Zambia Sugar Plc

ANNUAL REPORT 2010

SUGAR ILLOVO GROUP

Top left: The agricultural operations incorporating Nanga Farms produced a record cane crop of 1.7 million tons in 2009/10, compared with 722 000 produced in the previous season.

Top right: In its first year of operation following the expansion of the factory, record sugar production of 315 000 tons was achieved, representing a 62% increase in tonnage compared to the previous season.

Zambia Sugar Plc

Middle: left: Domestic market sugar demand increased by 10% compared to the previous year, driven by strong local economic fundamentals. Middle: Outgrower deliveries, including cane supplied by local small-scale farmers, amounted to approximately 910 000 tons of cane, bringing total cane production to 2.6 million tons (2009 1.6 million tons), an increase of approximately one million tons compared to 2008/09. Right: Health care is provided to all employees mostly through access to company-run clinics. The company's integrated malaria control programme was awarded a certificate of excellence for 'Best Practices' by the Ministry of Health for maintaining malaria positive incidences to below 50 per 1000 population on the Nakambala estate.

Below: In December 2009, Zambia Sugar's recent major expansion project was officially commissioned by His Excellencies President Jacob Zuma of the Republic of South Africa and President Rupiah Banda of the Republic of Zambia. The R1.7 billion project, which resulted in the development of an additional 10 500 hectares of irrigated cane fields by the company and its supplying growers, along with the expansion of the factory's milling capacity, has increased annual sugar production from around 200 000 tons to 450 000 tons.

ZAMBIA SUGAR Plc

KEY FEATURES	2010	2009
Revenue (ZK'million)	907 963	532 478
Profit from operations (ZK'million)	159 006	78 048
Profit for the year (ZK'million)	97 640	137 116
Basic and diluted earnings per share (ZK)	16.09	25.27
Headline earnings per share (ZK)	15.90	25.39
Year-end market price (ZK)	315	239
Price: headline earnings ratio (%)	19.8	9.5
Dividends per share (ZK)	7.5	12.60
Number of shares in issue (000)	6 331 428	5 426 938

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ZAMBIA SUGAR Plc

COMPANY PROFILE

Zambia Sugar Plc is listed on the Lusaka Stock Exchange. In 2009, the company completed a successful rights issue during which its principal shareholder, Illovo Sugar Limited of South Africa, partially renounced its rights and consequently reduced its shareholding in Zambia Sugar from 89.7% to 81.6%. This, in support of government policy to increase local participation in business, enables increased public ownership in the company. The balance of the issued share capital is held by institutional investors and members of the public, including employees.

Zambia Sugar is based at the Nakambala Estate in the Mazabuka District of the Southern Province. 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 full-scale irrigation of the crop, resulting in excellent cane yields and high sucrose content in cane. Approximately 60% of cane throughput for the factory is provided by these operations, with the balance supplied by private outgrowers. The sugar produced from cane supplied by local small-scale cane farmers, and exported to the European Union (EU), benefits from financial incentives granted under the 'Fairtrade' label.

The company is Zambia's largest sugar producer with the capacity to produce 450 000 tons of high-quality sugar per annum. About 41% of current production is sold to domestic consumer and industrial markets, with the balance exported to preferential markets in the European Union (EU) and to regional markets. The company also manufactures a range of sugar-based specialty products. Molasses, a by-product of the sugar milling operation, is sold mainly as stock feed into both local and regional markets.

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

Zambia Sugar is the single largest private agricultural and milling company, and employer in the Mazabuka region, and is regarded externally as a premier agricultural enterprise in Zambia. 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 ongoing creation and existing viability of many local enterprises which supply goods and services to the company. Zambia Sugar administers an active social investment programme, delivering meaningful benefits to its surrounding communities.

Zambia Sugar's holding company, Illovo Sugar Limited, is a leading, global, low-cost sugar producer and a significant manufacturer of high-value downstream products. The group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. Downstream products include furfural (used mainly in lube oil refineries for the purification of oils), furfuryl alcohol (used mainly to produce a resin in the foundry industry as a binder for foundry sands), diacetyl and 2.3-pentanedione (both used as highquality natural flavourants), Agriguard (an agricultural nematicide), BioMass Sugar (a sugar cane-based fertiliser), ethyl alcohol and lactulose (a natural laxative). Illovo is listed on the JSE Limited. It is a subsidiary of Associated British Foods plc which holds 51% 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 (63)^#	BCom, AMP(Oxon)	2001	Deputy Chairman – Illovo Sugar Limited
EXECUTIVE DIRECTORS			
S D Langton (48)#	PrEng, BScEng	2008	Managing Director
D M Kabunda (47)	BA(PubAdmin), MBA	2008	Human Resources Director
R M L Katowa (49)	BA, MBA, MCIM, FZIM	2002	Marketing Director
S S Munsamy (55)	BTechMgt, MDP	2009	Operations Director
D M Wellington (54)	BAcc, CA	2008	Financial Director
NON-EXECUTIVE DIRECTORS			
G J Clark (54)*^#	BAcct(Hons), FCA(Aust)	2001	Managing Director – Illovo Sugar Limited
B M Stuart (62)#	BCom, DipSugarTech, SEP	2009	Operations Director – Illovo Sugar Limited
K Zarnack (37)*#	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 M Mukukwa (45)	MScChemEng	1990	Factory
L M Sievu (48)	BAcc, ACMA, ACIS, FZICA	2004	Corporate affairs
H P Veenstra (53)	MAgMgt(AgEcon)	2003	Agriculture

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

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

Zambia Sugar's operations recorded a net profit after taxation of ZK97 640 million for the year, having produced 315 043 tons of sugar (2009: 193 880 tons) and sold 305 973 tons (2009: 192 826 tons).

