3.0
Interest cover	3	times	1.4	3.4	-	156.1	70.1
Net debt : equity	4	%	149	160	239	83	-
Gearing	5	%	60	62	71	45	-
Earnings and dividends per share							
Earnings per share	6	ZMK '000	4.41	16.09	25.20	23.50	18.64
Headline earnings per share	7	ZMK '000	4.45	15.90	25.39	23.41	18.53
Dividend per share	8	ZMK	3.55	7.50	12.60	14.90	13.00
Dividend cover	9	times	1.3	2.1	2.0	1.6	1.4
Dividend paid		ZMK 'm	27 542	69 646	70 822	83 304	55 897
LUSE statistics							
Ordinary shares in issue		000	6 331 428	6 331 428	5 426 938	5 426 938	5 426 938
Weighted average number of shares		000	6 331 428	5 977 066	5 426 938	5 426 938	5 426 938
Net asset value per share	10	ZMK '000	116.0	115.6	79.9	67.6	59.4
Market price per share at year end		ZMK	318	315	239	560	170
Dividend yield at year end	11	%	1.1	2.4	5.3	2.7	7.4
Price : headline earnings ratio	12	%	71.5	19.8	9.4	23.9	9.2

1. Return on net assets

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

2. Current ratio

Current assets divided by current liabilities.

3. Interest cover

Profit from operations divided by net financing costs.

4. Net debt : equity ratio

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

5. Gearing

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

6. Earnings per share

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

7. Headline earnings per share

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

8. Dividend per share

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

9. Dividend cover

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

10. Net asset value per share

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

11. Dividend yield at year end

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

12. Price: headline earnings ratio at year end

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

The value added statement reflects the wealth the group and 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, **ZK421 729 million** was created. Of this amount, **ZK351 592 million** was distributed to employees, providers of capital and to government. Of the wealth created, 47% was paid to employees.

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

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
Wealth created				
Revenue	1 232 448	907 963	1 232 448	907 963
Dividend income	-	-	4 398	-
Foreign currency exchange (losses)/gain	(5 925)	92 717	(4 866)	90 385
Paid to growers for cane purchases	(210 658)	(156 334)	(267 401)	(194 922)
Manufacturing and distribution costs	(594 136)	(355 079)	(565 766)	(333 076)
	421 729	489 267	398 813	470 350
Wealth distributed				
To employees as salaries, wages and other benefits	200 048	174 944	194 511	172 623
To lenders of capital as interest	121 234	139 002	120 302	137 949
To shareholders as dividends	28 275	69 646	27 542	69 646
To government as taxation	2 035	60	785	-
	351 592	383 652	343 140	380 218
Wealth reinvested				
Retained profits	2 473	26 530	(5 861)	17 733
Depreciation	52 704	64 064	47 946	59 344
Deferred taxation	14 960	15 021	13 588	13 055
	421 729	489 267	398 813	470 350
Amounts paid to government for taxation excludes the following:				
Employees tax deducted from remuneration	31 387	27 854	30 891	27 461
Net VAT amount paid to government	7 756	19 562	961	16 140
Customs and excise duties	7 893	21 711	7 893	21 506
Withholding taxes collected on behalf of government	11 869	3 742	11 099	3 742
	58 905	72 869	50 844	68 849

Zambia Sugar Plc

(Incorporated in Zambia)

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

CONTENTS

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

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

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

In the opinion of the directors:

- the statement of comprehensive income is drawn up so as to give a true and fair view of the profit of the group and the company for the financial year ended 31 March 2011;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the group and the company as at 31 March 2011;
- there are reasonable grounds to believe that the group and the company will be able to pay debts as and when they fall due;
- the financial statements have been prepared in accordance with International Financial Reporting Standards and the companies Act, 1994 (as amended).

Signed on behalf of the board by:

D G MacLeod
Chairman

S D Langton
Managing Director

TO THE MEMBERS OF ZAMBIA SUGAR Plc

Report on the financial statements

We have audited the annual financial statements and group annual financial statements of Zambia Sugar Plc, which comprise the comprehensive statements of income, statements of financial position at 31 March 2011, statements of cash flows, statements of changes in equity and a summary of significant accounting policies and other explanatory notes as set out on pages 22 to 49.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 31 March 2011, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1994 (as amended).

Report on other legal requirements

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

Deloitte & Touche
Chartered Accountants

F M Nchimunya
Partner
Date: 4 May 2011

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	Notes	GROUP		COMPANY	
		2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
Revenue	4	1 232 448	907 963	1 232 448	907 963
Cost of sales		(688 834)	(464 426)	(713 598)	(478 692)
Gross profit		543 614	443 537	518 850	429 271
Other (losses) and gains		(325)	1 133	(50)	533
Distribution expenses		(204 470)	(152 066)	(204 470)	(152 066)
Administration expenses		(164 829)	(133 598)	(158 419)	(129 740)
Profit from operations	5	173 990	159 006	155 911	147 998
Dividend income		-	-	4 399	-
Net finance costs	6	(127 159)	(46 285)	(125 168)	(47 564)
Profit before taxation		46 831	112 721	35 142	100 434
Taxation	7	(16 995)	(15 081)	(14 373)	(13 055)
Profit for the year		29 836	97 640	20 769	87 379
Other comprehensive income:					
Adjustments in respect of cash flow hedges		1 073	-	1 073	-
Taxation effect of cash flow hedges		(161)	-	(161)	-
Total comprehensive income for the year		30 748	97 640	21 681	87 379
Profit for the year attributable to:					
Shareholders of Zambia Sugar Plc		27 914	96 176	20 769	87 379
Non-controlling interest		1 922	1 464	-	-
		29 836	97 640	20 769	87 379
Total comprehensive income attributable to:					
Shareholders of Zambia Sugar Plc		28 826	96 176	21 681	87 379
Non-controlling interest		1 922	1 464	-	-
		30 748	97 640	21 681	87 379
Earnings per share	8				
Earnings per share (ZK)		4.41	16.09	3.28	14.62
Headline earnings per share (ZK)		4.45	15.90	3.29	14.53