Record cane and sugar production following the completion of Zambia Sugar's major expansion project in 2009 resulted in operating profit doubling from ZK78 billion in the previous year to ZK159 billion in 2009/10. Sales volume increased from 193 000 tons to 306 000 tons following strong demand for sugar in all markets. Realisations from export sales were, however, negatively impacted by the strength of the Kwacha, although the strong currency was of benefit to foreign currency denominated operating costs. Effective cost control and improved sales pricing and volumes benefited margins.

In August 2009, the company completed a successful rights issue which raised US$50 million. During the process, the Illovo group partially renounced its rights and consequently reduced its shareholding in Zambia Sugar from 89.7% to 81.6%, this being supportive of the Government policy to increase local participation in businesses in Zambia. The proceeds were used to reduce borrowings related to the recent major expansion project and the acquisition of Nanga Farms PLC, a large cane growing company currently producing 325 000 tons of cane with the potential to further increase output.

During the year, the company spent capital of ZK13 969 million on the replacement of assets and ZK144 799 million on further expansion of the business. A total of ZK25 928 million was spent on the refurbishment and overhaul of factory plant and machinery to ensure that the factory is kept in sound condition, that strategic plant is adequately protected against breakdown and that product quality meets global standards.

AGRICULTURE

The agricultural operations incorporating Nanga Farms produced a record cane crop of 1.7 million tons in 2009/10, compared with 722 000 produced in the previous season. Heavy and unseasonal rainfall during the season, however, impacted negatively upon cane deliveries, resulting in an area of 3 250 hectares of cane land being carried-over for processing in 2010/11. Outgrower deliveries amounted to approximately 910 000 tons of cane, bringing total cane production to 2.6 million tons (2009 1.6 million tons), an increase of approximately one million tons compared to 2008/09.

PRODUCTION

In its first year of operation following the expansion of the factory, record sugar production of 315 000 tons was achieved, representing a 62% increase in tonnage compared to the previous season. Overall, factory performance and efficiencies showed considerable improvement over the previous season, with the plant reaching its new rated capacity.

MARKETING

Domestic market sugar demand increased by 10% compared to the previous year, driven by strong local economic fundamentals. Regional sugar deficits were beneficial to export opportunities and prices. Despite a reduction in EU sugar prices, effective from 1 October 2009, the company benefited from increased and unrestricted market access to the EU by way of Zambia's duty-free and quota free access into this market. Consequently, exports to the EU increased from 40 000 tons in the previous year to nearly 90 000 tons in 2009/10.

EXPANSION PROJECT

In December 2009, Zambia Sugar's recent major expansion project was officially commissioned by His Excellencies President Jacob Zuma of the Republic of South Africa and President Rupiah Banda of the Republic of Zambia. The R1.7 billion project, which resulted in the development of an additional 10 500 hectares of irrigated cane fields by the company and its supplying growers, along with the expansion of the factory's milling capacity, has increased annual sugar production from around 200 000 tons to 450 000 tons. Amongst many other benefits, the project has also resulted in the development of the Magobbo and Manyonyo smallholder sugar cane schemes which will see the establishment of 438 hectares to irrigated cane land.

A further major benefit of the expansion project was the installation of significantly increased electricity generating capacity, allowing all of the Zambia Sugar business, including its agricultural operations, to become self-sufficient in its own power requirements.

A project to investigate the feasibility of erecting an ethanol plant to make use of the factory's increased molasses supplies has commenced. It is envisaged that this plant would supply ethanol for blending with petrol.

PROSPECTS

Good climatic conditions and increased land under cane will further increase sugar cane deliveries to the factory in 2010/11. The factory is positioned to further consolidate the expansion gains achieved in 2009/10 and another significant increase in sugar production is anticipated in the current season. Operating profit is anticipated to increase accordingly. Exchange rate movements and weather will continue to influence profits.

Financing costs will continue to impact on earnings in the coming year. However, should the Kwacha remain at its current higher levels, the negative impact of increased financing costs will be mitigated by exchange rate gains relating to US dollar-denominated expansion-related loans.

HUMAN RESOURCES

Human resource management and operational strategies are determined by the business needs of the company. These strategies embrace the macro economic and labour environments and are aligned to the Illovo group's strategic intent. A work ethic of continuous improvement which encourages focused and skilled employees to realise their full 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 union. Various communication channels such as a Joint Consultative Council, in addition to the bargaining table are open and enhance good rapport between management and union representatives. The mutual respect between the partners 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.

Key areas of human resources focus include best practice benchmarking, targeted manpower succession planning; talent and performance management; the maintenance of collaborative industrial relations; human resource development and business understanding; 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. The company continues to benefit from participation in Illovo group training initiatives such as a Leadership and Development Programme for senior managers.

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

A Business Understanding Programme continues to be an important part of the company's employee involvement process.

The upgrading of the estate infrastructure and amenities continued during the year, and an ongoing village electrification programme has continued.

HEALTH, SAFETY AND WELFARE

The integrated Safety, Occupational Health and Environmental Management System (SHE) remains entrenched in all areas of operations with the company maintaining NOSA Four-star platinum awards for the factory and agricultural operations. The company continued to maintain SABS ISO 9001:2000 Quality Management System accreditation.

Health care is provided to all employees mostly through access to company-run clinics. The company's integrated malaria control programme was awarded a certificate of excellence for 'Best Practices' by the Zambian Ministry of Health for maintaining malaria positive incidences to below 50 per 1000 population on the Nakambala estate. In addition, under the HIV/AIDs and wellness programme, the company continued with vigorous Voluntary Counselling and Testing (VCT) with 70% of permanent workforce, 68% of the seasonal workforce and 42% of dependants having undergone VCT. In the period under review, our HIV/AIDS management programme has been rated by the Ministry of Health as the best in the province.