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2011

	Notes	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
ASSETS					
Non-current assets					
Property, plant and equipment	11	1 264 658	1 303 378	1 171 308	1 206 148
Intangible asset	12	67 902	67 902	-	-
Investment in subsidiary	13	-	-	155 624	155 624
Cane roots	14	200 380	204 826	164 415	165 472
Deferred tax asset	21	4 233	17 982	4 233	17 982
Current assets		565 134	493 024	517 956	446 627
Inventories	15	102 534	90 500	97 732	86 430
Growing cane	16	231 858	280 463	192 265	244 420
Factory overhaul costs	17	35 827	25 928	35 827	25 928
Trade and other receivables	18	81 069	26 952	79 326	22 828
Derivative financial Instruments		1 073	-	1 073	-
Current tax asset	7	-	138	-	-
Amounts due by related parties	23	58 982	3 957	60 529	5 976
Cash and cash equivalents		53 791	65 086	51 204	61 045
Total assets		2 102 307	2 087 112	2 013 536	1 991 853
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Zambia Sugar Plc		705 830	704 546	689 888	695 749
Share capital and premium	19	247 337	247 337	247 337	247 337
Capital redemption reserve		40	40	40	40
Hedging reserve		912	-	912	-
Dividend reserve		10 764	15 829	10 764	15 829
Retained earnings		446 777	441 340	430 835	432 543
Non-controlling interest		28 558	27 369	-	-
Total equity		734 388	731 915	689 888	695 749
Non-current liabilities		814 917	274 101	776 927	235 997
Long-term borrowings	20	779 216	239 772	776 927	235 997
Deferred tax liability	21	35 701	34 329	-	-
Current liabilities		553 002	1 081 096	546 721	1 060 107
Trade and other payables	22	97 705	52 035	95 349	50 098
Current portion of long-term borrowings	20	370 965	991 778	363 577	978 667
Amounts due to related parties	23	76 585	28 004	81 090	28 004
Derivative financial Instruments		1 798	-	1 798	-
Current tax liability	7	660	-	9	-
Bank overdraft		391	5 941	-	-
Provisions	24	4 898	3 338	4 898	3 338
Total liabilities		1 367 919	1 355 197	1 323 648	1 296 104
Total equity and liabilities		2 102 307	2 087 112	2 013 536	1 991 853

The responsibilities of the company's directors with regard to the preparation of the financial statements are set out on page 20. The financial statements on pages 22 to 49 were approved for issue by the board of directors on 4 May 2011 and were signed on its behalf by:

D G MacLeod
Chairman

S D Langton
Managing Director

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2011

	Share capital and premium ZK'million	Capital redemption reserve ZK'million	Hedging reserve ZK'million	Dividend reserve ZK'million	Retained earnings ZK'million	Attributable to shareholders of Zambia Sugar Plc ZK'million	Non-controlling interests ZK'million	Total ZK'million
GROUP								
Balance at 31 March 2009	2 713	40	-	37 989	392 650	433 392	-	433 392
Total comprehensive income for the year					96 176	96 176	1 464	97 640
Transfer to dividend reserve				47 486	(47 486)	-	-	-
Dividends paid				(69 646)	-	(69 646)	-	(69 646)
Non-controlling interest arising from the acquisition of Nanga Farms Plc						-	25 905	25 905
Issue of share capital	244 624					244 624	-	244 624
Balance at 31 March 2010	**247 337**	**40**	**-**	**15 829**	**441 340**	**704 546**	**27 369**	**731 915**
Total comprehensive income for the year			912		27 914	28 826	1 922	30 748
Profit for the year					27 914	27 914	1922	29 836
Cash flow hedges			912			912	-	912
Transfer to dividend reserve				22 477	(22 477)	-	-	-
Dividends paid				(27 542)	-	(27 542)	(733)	(28 275)
Balance at 31 March 2011	**247 337**	**40**	**912**	**10 764**	**446 777**	**705 830**	**28 558**	**734 388**
COMPANY								
Balance at 31 March 2009	2 713	40	-	37 989	392 650	433 392	-	433 392
Total comprehensive income for the year					87 379	87 379	-	87 379
Transfer to dividend reserve				47 486	(47 486)	-	-	-
Dividends paid				(69 646)	-	(69 646)	-	(69 646)
Issue of share capital	244 624					244 624	-	244 624
Balance at 31 March 2010	247 337	40	-	15 829	432 543	695 749	-	695 749
Total comprehensive income for the year			912		20 769	21 681	-	21 681
Profit for the year					20 769	20 769	-	20 769
Cash flow hedges			912			912	-	912
Transfer to dividend reserve				22 477	(22 477)	-	-	-
Dividends paid				(27 542)	-	(27 542)	-	(27 542)
Balance at 31 March 2011	**247 337**	**40**	**912**	**10 764**	**430 835**	**689 888**	**-**	**689 888**

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

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

The dividend per share, calculated on a cash basis, amounts to **ZK4.35** (2010 : ZK11.65). The calculation is based on the dividends paid in the year of **ZK27 542 million** (2010: ZK69 646 million) divided by the weighted average number of ordinary shares in issue of **6 331 427 708** (2010: 5 977 066 000).

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2011

	Notes	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
Cash flows from operating activities					
Profit from operations		173 990	159 006	155 911	147 998
Adjustments for:					
Depreciation		52 704	64 064	47 946	59 344
Change in fair value of cane roots		4 446	(3 737)	1 057	(2 877)
Change in fair value of growing cane		48 605	(48 383)	52 155	(42 637)
Provisions raised during the year		4 898	3 338	4 898	3 338
Provisions utilised during the year		(3 338)	(4 056)	(3 338)	(4 056)
Factory overhaul costs expensed		28 604	20 256	28 604	20 256
Net foreign exchange loss		(5 925)	-	(4 866)	-
Loss/(gain) on disposal of property, plant and equipment		325	(1 133)	50	(533)
Operating cash flows before movements in working capital		304 309	189 355	282 417	180 833
Working capital movements		(63 630)	(119 936)	(60 721)	(121 427)
Increase in inventories		(12 034)	(16 057)	(11 302)	(16 796)
Factory overhaul costs incurred		(38 503)	(25 928)	(38 503)	(25 928)
Decrease in net amounts due to related parties		(6 444)	(44 846)	(1 467)	(46 865)
Increase in trade and other receivables		(54 117)	(192)	(56 498)	(3 160)
Increase/(decrease) in trade and other payables		47 468	(32 913)	47 049	(28 678)
Cash generated from operations		240 679	69 419	221 696	59 406
Net financing costs	a	(132 347)	(112 638)	(131 415)	(111 585)
Income tax paid		(1 237)	(129)	(776)	-
Dividends paid to shareholders of Zambia Sugar Plc		(27 542)	(69 646)	(27 542)	(69 646)
Dividends paid to non-controlling shareholders		(733)	-	-	-
Net cash inflows/(outflows) from operating activities		78 820	(112 994)	61 963	(121 825)
Investing activities					
Payments for property, plant and equipment		(17 273)	(153 768)	(16 106)	(150 589)
Dividends received		-	-	4 398	-
Acquisition of business	b	-	(162 575)	-	-
Investment in subsidiary		-	-	-	(155 624)
Proceeds from disposal of property, plant and equipment		2 964	9 932	2 950	6 342
Net cash inflows/(outflows) before financing activities		64 511	(419 405)	53 205	(421 696)
Financing activities					
Net proceeds from issue of equity shares	c	-	244 624	-	244 624
Proceeds from borrowings		226 790	449 127	226 790	449 127
Repayment of borrowings		(297 046)	(334 978)	(289 836)	(330 787)
Net decrease in cash and cash equivalents		(5 745)	(60 632)	(9 841)	(58 732)
Net cash and cash equivalents at beginning of year		59 145	119 777	61 045	119 777
Net cash and cash equivalents at end of year		53 400	59 145	51 204	61 045