DIRECTORATE AND SECRETARY

The directors who held office during the year were:

Non-Executive Directors	
D G MacLeod#^	: Chairman
G J Clark*^#	: Chairman of the Remuneration Committee
B M Stuart#	: Chairman of the Risk Management Committee
K Zarnack*#	: Chairman of the Audit Committee
Non-Executive and Independent Directors	
A B Chikwanda*^	
F M Banda	
A R Mpungwe	
M D Mwanakatwe	
D Patel	
Executive Directors	
D M Kabunda	: Human Resources Director
R L Katowa	: Marketing Director
S D Langton	: Managing Director
S S Munsamy	: Operations Director
D M Wellington	: Financial Director

* Member of the Audit Committee

^ Member of the Remuneration Committee

Member of Risk Management Committee

Company Secretary
L M Sievu

DIRECTORS' INTERESTS

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

The beneficial interests of the directors holding office at the end of the year under review in the issued ordinary share capital of the company as at 31 March 2010 were as follows:

	2010 No of shares	2009 No of shares
F M Banda	143 505	143 505
A B Chikwanda	200 000	200 000
D M Kabunda	350 000	300 000

SHARE CAPITAL

The 47th annual general meeting of members of the company passed a special resolution to increase the authorised share capital by creating a further 1 465 000 000 new ordinary shares of 50 Ngwee each, thereby increasing the share capital of the Company from 5 535 000 000 ordinary shares of K0.50 each to 7 000 000 000. After a 6:1 renounceable rights issue, the issued share capital of the Company increased to 6 331 427 708 ordinary shares of K0.50 each.

ANALYSIS OF SHAREHOLDERS

	Number of holders	Number of shares	%
Individuals			
1 - 250 000	3 399	71 132 128	1.12
250 001 - 500 000	33	14 268 959	0.23
500 001 - 750 000	9	6 169 367	0.10
750 001 - 1 000 000	5	4 397 404	0.07
1 000 001 - 2 000 000	6	8 412 375	0.13
2 000 001 and above	3	13 152 115	0.21
	3 455	**117 532 348**	**1.86**
Banks, Nominees and Trusts	26	247 008 102	3.90
Pensions Funds	23	780 696 979	12.33
Companies	43	23 033 607	0.36
Illovo Sugar Coöperatief U.A.	1	5 163 156 672	81.55
	93	**6 213 895 360**	**98.14**
Total	3 548	6 331 427 708	100.00


BROWN SUGAR

DIVIDENDS

The company has previously advised its intention to reduce dividend payouts to 50% of after tax profits whilst servicing the funding requirements arising from the expansion project.

An interim dividend of ZK5.00 per share (2009: ZK5.60) was paid to shareholders on 8 January 2010. Notice is hereby given that a second interim dividend of ZK2.00 per share (2009: ZK6.00) has been declared in respect of the year ended 31 March 2010. This dividend is payable on 14 June 2010 to shareholders registered at the close of business on 14 May 2010.

At the forthcoming Annual General Meeting to be held on 26 August 2010, the Directors will propose a final dividend for the year ended 31 March 2010 of ZK0.50 per share (2009: ZK1.00). This will result in a total dividend for the year of ZK7.50 per share (2009: ZK12.60)

SOCIAL INVESTMENT

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

Ongoing projects are diverse in nature and include, either in the form of cash funding or direct assistance, the sponsorship of major sporting events and major cultural and traditional ceremonies, donations to the disabled, the uplifting of facilities at district hospitals, police stations, orphanages, government and mission schools, sports and social clubs, the local radio station, drainage works in high density and disease prone compounds and assisting in maintaining some of the municipal roads.

The company's contribution to the well being and uplifting of the surrounding community has been recognized and in the past, the company has won the annual Zambia Institute of Marketing 'Best Corporate Social Responsible Company Award.'

EMPLOYEES

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

April	2009	4 863	October	2009	5 501
May	2009	5 064	November	2009	5 360
June	2009	4 957	December	2009	4 627
July	2009	5 458	January	2010	2 649
August	2009	5 457	February	2010	2 646
September	2009	5 452	March	2010	2 684

The total remuneration and benefits paid in respect of the above employees was ZK174 944 million (2009: ZK130 355 million) for the year ended 31 March 2010.

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

THE BOARD AND BOARD COMMITTEES

The Company has a unitary board of directors, which has a predominance of non-executive directors. The roles of the chairman and chief executive are separated and the Chairman is non-executive. The Company's board of directors is accountable to shareholders and responsible for 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 other than Mrs M D Mwanakatwe at the April 2009 meeting, Messrs GJ Clark, M D Mwanakatwe and D K Patel at the October 2009 meeting, and Ms K Zarnack at the February 2010 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 external and internal auditors have unrestricted access to the Committee and its Chairman.

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises three non-executive directors. The Committee is responsible for reviewing compensation to attract, retain and motivate executives and senior managers of quality required for the business. The Committee assesses and approves the 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. In general, risk management meetings held by the company are attended by all senior managers of the Company.

The Committee has formal terms of reference approved by the board. The Committee is responsible for reviewing the Company's risk philosophy, strategy and policies, and ensuring compliance with 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 meets twice a year. There was full attendance at all meetings other than Miss K Zarnak at the February 2010 meeting who gave satisfactory reasons for not attending.

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

ETHICS

It is a fundamental policy of the company 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. The Code prescribes, inter alia, that the Company shall not make political donations and proscribes bribery and corruption. All managers are required to give written agreement 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, encouraging 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.

PRODUCTION & SALES	2010 Tons '000	2009 Tons '000	2008 Tons '000	2007 Tons '000	2006 Tons '000
Own estate cane produced	1 705	722	1 088	1 242	1 291
Total cane milled	2 612	1 626	1 860	1 877	1 894
Sugar production	315	194	234	245	248
Cane sugar ratio	8.29	8.47	7.96	7.66	7.65
Sugar sales	306	193	243	250	239
Local	130	118	116	99	92
Export	176	75	127	151	147
Molasses sales	56	45	55	51	47
Local	41	39	42	40	40
Exports	15	6	13	11	7

FINANCIAL	Notes		2010 ZK million	2009 ZK million	2008 ZK million	2007 ZK million	2006 ZK million
Statement of comprehensive income							
Revenue (net of VAT)			907 963	532 478	585 303	570 096	501 833
Profit from operations			159 006	78 048	69 629	133 371	105 702
Net financing costs			46 285	-	446	1 903	2 777
Profit before taxation			112 721	78 048	69 183	131 468	102 925
Taxation			15 081	(59 068)	(58 597)	30 306	24 085
Profit for the year			97 640	137 116	127 780	101 162	78 840
Attributable to non-controlling interest			1 464	0	0	0	0
Profit attributable to ordinary shareholders			96 176	137 116	127 780	101 162	78 840
Reconciliation of headline earnings							
Profit attributable to shareholders of Zambia Sugar Plc			96 176	137 116	127 780	101 162	78 840
Adjusted for:							
(Gain)/loss on sale of property, plant and equipment			(1 133)	688	(754)	(580)	(542)
Headline earnings for the year			95 043	137 804	127 026	100 582	78 298
Balance sheet							
Property, plant and equipment			1 303 378	1 115 712	531 792	118 128	103 119
Intangible asset			67 902				
Cane roots			204 826	162 595	69 850	63 759	66 251
Deferred tax assets			17 982	31 037	-	-	-
Current assets			427 938	311 341	200 199	187 667	203 608
Cash and bank balances			59 145	119 777	149 383	108 376	50 399
Borrowings			1 231 550	1 155 345	454 209	-	-
Deferred tax liabilities			34 329	-	28 031	47 442	46 654
Retirement benefit obligation			-	-	-	2 075	2 639
Current liabilities			83 377	151 725	101 886	105 791	96 727
Net asset value			731 915	433 392	367 098	322 622	277 357
Profitability and asset management							
Operaring margin		%	17.5	14.7	11.9	23.4	21.1
Return on net assets	1	%	13.2	7.5	11.5	39.0	33.3
Liquidity and borrowings							
Current ratio	2	times	5.8	2.8	3.4	3.0	2.6
Interest cover	3	times	3.4	-	156.1	70.1	38.1
Net debt : equity	4	%	160	239	83	-	-
Gearing	5	%	62	71	45	-	-
Earnings and dividends per share							
Basic and diluted earnings per share	6	ZMK '000	16.09	25.2	23.5	18.6	14.5
Headline earnings per share	7	ZMK '000	15.90	25.4	23.4	18.5	14.4
Dividend per share	8	ZMK	7.5	12.6	14.9	13.0	10.2
Dividend cover	9	times	2.1	2.0	1.6	1.4	1.3
Dividend paid		ZMK 'm	69 646	70 822	83 304	55 897	62 410
LUSE statistics							
Ordinary shares in issue		000	6 331 428	5 426 938	5 426 938	5 426 938	5 426 938
Weighted average number of shares		000	5 977 066	5 426 938	5 426 938	5 426 938	5 426 938
Net asset value per share	10	ZMK '000	115.6	79.9	67.6	59.4	51.1
Market price per share at year end		ZMK	315	239	560	170	150
Dividend yield at year end	11	%	2.4	5.3	2.7	7.4	6.8
Price : headline earnings ratio	12	%	19.8	9.4	23.9	9.2	10.4

1. **Return on net assets**

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

2. **Current ratio**

   Current assets divided by current liabilities.

3. **Interest cover**

   Profit from operations divided by financing costs.

4. **Net debt : equity**

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

5. **Gearing**

   Interest-bearing liabilities, net of cash and cash equivalents, expressed as a percentage of total net debt plus equity.

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

   Net 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 per share (interim - paid and declared; final - proposed).

9. **Dividend cover**

   Headline earnings per share divided by dividends 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 the year-end market price.

12. **Price: headline earnings ratio**

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

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

Wealth created in the current financial year was ZK489 859 million, of which 78% was distributed to employees, providers of capital and the Government. 36% of the wealth created was paid to employees. The balance of the wealth created was retained and reinvested in the company for the replacement of assets and the ongoing development of operations.

	GROUP	COMPANY	
	2010	2010	2009
	ZK'million	ZK'million	ZK'million
Wealth created			
Revenue	907 963	907 963	532 478
Financing income	93 309	90 945	-
Paid to outgrowers for cane	(156 334)	(194 922)	(137 385)
Manufacturing and distribution costs	(355 079)	(333 076)	(163 169)
	489 859	470 910	231 924
Wealth distributed			
To employees as salaries, wages and other benefits	174 944	172 623	130 355
To banking institutions as finance costs	139 594	138 509	-
To shareholders as dividends	69 646	69 646	70 822
To government as taxation	60	-	8 250
	384 244	380 778	209 427
Wealth re-invested			
Retained profits	26 530	17 733	66 294
Depreciation	64 064	59 344	23 521
Deferred taxation	15 021	13 055	(67 318)
	489 859	470 910	231 924
Amounts paid to government for taxation excludes the following:			
Employees tax deducted from remuneration	27 854	27 461	21 252
Net VAT amounts paid to government	19 562	16 140	12 961
Customs and excise duties	21 711	21 506	8 325
Withholding taxes collected on behalf of government	3 742	3 742	1 021

Zambia Sugar Plc

(Incorporated in Zambia)

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2010

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 2010;
- 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 2010; and
- 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 financial statements of Zambia Sugar Plc, which comprise the statement of financial position and consolidated statement of financial position as at 31 March 2010, and the statement of comprehensive income and consolidated statement of comprehensive income, the statement of changes in equity and consolidated statement of changes in equity, statement of cash flows and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The company's directors are responsible for overseeing the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the Companies Act 1994 (as amended). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the group at 31 March 2010, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act 1994 (as amended).