		GROUP		COMPANY	
		2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
a	**Net financing costs**				
	Net financing costs	127 159	46 285	125 168	47 564
	Less: exchange (losses)/gains	(5 925)	92 717	(4 866)	90 385
	Net interest charged	121 234	139 002	120 302	137 949
	Decrease/(Increase) in accrued interest	11 113	(26 364)	11 113	(26 364)
	Net financing costs in statements of cash flows	132 347	112 638	131 415	111 585
b	**Acquisition of business**				
	The fair value of the assets acquired and liabilities assumed were as follows:				
	Non current assets				
	Property, plant and equipment		103 464		
	Intangible asset		67 902		
	Cane roots		36 791		
	Non-current liabilities				
	Borrowings		(23 410)		
	Deferred tax liability		(32 363)		
	Current assets				
	Growing cane		30 297		
	Inventories		4 809		
	Trade & other receivables		7 092		
	Current tax receivable		69		
	Current Liabilities				
	Trade & other payables		(6 172)		
	Net value acquired		188 479		
	Less: non-controlling interest		(25 904)		
	Cash cost of acquisition		162 575		
c	**Net proceeds from issue of equity shares**				
	During 2010, the Company issued 904 489 673 new shares through a rights issue				
	Proceeds from the issue of equity shares		253 257		253 257
	Payment of share issue costs		(8 633)		(8 633)
			244 624		244 624

1. SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements are presented in Zambian kwacha in units of millions.

The principal accounting policies are set out below:

1.1 Basis of consolidation

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

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

1.2 Business combinations

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

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

1.3 Revenue recognition

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

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

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

1.4 Leases

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

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

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

1.5 Property, plant and equipment

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

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

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

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

Effective annual rates of depreciation are :	
Leasehold buildings	1.7%
Canals and domestic water works	1.7 - 5%
Furniture, fittings and equipment	8.3 - 20%
Plant and machinery	2 - 6.7%
Motor vehicles - Commercial	6.7 - 14.3%
Motor vehicles - Non Commercial	12.5 - 20%

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

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

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

1.6 Intangible assets

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

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

1.7 Cane roots and growing cane

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

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

1.8 Factory overhaul costs

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

1.9 Inventories

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

1.10 Provisions

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

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

1.11 Borrowing costs

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

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

1.12 Taxation

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

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

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

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

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

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

1.13 Foreign currency transactions

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

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

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

1.14 Financial instruments

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

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

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

1.15 Derivative financial instruments

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

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

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

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

1.16 Hedge accounting

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

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

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

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

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

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

1.17 Retirement benefits

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

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

1.18 Asset impairment review

An assessment is made at each reporting date to determine whether there is objective evidence that the group's tangible and intangible assets may be impaired. An estimate of the future undiscounted net cash flows of the related assets over the remaining useful life is used to determine whether the asset value is recoverable and to measure any impairment by reference to fair value. If such evidence exists, the estimated recoverable amount of the asset is determined and any impairment loss on the difference between the recoverable amount and carrying amounts is recognised in profit or loss.

1.19 Segmental analysis

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

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

The group is comprised of the following business segments:

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

Sugar production - the manufacture of sugar from sugar cane.

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

2.1 International Financial Reporting Standards adopted during the year

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

IFRS 2 Share-based Payments

The amendment to this standard clarifies the accounting for group cash-settled share-based payment transactions in the separate financial statements of an entity receiving the services when another group entity has the obligation to settle the award. The application of this amendment by the group has had no impact on the consolidated financial statements.

IFRS 3 Business Combinations

The significant revisions to this standard relate to the treatment of acquisition costs (now to be expensed), contingent consideration, goodwill where non-controlling shareholders are involved, step acquisitions and partial disposals. Consequential amendments were also made to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Amendments to these standards have been applied prospectively and have had no impact on the consolidated financial statements.

IAS 7 Statement of Cash Flows

The amendment requires that only expenditure that results in a recognised asset in the statement of financial position is eligible for classification as an investing activity. The application of this amendment by the group has had no impact on the consolidated financial statements.

IAS 17 Leases

The amended standard requires that leases of land are classified as either finance or operating using the general principles of the standards. Previously, leases of land were considered to be operating leases. The application of this amendment by the group has had no impact on the consolidated financial statements.

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

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

IFRS 3 Business Combinations

The amendments provide guidance on whether to measure non-controlling interests at fair value or at the proportionate share of the net assets of the acquiree. The amendment to this standard is effective for the year ending 31 March 2012.

IFRS 7 Financial Instruments: Disclosures

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

IFRS 9 Financial Instruments: Classification and Measurement

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

IAS 24 Related Party Disclosures

The amendment to the standard has simplified the definition of a related party, as well as eliminated some inconsistencies that existed in the previous definition. The amendment to this standard is effective for the year ending 31 March 2012.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The interpretation provides guidance regarding the accounting for the extinguishment of a financial liability through the issue of equity instruments. The interpretation is effective for the year ending 31 March 2012.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical accounting judgements made by management

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

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

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

Impairment of assets

In making its judgement, management has assessed at each reporting date whether there is any indication that the group's tangible and intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

Impairment losses on trade receivables

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

3.2 Key sources of estimation uncertainty

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

Property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual values over their anticipated useful lives using the straight line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 11 to the financial statements.

A comprehensive review of the residual lives of assets was undertaken during the year aligned with a revised Illovo group standard which resulted in an overall decrease in the annual depreciation charged compared to the previous year.

Cane roots valuation

The escalated average costs of planting cane roots are adjusted for the remaining expected life. This requires an estimation by management of the average number of ratoons expected from the crop. The carrying value of cane roots is disclosed in note 14 to the financial statements.

Growing cane valuation

Growing cane is valued at the estimated sucrose content in cane at 31 March valued at the estimated sucrose price for the following season, less estimated costs for harvesting and transport. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess the domestic and export prices as well as related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 16 to the financial statements.

Income taxes

At the time of preparing the annual financial statements, estimates are used to determine the income tax charge for the year. When the income tax computation is finalised and submitted to the Zambian 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	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
4. Revenue				
Revenue represents proceeds receivable from the following primary business segments:				
Sugar production	866 312	641 095	923 056	679 683
Cane growing	366 136	266 868	309 392	228 280
	1 232 448	907 963	1 232 448	907 963
From secondary business segments as follows:				
Local market	589 536	463 307	589 536	463 307
Export market	642 912	444 656	642 912	444 656
	1 232 448	907 963	1 232 448	907 963
5. Profit from operations				
Profit from operations has been determined after charging/(crediting) the following:				
Auditors' remuneration				
- Audit fees	773	837	602	601
- Fees for other services	224	38	180	-
- Other expenses	25	24	16	18
Charitable donations	434	312	425	303
Change in fair value of cane roots (see note 14)	4 446	(3 737)	1 057	(2 877)
Change in fair value of growing cane (see note 16)	48 605	(48 383)	52 155	(42 637)
Depreciation expense (see note 11)	52 704	64 064	47 946	59 344
Directors' emoluments for services as directors	1 583	1 454	1 576	1 449
Employees remuneration expenses	187 088	163 585	181 787	161 361
Employer contributions to pension funds (see note 26)	12 960	11 717	12 724	11 262
Exchange loss (trading balances)	8 157	-	8 157	-
Factory overhaul costs expensed (see note 17)	28 604	20 256	28 604	20 256
Management fees (see note 23.1)	7 036	5 821	7 036	5 821
6. Net financing costs				
Interest charged	121 634	144 594	120 572	143 509
Less: capitalised	-	(5 000)	-	(5 000)
	121 634	139 594	120 572	138 509
Interest received	(400)	(592)	(270)	(560)
Exchange loss/(gains)	5 925	(92 717)	4 866	(90 385)
	127 159	46 285	125 168	47 564

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
7. Taxation				
Current tax				
- current year charge	1 612	60	363	-
- underprovision in prior year	423		422	
Deferred taxation				
- current year charge	25 588	7 305	24 216	5 335
- (over)/underprovision in prior year	(10 628)	7 716	(10 628)	7 720
Total taxation charge	16 995	15 081	14 373	13 055
Included under current assets/(liabilities):				
Receivable in respect of the previous year	138	69	-	-
Current tax charge	(2 035)	(60)	(785)	-
	(1 897)	9	(785)	-
Paid during the year	1 237	129	776	-
Taxation (payable)/receivable	(660)	138	(9)	-
Reconciliation of taxation rate:	%	%	%	%
Company taxation rate applicable to agricultural entities	15.0	15.0	15.0	15.0
Increase/(decrease) in charge due to:				
- Deferred tax rate change adjustment [1]	35.5	(3.9)	47.3	(4.4)
- (Over)/underprovision in prior years	(21.8)	6.8	(29.0)	7.7
- Expenses disallowed for tax purposes	7.1	2.4	9.0	2.5
- Tax rate adjustment on non-farming income	0.6	-	0.6	-
- Other adjustments	(0.1)	-	(0.1)	-
- Permanent differences	-	(6.9)	-	(7.8)
- Dividends received	-	-	(1.9)	-
Effective rate of taxation	36.3	13.4	40.9	13.0

[1] The deferred tax rate change adjustment relates to the application of concessionary income tax rates to income derived from the expansion project investment under the Zambia Development Agency Act. These rates are graduated over a period of ten years and will become available once the present accumulated tax loss has been fully utilized. The rate change adjustment applies to temporary differences arising from capital allowances on expansion project assets and adjusts the deferred tax provision on differences reversing during the concessionary tax rate period from the statutory rate of 15% to the applicable concessionary rate. At 31 March 2011 this adjustment has been affected by the reassessment of the residual lives of property, plant and equipment undertaken during the year, and referred to in note 3.2, by increasing the extent to which these temporary differences will reverse beyond the concessionary tax period relative to the position at 31 March 2010.

	GROUP 2011 ZK	GROUP 2010 ZK	COMPANY 2011 Zk	COMPANY 2010 Zk
8. Earnings per share				
Earnings per share (ZK)	4.41	16.09	3.28	14.62
Headline earnings per share (ZK)	4.45	15.90	3.29	14.53
Number of shares	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares for the purposes of earnings and headline earnings per share	6 331 428	5 977 066	6 331 428	5 977 066
Earnings	ZK'million	ZK'million	ZK'million	ZK'million
Earnings for the purposes of earnings per share	27 914	96 176	20 769	87 379
Reconciliation of headline earnings				
Profit attributable to shareholders of Zambia Sugar Plc	27 914	96 176	20 769	87 379
Adjusted for :-				
Loss/(gain) on sale of property, plant and equipment	325	(1 133)	50	(533)
Tax effect of adjustments	(49)		(8)	
Non-controlling interest effect of adjustments	(33)		-	
Headline earnings for the year	28 157	95 043	20 811	86 846

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
	ZK'million	ZK'million	ZK'million	ZK'million
9. Dividends paid				
ZK6.00 per share (second interim 2009) - paid 12 June 2009		32 562		32 562
ZK1.00 per share (final 2009) - paid 24 August 2009		5 427		5 427
ZK5.00 per share (first interim 2010) - paid 4 January 2010		31 657		31 657
ZK2.00 per share (second interim 2010) - paid 14 June 2010	12 663		12 663	
ZK0.50 per share (final 2010) - paid 24 September 2010	3 166		3 166	
ZK1.85 per share (first interim 2011) - paid 31 December 2010	11 713		11 713	
	27 542	69 646	27 542	69 646
	ZK	ZK	ZK	ZK
Dividends declared per share - second interim declared 4 May 2011	0.70	2.00	0.70	2.00
Dividends proposed per share - final to be proposed at AGM	1.00	0.50	1.00	0.50
Number of ordinary shares in issue (millions)	6 331	6 331	6 331	6 331

10. Segmental analysis

Year to 31 March 2011	GROUP Sugar production ZK'million	GROUP Cane growing ZK'million	GROUP TOTAL ZK'million	COMPANY Sugar production ZK'million	COMPANY Cane growing ZK'million	COMPANY TOTAL ZK'million
Revenue	866 312	366 136	1 232 448	923 056	309 392	1 232 448
Profit/(loss) from operations	179 646	(5 656)	173 990	179 646	(23 735)	155 911
Property, plant and equipment	888 036	376 622	1 264 658	897 841	273 467	1 171 308
Balance at beginning of year	918 903	384 475	1 303 378	918 903	287 245	1 206 148
Additions at cost	15 086	2 187	17 273	15 086	1 020	16 106
Depreciation charge for the year	(42 664)	(10 040)	(52 704)	(33 148)	(14 798)	(47 946)
Net book value of disposals	(3 289)	-	(3 289)	(3 000)	-	(3 000)
Intangible assets	-	67 902	67 902	-	-	-
Investment in subsidiary				-	155 624	155 624
Cane roots	-	200 380	200 380	-	164 415	164 415
Deferred tax asset	4 233	-	4 233	4 233	-	4 233
Current assets	305 528	259 606	565 134	307 075	210 881	517 956
Inventories	83 082	19 452	102 534	83 082	14 650	97 732
Growing cane	-	231 858	231 858	-	192 265	192 265
Factory overhaul costs	35 827	-	35 827	35 827	-	35 827
Trade and other receivables	75 360	5 709	81 069	75 360	3 966	79 326
Derivative financial instruments	1 073	-	1 073	1 073	-	1 073
Amounts due by related parties	58 982	-	58 982	60 529	-	60 529
Cash and cash equivalents	51 204	2 587	53 791	51 204	-	51 204
Current liabilities	399 174	153 827	553 001	399 174	147 547	546 721
Trade and other payables	76 279	21 425	97 704	76 279	19 070	95 349
Current portion of long-term borrowings	236 325	134 640	370 965	236 325	127 252	363 577
Amounts due to related parties	81 090	(4 505)	76 585	81 090	-	81 090
Derivative financial instruments	1 798	-	1 798	1 798	-	1 798
Current tax liability	9	651	660	9	-	9
Bank overdrafts	-	391	391	-	-	-
Provisions	3 673	1 225	4 898	3 673	1 225	4 898
Non-current liabilities	505 003	309 914	814 917	505 003	271 924	776 927
Long-term borrowings	505 003	274 213	779 216	505 003	271 924	776 927
Deferred tax liability	-	35 701	35 701	-	-	-
Net asset value	293 620	440 769	734 389	304 972	384 916	689 888