Report on other legal requirements

The Zambian 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

ALICE JERE TEMBO

PARTNER

29 APRIL 2010

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2010

	Notes	GROUP	COMPANY	
		2010 ZK'million	2010 ZK'million	2009 ZK'million
Revenue	4	907 963	907 963	532 478
Cost of sales		(464 426)	(478 692)	(263 168)
Gross profit		443 537	429 271	269 310
Other gains and (losses)		1 133	533	(688)
Distribution expenses		(152 066)	(152 066)	(86 231)
Administration expenses		(133 598)	(129 740)	(104 343)
Profit from operations	5	159 006	147 998	78 048
Net finance costs	6	(46 285)	(47 564)	-
Profit before taxation		112 721	100 434	78 048
Taxation	7	(15 081)	(13 055)	59 068
Profit for the year		97 640	87 379	137 116
Other comprehensive income		-	-	-
Total comprehensive income for the year		97 640	87 379	137 116
Profit attributable to:				
Shareholders of Zambia Sugar Plc		96 176	87 379	137 116
Non-controlling interest		1 464	-	-
		97 640	87 379	137 116
Total comprehensive income attributable to:				
Shareholders of Zambia Sugar Plc		96 176	87 379	137 116
Non-controlling interest		1 464	-	-
		97 640	87 379	137 116
Earnings per share	8			
Basic and diluted earnings per share (ZK)		16.09	14.62	25.27
Headline earnings per share (ZK)		15.90	14.53	25.39

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2010

	Notes	GROUP 31 March 2010 ZK'million	COMPANY 31 March 2010 ZK'million	COMPANY 31 March 2009 ZK'million
ASSETS				
Non-current assets				
Property, plant and equipment	11	1 303 378	1 206 148	1 115 712
Intangible asset	12	67 902	-	-
Investment in subsidiary	13	-	155 624	-
Cane roots	14	204 826	165 472	162 595
Deferred tax assets	21	17 982	17 982	31 037
		493 024	446 627	431 118
Current assets				
Inventories	15	90 500	86 430	69 634
Growing cane	16	280 463	244 420	201 783
Factory overhaul costs	17	25 928	25 928	20 256
Trade and other receivables	18	26 952	22 828	19 668
Current tax asset	7	138	-	-
Amounts due by related parties	23	3 957	5 976	-
Cash and bank balances		65 086	61 045	119 777
Total assets		2 087 112	1 991 853	1 740 462
EQUITY AND LIABILITIES				
Equity attributable to shareholders of Zambia Sugar Plc		704 546	695 749	433 392
Share capital and premium	19	247 337	247 337	2 713
Capital redemption reserve		40	40	40
Dividend reserve		15 829	15 829	37 989
Retained earnings		441 340	432 543	392 650
Non-controlling interest		27 369	-	-
Total equity		731 915	695 749	433 392
Non-current liabilities		274 101	235 997	977 789
Long term borrowings	20	239 772	235 997	977 789
Deferred tax liabilities	21	34 329	-	-
Current liabilities		1 081 096	1 060 107	329 281
Trade and other payables	22	52 035	50 098	78 776
Current portion of long term borrowings	20	991 778	978 667	177 556
Amounts due to related parties	23	28 004	28 004	68 893
Bank overdraft		5 941	-	-
Provisions	24	3 338	3 338	4 056
Total liabilities		1 355 197	1 296 104	1 307 070
Total equity and liabilities		2 087 112	1 991 853	1 740 462

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 18. The financial statements on pages 20 to 44 were approved for issue by the Board of Directors on 29 April 2010 and were signed on its behalf by:

D G MacLeod
Chairman

S D Langton
Managing Director

	Share capital and premium	Capital redemption reserve	Revaluation reserve	Dividend reserve	Retained earnings	Attributable to shareholders of Zambia Sugar Plc	Non-controlling interests	Total
	ZK'million	ZK'million	ZK'million	ZK'million	ZK'million	ZK'million	ZK'million	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
Amortisation of revaluation reserve			-		-	-	-	-
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**
COMPANY								
Balance at 31 March 2008	2 713	40	14 568	40 431	309 346	367 098	-	367 098
Total comprehensive income for the year					137 116	137 116	-	137 116
Amortisation of revaluation reserve			(14 568)		14 568	-	-	-
Transfer to dividend reserve				68 380	(68 380)	-	-	-
Dividends paid				(70 822)	-	(70 822)	-	(70 822)
Balance at 31 March 2009	2 713	40	0	37 989	392 650	433 392	0	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	0	695 749

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

Zambia Sugar Plc acquired 85.73% of the ordinary shares in Nanga Farms Plc for a cash consideration of **ZK155 624 million** effective 27 May 2009. This transaction was funded through a rights issue that raised **ZK244 624 million**.

The dividend per share, calculated on a cash basis, amounts to ZK11.65 (2009 : ZK13.05). The calculation is based on the dividends paid in the year of **ZK69 646 million** (2009: ZK 70 822 million) divided by the weighted average number of ordinary shares in issue of **5 977 066 000 (2009: 5 426 938 035)**.

The dividends declared and proposed amount to **ZK15 829 million** (2009 : ZK37 989 million). The calculation is based on the dividend declared of **ZK2.00 per share** (2009: ZK6.00) and the dividend proposed of **ZK0.50 per share** (2009: ZK1.00), multiplied by the number of ordinary shares in issue of **6 331 427 708** (2009: 5 426 938 035).