10. Segmental analysis – continued

Year to 31 March 2010	GROUP Sugar production ZK'million	GROUP Cane growing ZK'million	GROUP TOTAL ZK'million	COMPANY Sugar production ZK'million	COMPANY Cane growing ZK'million	COMPANY TOTAL ZK'million
Revenue	641 095	266 868	907 963	679 683	228 280	907 963
Profit from operations	115 933	43 073	159 006	115 933	32 065	147 998
Property, plant and equipment	918 903	384 475	1 303 378	918 903	287 245	1 206 148
Balance at beginning of year	844 498	271 214	1 115 712	844 498	271 214	1 115 712
Additions at cost	114 767	44 001	158 768	114 767	40 822	155 589
Acquisition of business	-	103 464	103 464	-	-	-
Transfer to cane roots	-	(1 703)	(1 703)	-	-	-
Depreciation charge for the year	(34 553)	(29 511)	(64 064)	(34 553)	(24 791)	(59 344)
Net book value of disposals	(5 809)	(2 990)	(8 799)	(5 809)	-	(5 809)
Intangible assts	-	67 902	67 902	-	-	-
Investment in subsidiary				-	155 624	155 624
Cane roots	-	204 826	204 826	-	165 472	165 472
Deferred tax asset	16 184	1 798	17 982	16 184	1 798	17 982
Current assets	180 862	312 162	493 024	182 881	263 746	446 627
Inventories	73 474	17 026	90 500	73 474	12 956	86 430
Growing cane	-	280 463	280 463	-	244 420	244 420
Factory overhaul costs	25 928	-	25 928	25 928	-	25 928
Trade and other receivables	16 458	10 494	26 952	16 458	6 370	22 828
Current tax asset	-	138	138	-	-	-
Amounts due by related parties	3 957	-	3 957	5 976	-	5 976
Cash and cash equivalents	61 045	4 041	65 086	61 045	-	61 045
Current liabilities	701 117	379 979	1 081 096	701 117	358 990	1 060 107
Trade and other payables	40 078	11 957	52 035	40 078	10 020	50 098
Current portion of long-term borrowings	636 133	355 645	991 778	636 133	342 534	978 667
Amounts due to related parties	22 403	5 601	28 004	22 403	5 601	28 004
Bank overdrafts	-	5 941	5 941	-	-	-
Provisions	2 503	835	3 338	2 503	835	3 338
Non-current liabilities	153 398	120 703	274 101	153 398	82 599	235 997
Long-term borrowings	153 398	86 374	239 772	153 398	82 599	235 997
Deferred tax liabilities	-	34 329	34 329	-	-	-
Net asset value	261 434	470 481	731 915	263 453	432 296	695 749

11. Property, plant and equipment

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Capital work in progress	Total
	ZK'million	ZK'million	ZK'million	ZK'million	ZK'million	ZK'million
GROUP						
Cost						
Balance at 1 April 2009	332 349	769 834	72 018	11 773	38 792	1 224 766
Additions	-	-	-	-	158 768	158 768
Acquisition of business	80 118	22 897	359	90	-	103 464
Transfers	37 645	140 747	7 196	2 020	(187 608)	-
Transfer to cane roots	-	-	-	-	(1 703)	(1 703)
Disposals	(4 070)	-	(9 879)	(774)	-	(14 723)
Reclassification	75 685	(81 204)	2 214	3 305	-	-
Balance at 31 March 2010	521 727	852 274	71 908	16 414	8 249	1 470 572
Additions	-	-	-	-	17 273	17 273
Transfers	2 426	13 534	3 044	2 278	(21 282)	-
Disposals	(161)	(1 659)	(5 722)	(5 117)	-	(12 659)
Reclassifications	17 630	(2 819)	(14 288)	(523)	-	-
Balance at 31 March 2011	541 622	861 330	54 942	13 052	4 240	1 475 186
Depreciation						
Balance at 1 April 2009	20 323	38 764	39 243	10 724		109 054
Charge for year	10 279	38 956	12 116	2 713		64 064
Disposals	(252)	-	(4 954)	(718)		(5 924)
Balance at 31 March 2010	30 350	77 720	46 405	12 719		167 194
Charge for year	9 464	37 279	4 421	1 540		52 704
Disposals	(105)	(1 239)	(2 995)	(5 031)		(9 370)
Reclassifications	1 847	4 415	(5 910)	(352)		-
Balance at 31 March 2011	41 556	118 175	41 921	8 876		210 528
Net carrying amount						
Balance at 31 March 2011	500 066	743 155	13 021	4 176	4 240	1 264 658
Balance at 31 March 2010	491 377	774 554	25 503	3 695	8 249	1 303 378

11. **Property, plant and equipment** – continued

	Leasehold land and buildings ZK'million	Plant and machinery ZK'million	Motor vehicles ZK'million	Furniture and fittings ZK'million	Capital work in progress ZK'million	Total ZK'million
COMPANY						
Cost						
Balance at 1 April 2009	332 349	769 834	72 018	11 773	38 792	1 224 766
Additions	-	-	-	-	155 589	155 589
Transfers	37 510	140 746	5 856	2 020	(186 132)	-
Disposals	(4 070)	-	(6 224)	(774)	-	(11 068)
Reclassifications	75 685	(81 204)	2 214	3 305	-	-
Balance at 1 April 2010	441 474	829 376	73 864	16 324	8 249	1 369 287
Additions	-	-	-	-	16 106	16 106
Transfers	1 956	13 534	3 341	1 284	(20 115)	-
Disposals	(161)	(1 035)	(5 675)	(5 117)	-	(11 988)
Reclassifications	17 630	(2 819)	(14 288)	(523)	-	-
Balance at 31 March 2011	460 899	839 056	57 242	11 968	4 240	1 373 405
Depreciation						
Balance at 1 April 2009	20 323	38 764	39 243	10 724		109 054
Charge for year	10 157	38 956	7 519	2 712		59 344
Disposals	(252)	-	(4 290)	(717)		(5 259)
Balance at 1 April 2010	30 228	77 720	42 472	12 719		163 139
Charge for year	9 196	33 215	4 230	1 305		47 946
Disposals	(105)	(901)	(2 951)	(5 031)		(8 988)
Reclassifications	1 847	4 415	(5 910)	(352)		-
Balance at 31 March 2011	41 166	114 449	37 841	8 641		202 097
Net carrying amount						
Balance at 31 March 2011	419 733	724 607	19 401	3 327	4 240	1 171 308
Balance at 31 March 2010	411 246	751 656	31 392	3 605	8 249	1 206 148

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

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

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

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million

11. Property, plant and equipment - continued

Borrowing costs capitalised in the financial year included under property, plant and equipment are disclosed as follows:				
Interest paid and accrued on short term borrowings	-	5 000	-	5 000

Assets pledged as security

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

Leasehold Land

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

	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
Within one year	2 508	1 433	-	1 433
More than one year but less than five years	9 132	7 165	-	7 165
More than five years	38 223	15 764	24 362	15 764
	49 863	24 362	24 362	24 362

12. Intangible asset

The Intangible asset represents a strategic cane supply arrangement.

The carrying value of the intangible asset is reconciled as follows:

	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
Carrying value at beginning of year	67 902	-	-	-
Acquisition of business	-	67 902	-	-
Carrying value at end of year	67 902	67 902	-	-

13. Investment in subsidiary

The principal subsidiary of Zambia Sugar Plc is:	Issued capital ZK'm	Effective percentage holding %	Shares at cost ZK'm	Amounts due by subsidiary ZK'm	Amounts due to subsidiary ZK'm
2011					
Nanga Farms Plc	487	85.73	155 624	1 547	4 633
2010					
Nanga Farms Plc	487	85.73	155 624	2 019	-

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
14. Cane roots				
The carrying value of cane roots is reconciled as follows:				
Carrying value at beginning of year	204 826	162 595	165 472	162 595
Expansion of area under cane	-	1 703	-	-
Acquisition of business	-	36 791	-	-
Change in fair value	(4 446)	3 737	(1 057)	2 877
Carrying value at end of year	200 380	204 826	164 415	165 472

The area under cane for the purpose of valuing cane roots at 31 March 2011 was **17 162 hectares** (2010: 16 830 hectares). The expected life of cane roots is 7 years. The average remaining expected life of cane roots at 31 March 2011 was **3.78 years** (2010: 3.73 years).

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
15. Inventories				
Maintenance stores	57 236	61 856	52 434	57 679
Provision for obsolesence	(3 910)	(3 438)	(3 910)	(3 331)
	53 326	58 418	48 524	54 348
Finished goods - sugar	49 208	32 082	49 208	32 082
	102 534	90 500	97 732	86 430

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
16. Growing cane				
The carrying value of growing cane is reconciled as follows:				
Carrying value at beginning of year	280 463	201 783	244 420	201 783
Acquisition of business	-	30 297	-	-
Change in fair value	(48 605)	48 383	(52 155)	42 637
Carrying value at end of year	231 858	280 463	192 265	244 420

The expected area to harvest for the following season is **16 896 hectares** (2010: 16 773 hectares) which is anticipated to yield 118.2 tons cane per hectare (2010: 130.5 tons) at a sucrose content in cane of **14.88%** (2010: 15.06%). As at 31 March 2011 the average maturity of the growing cane was estimated at **68.8%** (2010: 76.1%).

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
17. Factory overhaul costs				
Balance at beginning of year	25 928	20 256	25 928	20 256
Incurred during the year	38 503	25 928	38 503	25 928
	64 431	46 184	64 431	46 184
Charged to the statement of comprehensive income	(28 604)	(20 256)	(28 604)	(20 256)
Balance at end of year	35 827	25 928	35 827	25 928

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million

18. Trade and other receivables

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

Gross trade receivables	64 713	20 718	64 713	20 303
Allowance for doubtful debts	(507)	(894)	(491)	(872)
	64 206	19 824	64 222	19 431
Other receivables	16 863	7 128	15 104	3 397
Balance at end of year	81 069	26 952	79 326	22 828
Movement in the allowance for doubtful debts				
Balance at beginning of year	894	1 238	872	1 238
Amounts written off during the year	(570)	(516)	(564)	(516)
Amounts recovered during the year	-	(356)	-	(356)
Amounts raised during the year	183	528	183	506
Balance at end of year	507	894	491	872

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

19. Share capital and premium

Authorised:				
7 000 000 000 (2010: 7 000 000 000) ordinary shares of ZK0.50 each	3 500	3 500	3 500	3 500
Issued and fully paid:				
6 331 427 708 (2010: 6 331 427 708) ordinary shares of ZK0.50 each	3 165	3 165	3 165	3 165
Share premium	244 172	244 172	244 172	244 172
	247 337	247 337	247 337	247 337

	Years of repayment	Effective Interest rate (%)	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
20. Long-term borrowings						
Financial and other institutions						
- Zambian kwacha (see note i)	2011 - 2012	6.78	181 453	295 857	181 453	295 857
- US dollar (see note ii)	2011 - 2013	5.10	9 677	16 886	-	-
Related parties (see note iii)			959 051	918 807	959 051	918 807
Total borrowings			1 150 181	1 231 550	1 140 504	1 214 664
Less:						
Current portion - Zambian kwacha (see note i)			(103 647)	(112 780)	(103 647)	(112 780)
Current portion - US dollar (see note ii)			(7 388)	(13 111)	-	-
Current portion - related parties (see note iii)			(259 930)	(865 887)	(259 930)	(865 887)
			(370 965)	(991 778)	(363 577)	(978 667)
Long-term portion			779 216	239 772	776 927	235 997
The amounts are due for repayment in the following years ending 31 March:						
2011			-	991 778	-	978 667
2012			370 965	159 046	363 578	157 535
2013			79 331	79 972	77 805	78 462
2014			699 885	754	699 121	-
			1 150 181	1 231 550	1 140 504	1 214 664

Summary of borrowing arrangements

(i) The Zambian kwacha denominated loan from financial and other institutions attracts interest at the ruling 91 day T-Bill rate at the beginning of each interest period plus a 2% margin. The loan is fully repayable by December 2012 but is to be repaid prematurely under the refinance arrangement referred to in Note 29.
The loan is secured by way of a first legal mortgage over fixed property to which the company holds title, a first fixed charge over all plant and machinery, a first floating charge over all tangible movable assets, and a first agricultural charge over vehicles, plant and machinery, growing crops, cane roots and all other movable assets.

(ii) The US dollar denominated loans owing by Nanga Farms Plc to a financial institution attract interest at the 90 day USD LIBOR rate applicable at the beginning of each interest period plus a 4.5% margin. The aggregate of these loans is fully repayable by June 2013.
The loans are secured by a first legal mortgage and a first fixed charge on all of Nanga Farms Plc's present and future right, title and interest in its property, a fixed and floating debenture over existing and future fixed and movable farm equipment, assignment of receivables and a first agricultural charge.

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

	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
21. Deferred tax liability/(asset)				
Balance at beginning of year	16 347	(31 037)	(17 982)	(31 037)
Charged to income:				
- Current year income statement charge	25 588	7 305	24 216	5 335
- Prior year income statement (relief)/charge	(10 628)	7 716	(10 628)	7 720
- Current year comprehensive income charge	161	-	161	-
Acquisition of business	-	32 363	-	-
Balance at end of year	31 468	16 347	(4 233)	(17 982)
Analysis of provision:				
Property, plant and equipment	100 515	109 800	86 827	95 470
Intangible asset	10 185	10 185	-	-
Factory overhaul costs	5 374	3 888	5 374	3 888
Growing cane and cane roots	59 797	66 234	48 463	54 924
Tax losses	(144 425)	(186 003)	(144 425)	(184 081)
Other	22	12 243	(472)	11 817
Balance at end of year	31 468	16 347	(4 233)	(17 982)
Asset	(4 233)	(17 982)	(4 233)	(17 982)
Liability	35 701	34 329	-	-

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million

22. Trade and other payables

Trade payables comprise amounts outstanding for trade purchases and ongoing costs.