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2010

	Notes	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
Cash flows from operating activities				
Profit from operations		159 006	147 998	78 048
Adjustments for:				
Depreciation		64 064	59 344	23 521
Change in fair value of cane roots		(3 737)	(2 877)	(1 088)
Change in fair value of growing cane		(48 383)	(42 637)	(88 286)
Provisions raised during the year		3 338	3 338	523
Provisions utilised during the year		(4 056)	(4 056)	(146)
Factory overhaul costs expensed		20 256	20 256	19 500
Loss/(gain) on disposal of property, plant and equipment		(1 133)	(533)	688
Operating cash flows before movements in working capital		189 355	180 833	32 760
Working capital movements		(119 936)	(121 427)	4 442
Increase in inventories		(16 057)	(16 796)	(26 195)
Factory overhaul costs incurred		(25 928)	(25 928)	(20 256)
Decrease in amounts due to related parties		(44 846)	(46 865)	51 173
(Increase)/decrease in trade and other receivables		(192)	(3 160)	1 431
(Decrease)/increase in trade and other payables		(32 913)	(28 678)	(1 711)
Cash generated from operations		69 419	59 406	37 202
Net financing costs	a	(112 638)	(111 585)	-
Income tax (paid)/refund		(129)	-	2 664
Dividends paid		(69 646)	(69 646)	(70 822)
Net cash outflows from operating activities		(112 994)	(121 825)	(30 956)
Investing activities				
Payments for property, plant and equipment		(153 768)	(150 589)	(587 048)
Acquisition of business	b	(162 575)	-	-
Investment in subsidiary			(155 624)	-
Proceeds from disposal of property, plant and equipment		9 932	6 342	1 700
Net cash outflows before financing activities		(419 405)	(421 696)	(616 304)
Financing activities				
Net proceeds from issue of equity shares	c	244 624	244 624	-
Proceeds from borrowings		449 127	449 127	586 698
Repayment of borrowings		(334 978)	(330 787)	-
Net decrease in cash and cash equivalents		(60 632)	(58 732)	(29 606)
Net cash and cash equivalents at beginning of year		119 777	119 777	149 383
Net cash and cash equivalents at end of year		59 145	61 045	119 777

		GROUP	COMPANY	
		2010	2010	2009
		ZK'million	ZK'million	ZK'million
a	Net financing costs			
	Interest paid	139 594	138 509	-
	Interest received	(592)	(560)	-
		139 002	137 949	-
	Less:			
	Interest accrued and not paid	(26 364)	(26 364)	-
		112 638	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 the year, 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 IAS 1 Presentation of Financial Statements, and IFRS 8 Operating Segments. The adoption of these new and revised standards has resulted in certain disclosure reclassifications, and therefore had no impact on the group's accounting policies.

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

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.

The results of the subsidiary acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest's share in the subsidiary's equity are allocated against the interests of the group, except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

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 plus any costs directly attributable to the business combination.

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

Revenue is measured at fair value of the consideration received or receivable and represents amounts 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.

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	2 - 5%
Canals and domestic water works	2 - 2.5%
Furniture, fittings and equipment	25%
Plant and machinery	5 - 10%
Motor vehicles - Commercial	25%
Motor vehicles - Non Commercial	10 - 14.3%

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 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.

1.15 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 contributes to the National Pension Authority (NAPSA) for its eligible employees as provided for by Law. Membership, with the exception of expatriate employees, is compulsory and monthly contributions by both employer and employees are made. The employer's contribution is charged to profit or loss in the year in which it arises.

1.16 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.

1.17 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. International financial reporting standards 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 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 amendment to this standard is effective for the year ending 31 March 2011.
- IFRS 3: Business combinations (revised) – 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. The revised standards are effective for the year ending 31 March 2011.
- IFRS 9: Financial instruments: classification and measurement – The new standard introduces new requirements for classifying and measuring financial liabilities; derecognition of financial instruments; impairment; and hedge accounting. The standard will be effective for the year ending 31 March 2014.
- 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 investing activities. The amendment to this standard is effective for the year ending 31 March 2012.

- **IAS 17: Leases** – The amended standard requires that leases of land are classified as either finance or operating using the general principles of IAS 17. Prior to the amendment leases of land were generally considered to be operating leases. The amended standard 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.

3.2 Key sources of estimation uncertainty

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

Property, plant and equipment residual values and useful lives

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

Cane roots valuation

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

Growing cane valuation

Growing cane is valued at the estimated sucrose content 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.

There are no other key assumptions concerning the future or key sources of estimation uncertainty as 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	
	2010	2010	2009
	ZK'million	ZK'million	ZK'million
4. Revenue			
Revenue represents proceeds receivable from the following primary business segments:			
Sugar production	641 095	679 683	425 070
Cane growing	266 868	228 280	107 408
	907 963	907 963	532 478
From secondary business segments as follows:			
Local market	463 307	463 307	356 731
Export market	444 656	444 656	175 747
	907 963	907 963	532 478
5. Profit from operations			
Profit from operations has been determined after charging the following:			
Auditors' remuneration			
- Audit fees	837	601	350
- Fees for other services	38	-	317
- Other expenses	24	18	105
Charitable donations	312	303	191
Change in fair value of cane roots	(3 737)	(2 877)	(1 088)
Change in fair value of growing cane	(48 383)	(42 637)	(88 286)
Depreciation expense (see note 11)	64 064	59 344	23 521
Directors' and key management emoluments:			
- as directors of the Company	1 928	1 449	1 390
Employees remuneration expenses	169 027	166 803	125 206
Employer contributions to pension funds (see note 26)	5 917	5 820	5 149
Exchange gain	-	-	(540)
Factory overhaul costs expensed (see note 17)	20 256	20 256	19 500
Management fees (see note 23.1)	5 821	5 821	6 418
6. Net finance costs			
Interest paid	144 594	143 509	121 331
Less: capitalised	(5 000)	(5 000)	(121 331)
	139 594	138 509	-
Interest received	(592)	(560)	-
Exchange gains	(92 717)	(90 385)	-
	46 285	47 564	-