	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
Trade payables	94 811	36 311	92 781	36 160
Other payables	2 894	15 724	2 568	13 938
Balance at end of year	97 705	52 035	95 349	50 098

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

23. Amounts due to/(by) related parties

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

All related parties are fellow subsidiaries of Illovo Sugar Limited, the ultimate holding company of Zambia Sugar Plc. All related party transactions are conducted at arms length.

23.1 Trading transactions

	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
Amounts due by related parties				
Mitra Sugar Limited	(52 780)	-	(52 780)	-
Silverspoon Limited	(1 358)	-	(1 358)	-
Illovo Group Holdings Limited	(4 108)	-	(4 108)	-
Illovo Sugar Limited - Corporate Division	(736)	-	(736)	-
Nanga Farms Plc	-	-	(1 547)	(2 019)
Maragra Açúcar SA	-	(93)	-	(93)
Ubombo Sugar Limited	-	(3 864)	-	(3 864)
	(58 982)	(3 957)	(60 529)	(5 976)
Amounts due to related parties				
Illovo Sugar Limited - Procurement Division	22 118	14 333	21 990	14 333
Illovo Sugar Limited - Corporate Division	3 847	4 414	3 847	4 414
Illovo Sugar Ireland	8 114	8 944	8 114	8 944
Illovo Group Marketing Services Limited	41 034	-	41 034	-
Illovo Group Holdings Limited	1 472	-	1 472	-
Nanga Farms Plc	-	-	4 633	-
Illovo Sugar (Malawi) Limited	-	313	-	313
	76 585	28 004	81 090	28 004

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

	Purchases and management services	Interest paid	Total
Illovo Sugar Limited - Procurement Division	72 378	2 814	75 192
Illovo Sugar Ireland	13 241	34 736	47 977
Illovo Group Holdings Limited	-	68 203	68 203
Illovo Group Marketing Services Limited	13 981	-	13 981
	99 600	105 753	205 353

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

Purchases from Nanga Farms Plc have been eliminated on consolidation.

	Years of repayment	Effective Interest rate (%)	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
23.2 Loans from related parties						
Illovo Sugar Ireland						
- Zambian kwacha (see note i)	2011	18.45	55 697	245 654	55 697	245 654
Illovo Group Holdings Limited						
- US dollar (see note ii)			-	636 263	-	636 263
- Euro (see note ii)			-	36 890	-	36 890
- Zambian kwacha (see note ii)	2011 - 2014	9.17	903 354	-	903 354	-
			959 051	918 807	959 051	918 807
Less:						
Current portion			(259 930)	(865 887)	(259 930)	(865 887)
Long-term portion			699 121	52 920	699 121	52 920
The amounts are due for repayment in the following years ending 31 March:						
2011			-	865 887	-	865 887
2012			259 930	52 920	259 930	52 920
2013			-	-	-	-
2014			699 121	-	699 121	-
			959 051	918 807	959 051	918 807

(i) The loan from Illovo Sugar Ireland attracts interest at the rate 15.378% per annum corresponding with the 3 year Government Bond issue of 16 November 2007 plus a 2% margin. The loan is repayable in full by November 2011.

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

(ii) On 01 April 2010, the two foreign currency loans from Illovo Group Holdings Limited were converted into a single loan denominated in Zambian kwacha. A further drawdown on the redenominated loan was made during the year. This loan is unsecured and attracts interest at the ruling 91 day T-Bill rate at the beginning of each interest period plus a 4% margin. The loan is to be fully repaid by 31 March 2013 or after such later interest payment date as may be agreed.

24. Provisions

	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
At beginning of year	3 338	4 056	3 338	4 056
Provisions made during the year	4 898	3 338	4 898	3 338
Utilised during the year	(3 338)	(4 056)	(3 338)	(4 056)
At end of year	4 898	3 338	4 898	3 338
Analysed as follows:				
Provision for leave pay	4 898	3 338	4 898	3 338

25. Capital commitments

	GROUP 2011 ZK'million	GROUP 2010 ZK'million	COMPANY 2011 ZK'million	COMPANY 2010 ZK'million
Approved but not contracted	26 716	15 526	24 642	15 526
Contracted	1 170	6 795	1 170	6 795
	27 886	22 321	25 812	22 321

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

	GROUP		COMPANY	
	2011	2010	2011	2010
	ZK'million	ZK'million	ZK'million	ZK'million

26. Retirement benefits

Defined contribution pension scheme

Zambia Sugar provides retirement benefits for its employees through a defined contribution pension scheme which was established on 1 May 2002. The employer's contribution is recognised as an expense in the year in which the related services are rendered by the employees. The group expensed an amount of **ZK6 829 million** (2010: ZK5 917 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 **ZK6 131 million** (2010: ZK5 800 million) during the year in respect of this scheme.

Gratuity scheme

Nanga Farms Plc has daily rated and graded salaried staff employees on one year contracts of employment who are entitled to a deferred payment at 15% and 16.67% of earnings respectively. Management staff are on two year contracts. As at 31 March 2011, all gratuities had been settled on renewal of employment contracts (2010: ZK207 million).

27. Contingent liabilities

The contingent liabilities are as follows:
(i) Local industrial relations actions and legal costs amounting to **ZK4 808 million**.
(ii) Local civil actions and legal costs amounting to **ZK195 million**.
(iii) Defective sugar product claims amounting to **ZK52 million**.

28. Financial risk management

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

Categories of financial instruments

	Group 2011	Group 2010	Company 2011	Company 2010
Financial assets				
Loans and receivables	193 842	96 133	191 059	89 849
Derivative financial instruments designated as cash flow hedges	1 073	-	1 073	-
Financial liabilities				
Derivative financial instruments designated as fair value hedges	1 798	-	1 798	-
Financial liabilities measured at amortised cost	1 325 522	1 317 530	1 316 952	1 292 766
Reconciliation to the statement of financial position				
Trade and other receivables including amounts due by related parties	140 051	30 909	139 855	28 804
Taxation receivable	-	138	-	-
Cash and cash equivalents	53 791	65 086	51 204	61 045
Loans and receivables	193 842	96 133	191 059	89 849
Trade and other payables including amounts due to related parties	174 290	80 039	176 439	78 102
Taxation payable	660	-	9	-
Bank overdraft	391	5 941	-	-
Long-term borrowings	779 216	239 772	776 927	235 997
Current portion of long-term borrowings	370 965	991 778	363 577	978 667
Financial liabilities measured at amortised cost	1 325 522	1 317 530	1 316 952	1 292 766

28.1 Liquidity risk management

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

The group treasury has access to the following banking facilities at 31 March 2011:

	GROUP 2011 ZK'million
Local general banking facilities	119 500

28.2 Interest rate risk management

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

The interest rate profile at 31 March 2011 is as follows:

	Floating rate		Fixed rate		
	Less than one year	Greater than one year	Less than one year	Greater than one year	Total borrowings
Borrowings (ZK'billion)	315.3	779.2	55.7	-	1 150.2
% total borrowings	27%	68%	5%	-	100%

Interest rate sensitivity

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

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
If interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax for the year would decrease/increase by:	5 248	6 501	5 200	6 208

28.3 Currency risk management

In the normal course of business, the group enters into transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

	Assets		Liabilities	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
Group				
US dollars	27 495	24 119	60 474	11 498
SA rands	801	308	26 957	5 750
Euros	60 862	1 695	6 344	3 060
Other	-	-	-	799
Company				
US dollars	25 600	20 771	50 233	10 326
SA rands	801	308	26 957	5 750
Euros	60 862	1 695	6 344	3 060
Other	-	-	-	799

Foreign currency sensitivity

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

28.3 Currency risk management - continued

10% foreign currency sensitivity

All figures in ZK million	US dollar		SA rand		Euro	
	2011	2010	2011	2010	2011	2010
Group						
Monetary assets	(2 750)	(3 308)	(80)	(892)	(6 086)	(170)
Monetary liabilities	6 047	66 950	2 696	2 515	634	4 866
	3 297	63 642	(2 616)	(1 623)	(5 452)	4 696
Company						
Monetary assets	(2 560)	(2 678)	(80)	(892)	(6 086)	(170)
Monetary liabilities	5 023	64 550	2 696	2 541	634	4 866
	(2 463)	61 872	(2 616)	(1 649)	(5 452)	4 696

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

	Rates at 31 March		Average for year	
	2011	2010	2011	2010
Kwacha/Rand	689	632	669	628
Kwacha/US dollar	4 690	4 640	4 819	4 893
Kwacha/Euro	6 642	6 254	6 361	6 854

28.4 Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy customers. Trade receivables comprise a widespread customer base, and the company undertakes ongoing credit evaluations of the financial condition of their customers. At 31 March 2011, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

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

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

	GROUP		COMPANY	
	2011 ZK'million	2010 ZK'million	2011 ZK'million	2010 ZK'million
Not past due	62 065	15 444	62 065	15 201
Past due by 30 days	-	3 023	-	2 929
Past due by 60 days	-	778	-	701
Past due by 90 days	597	1 473	597	1 472
Past due over 120 days	2 051	-	2 051	-
	64 713	20 718	64 713	20 303
less : allowance for doubtful debts	(507)	(894)	(491)	(872)
Total trade receivables	64 206	19 824	64 222	19 431

28.5 Capital risk management

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

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

29 Events after the reporting date

On 14 April 2011 a term debt facility of ZK 605 billion was concluded with a syndicate of lenders comprising eight local banks and one local fund manager. The facility was jointly arranged by Citibank N.A. and Standard Bank of South Africa. Loan proceeds will be used to repay the existing kwacha denominated external borrowing of ZK181 453 million reflected in Note 20 and to reduce the level of related party borrowing from Illovo Group Holdings reflected in Note 23.2. The loan bears interest at a margin of 3.25% on the 182 day Treasury Bill rate.

NOTICE OF MEETING

Notice is hereby given that the 49th annual general meeting of members of the company will be held at the Taj Pamodzi Hotel, Lusaka, Zambia on 19 August 2011 at 12h00 to transact the following business:

1. Approval of minutes of the previous meeting

2. Financial statements

   To receive and adopt the annual financial statements for the year ended 31 March 2011.

3. Election of directors

   i. To confirm the appointment of Messrs Lee Elkington and Ian Parrott who were appointed as directors since the previous annual general meeting.

   ii. To re-elect Messrs Doreen Kabunda, Margaret Dudu Mwanakatwe and Rebecca Mbangu Lisulo Katowa who retire by rotation, in terms of the Companies Act, and who, being eligible, offer themselves for re-election.

4. Approval of directors' fees

   That unless otherwise determined by the company in general meeting, the annual fees payable by the company to directors for the year ending March 2012 remain unchanged from the previous year.

5. Appointment of auditors

   To confirm the reappointment of the auditors, Deloitte & Touche, for the year ending March 2012 and to authorise the directors to determine the auditors terms and remuneration.

6. Declaration of final dividend

   That a final dividend of ZMK1.00 per share for the year ended 31 March 2011 recommended by the directors be declared to all shareholders registered in the books of the company at close of business on 31 August 2011 and payable on 23 September 2011.

7. Other business

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

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy need not be a member of the company. Proxy forms should be forwarded to reach the company's registered office or the transfer secretaries not later than 12h00 on Monday, 15 August 2011.

By order of the Board

LM Sievu

Company Secretary

4 May 2011

SHAREHOLDERS' DIARY

Financial year end	March
Annual general meeting	August

Reports and profit statements

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

Dividends

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

Shareholders are reminded to notify transfer secretaries of any change in address.

CORPORATE INFORMATION

Secretary	:	Lovemore M Sievu
Business address and registered office	:	Nakambala Estate, Mazabuka, Zambia
Postal address	:	P O Box 670240, Mazabuka, Zambia
Telephone	:	(260) 21 3 231106
Fax	:	(260) 21 3 230385
Email address	:	Lsievu@zamsugar.zm
Transfer secretaries	:	Lewis Nathan Advocates Financial Markets and Commercial Law Division The Nathan Park 758 Independence Avenue, Woodlands, Lusaka, Zambia
Postal address	:	P O Box 37268, Lusaka, Zambia
Telephone	:	(260) 21 1 262009/261995
Fax	:	(260) 21 1 261997
E-mail address	:	lna@zamnet.zm / lewis@zamnet.zm
Auditors	:	Deloitte & Touche
Bankers	:	Barclays Bank of Zambia Citi-Bank Zambia Stanbic Bank Zambia Standard Chartered Bank Zambia Zambia National Commercial Bank

ZAMBIA SUGAR Plc
FORM OF PROXY
For the 49th annual general meeting

I/We ____

(Name/s in block letters)

of ____(address)

Number of votes

(1 share = 1 vote)

being the shareholder/member of the abovenamed 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

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the company to be held at the Taj Pamodzi Hotel, Lusaka, Zambia on Friday 19 August 2011 at 12h00 and at any adjournment thereof as follows:

Agenda Item		Mark with X where applicable		
		In favour	Against	Abstain
1.	Approval of the minutes of the previous meeting.			
2.	Adoption of the audited 2011 annual financial statements.			
3.	Election of directors			
	Confirmation of appointment of directors			
3.1	Lee Elkington			
3.2	Ian Parrott			
	Re-election of directors			
3.3	Doreen Kabunda			
3.4	Rebecca Mbangu Lisulo Katowa			
3.5	Margaret Dudu Mwanakatwe			
4.	Approval of directors' fees.			
5.	Re-appointment of Deloitte & Touche as auditors.			
6.	Declaration of final dividend.			

Signed at ______________________ on this______________day of ____________2011

Signature ____

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

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

NOTES TO THE FORM OF PROXY

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his/her guardian.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the company has already recorded that authority.
5. In order to be effective, proxy forms must reach the registered office of the company or the transfer secretaries by no later than 12h00 on Monday, 15 August 2011.
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.

SUGAR
ILLOVO
GROUP