	GROUP	COMPANY	
	2010	2010	2009
	ZK'million	ZK'million	ZK'million
7. Taxation			
Zambian company taxation			
- current year charge	60	-	-
Deferred taxation			
- current year charge/(credit)	7 305	5 335	(67 318)
- underprovision in prior year	7 716	7 720	8 250
Total taxation charge/(credit)	15 081	13 055	(59 068)
Included under current assets/(liabilities):			
Receivable in respect of the previous year	69	-	2 664
Payable in respect of the current year	(60)	-	-
	9	-	2 664
Paid/(utilised) during the year	129	-	(2 664)
Taxation receivable	138	-	-
Reconciliation of taxation rate :	%	%	%
Company taxation applicable to agricultural entities	15.0	15.0	15.0
Increase/(reduction) in charge/(credit) due to:			
- Expenses disallowed for tax purposes	2.4	2.5	1.4
- Benefits of tax holiday on deferred tax	(3.9)	(4.4)	(64.7)
- Permanent differences	(6.9)	(7.8)	(37.9)
- Underprovision in prior year	6.8	7.7	10.6
Effective rate of taxation	13.4	13.0	(75.6)

	GROUP	COMPANY	
	2010	2010	2009
	ZK	ZK	ZK
8. Earnings per share			
Basic and diluted earnings per share (ZK)	16.09	14.62	25.27
Headline earnings per share (ZK)	15.90	14.53	25.39
Earnings	ZK'm	ZK'm	ZK'm
Earnings for the purposes of basic and diluted earnings per share	96 176	87 379	137 116
Number of shares	Shares	Shares	Shares
	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic, diluted and headline earnings per share	5 977 066	5 977 066	5 426 938
Reconciliation of headline earnings			
Profit attributable to shareholders of Zambia Sugar Plc	96 176	87 379	137 116
Adjusted for :-			
(Gain)/loss on sale of property, plant and equipment	(1 133)	(533)	688
Headline earnings for the year	95 043	86 846	137 804

	GROUP 2010	COMPANY 2010	COMPANY 2009
	ZK'million	ZK'million	ZK'million
9. Dividends paid			
ZK6.45 per share (second interim 2008) - paid 13 June 2008			35 004
ZK1.00 per share (final 2008) - paid 22 August 2008			5 427
ZK5.60 per share (first interim 2009) - paid 4 January 2009			30 391
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	
	69 646	69 646	70 822
	ZK	ZK	ZK
Dividends declared per share - second interim declared 29 April 2010	2.00	2.00	6.00
Dividends proposed per share - final to be proposed at AGM	0.50	0.50	1.00
Number of ordinary shares in issue (millions)	6 331	6 331	5 427

10. Segmental analysis

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

Year to 31 March 2010	GROUP			COMPANY		
	Sugar production ZK'million	Cane growing ZK'million	TOTAL ZK'million	Sugar production ZK'million	Cane growing ZK'million	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)
Other 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/(liability)	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 assets	-	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	701 118	379 978	1 081 096	701 118	358 989	1 060 107
Trade and other payables	40 078	11 957	52 035	40 078	10 020	50 098
Short term portion of 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	**261 433**	**470 482**	**731 915**	**263 452**	**432 297**	**695 749**

10. Segmental analysis (continued)

Year to 31 March 2009	COMPANY		
	Sugar production ZK'million	Cane growing ZK'million	TOTAL ZK'million
Revenue	425 070	107 408	532 478
Profit before taxation	28 202	49 846	78 048
Property, plant and equipment	844 498	271 214	1 115 712
Balance at beginning of year	355 809	175 983	531 792
Additions at cost	504 369	197 117	701 486
Transfer to cane roots		(91 657)	(91 657)
Depreciation charge for the year	(13 695)	(9 826)	(23 521)
Net book value of disposals	(1 985)	(403)	(2 388)
Cane roots	-	162 595	162 595
Deferred tax asset	27 804	3 233	31 037
Current assets	208 923	222 195	431 118
Inventories	52 226	17 409	69 634
Growing cane	-	201 783	201 783
Factory overhaul costs	20 256	-	20 256
Trade and other receivables	16 665	3 003	19 668
Current tax assets	-	-	-
Cash and cash equivalents	119 777	-	119 777
Current liabilities	236 588	92 693	329 281
Trade and other payables	63 021	15 755	78 776
Short term portion of borrowings	115 411	62 145	177 556
Amounts due to related parties	55 114	13 779	68 893
Provisions	3 042	1 014	4 056
Non-current liabilities			
Long term borrowings	635 563	342 226	977 789
Net asset value	209 073	224 319	433 392

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
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
Net carrying amount						
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	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
COMPANY						
Cost						
Balance at 1 April 2008	59 169	76 220	52 354	11 432	425 232	624 407
Additions	-	-	-	-	701 486	701 486
Transfers	273 180	696 692	26 056	341	(996 269)	-
Transfer to cane roots	-	-	-	-	(91 657)	(91 657)
Disposals	-	(3 078)	(6 392)	-	-	(9 470)
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)
Reclassification	75 685	(81 204)	2 214	3 305	-	-
Balance at 31 March 2010	441 474	829 376	73 864	16 324	8 249	1 369 287
Depreciation						
Balance at 1 April 2008	16 388	29 422	37 448	9 357		92 615
Charge for year	3 935	10 435	7 784	1 367		23 521
Disposals	-	(1 093)	(5 989)	-		(7 082)
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 31 March 2010	30 228	77 720	42 472	12 719		163 139
Net carrying amount						
Balance at 31 March 2010	411 246	751 656	31 392	3 605	8 249	1 206 148
Balance at 31 March 2009	312 026	731 070	32 775	1 049	38 792	1 115 712

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.

Following the completion of the expansion programme and the finalisation of the capitalisation of the expansion assets, a reclassification of assets has been made so as to properly reflect the expansion assets in their correct asset categories.

	GROUP	COMPANY	
	2010	2010	2009
	ZK'million	ZK'million	ZK'million

11. Property, plant and equipment (continued)

Borrowing costs capitalised in the financial year included under fixed assets are disclosed as follows:			
Interest paid and accrued on long term borrowings	-	-	121 331
Interest paid and accrued on short term borrowings	5 000	5 000	-
Exchange losses on borrowings	-	-	103 951
	5 000	5 000	225 282

Assets pledged as security

All leasehold land and buildings and all plant and machinery have been pledged for loans secured by way of a mortgage debenture (see note 20).

Leasehold Land

During the year the Group and the Company entered into leasehold agreements with various local farmers. The leases will be treated as operating leases and charged to profit or loss over the lease period as follows:

Within one year	1 433	1 433	1 668
More than one year but less than five years	7 165	7 165	8 340
More than five years	15 764	15 764	18 344
	24 362	24 362	28 352

12. Intangible asset

The Intangible asset comprises a strategic cane supply arrangement.

The carrying value of the intangible asset is reconciled as follows:			
Carrying value at beginning of year	-	-	-
Acquisition of business	67 902	-	-
Carrying value at end of year	67 902	-	-

The strategic cane supply arrangement represents the security over the cane supply for Zambia Sugar Plc that arose from the acquisition of Nanga Farms PLC. The strategic cane supply arrangement is considered to have an indefinite useful life.

13. Investment in subsidiary

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

On 27 May 2009, Zambia Sugar Plc acquired 85.73% of the ordinary shares in Nanga Farms PLC for a cash consideration of ZK155 624 million. The acquisition increased total assets by ZK250 423 million and total liabilities by ZK68 895 million. The non-controlling interest's share in the net assets acquired was ZK25 904 million.

	GROUP	COMPANY	
	2010	2010	2009
	ZK'million	ZK'million	ZK'million
14. Cane roots			
The carrying value of cane roots is reconciled as follows:			
Carrying value at beginning of year	162 595	162 595	69 850
Expansion of area under cane	1 703	-	91 657
Acquisition of business	36 791	-	-
Change in fair value	3 737	2 877	1 088
Carrying value at end of year	204 826	165 472	162 595

The area under cane for the purpose of valuing cane roots at the 31 March 2010 was **16 830 hectares** (2009: 14 334 hectares)

	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
15. Inventories			
Maintenance stores	61 856	57 679	59 629
Provision for obsolete maintenance inventory	(3 438)	(3 331)	(3 031)
	58 418	54 348	56 598
Finished goods - sugar	32 082	32 082	13 036
	90 500	86 430	69 634

	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
16. Growing cane			
The carrying value of growing cane is reconciled as follows:			
Carrying value at beginning of year	201 783	201 783	113 497
Acquisition of business	30 297	-	-
Change in fair value	48 383	42 637	88 286
Carrying value at end of year	280 463	244 420	201 783

The commercial area to harvest for the following season is **16 773 hectares** (2009: 14 044 hectares) which is anticipated to yield **130.5 tons cane per hectare** (2009: 135.4 tons) at a sucrose content in cane of **15.06%** (2009: 15.01%). As at the 31 March 2009 the average maturity of the growing cane was estimated at **76.1%** (2009: 66.7%).

	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
17. Factory overhaul costs			
Balance at beginning of year	20 256	20 256	19 500
Incurred in respect of the following year	25 928	25 928	20 256
	46 184	46 184	39 756
Charged to the income statement	(20 256)	(20 256)	(19 500)
Balance at end of year	25 928	25 928	20 256

	GROUP	COMPANY	
	2010	2010	2009
	ZK'million	ZK'million	ZK'million
18. Trade and other receivables			
Trade receivables comprise amounts receivable in respect of the sale of sugar and molasses:			
Gross trade receivables	20 718	20 303	15 790
Allowance for doubtful debts	(894)	(872)	(1 238)
	19 824	19 431	14 552
Other receivables	7 128	3 397	5 116
Balance at end of year	26 952	22 828	19 668
Movement in the allowance for doubtful debts			
Balance at beginning of year	1 238	1 238	1 183
Amounts written off during the year	(516)	(516)	-
Amounts recovered during the year	(356)	(356)	-
Amounts raised during the year	528	506	55
Balance at end of year	894	872	1 238

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

	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
19. Share capital and premium			
Authorised:			
7 000 000 000 (2009: 5 535 000 000) ordinary shares of ZK0.50 each	3 500	3 500	2 767
Issued and fully paid:			
6 331 427 708 (2009: 5 426 938 035) ordinary shares of ZK0.50 each	3 165	3 165	2 713
Share premium	244 172	244 172	-
	247 337	247 337	2 713

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

20. Long term borrowings

	Years of repayment	Effective Interest rate (%)	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
Financial and other institutions					
- Zambian Kwacha (see note i)	2010 - 2012	13.38	295 857	295 857	354 354
- US Dollar (see note ii)	2010 - 2013	6.06	16 886	-	-
Related parties (see note iii)			918 807	918 807	800 991
Total borrowings			1 231 550	1 214 664	1 155 345
Less:					
Current portion - Zambian Kwacha (see note i)			(112 780)	(112 780)	(66 662)
Current portion - US Dollar (see note ii)			(13 111)	-	
Current portion - related parties (see note iii)			(865 887)	(865 887)	(110 894)
			(991 778)	(978 667)	(177 556)
			239 772	235 997	977 789
The amounts are due for repayment in the following years ending 31 March:					
2010			-	-	177 556
2011			991 778	978 667	579 671
2012			159 046	157 535	282 535
2013			79 972	78 462	115 583
2014			754	-	-
			1 231 550	1 214 664	1 155 345

Summary of borrowing arrangements

(i) The Zambian Kwacha denominated loans from financial and other institutions attract interest at the ruling 91 day T-Bill rate at the beginning of each interest period of three months plus a 2% margin. Interest has been accrued at the 31 March 2010 using the effective interest rate of 13.38%. The aggregate of these loans are fully repayable by December 2012.

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

(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 month plus a 2% margin. The loans are secured over property, plant and equipment of Nanga Farms PLC.

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

21. Deferred tax (assets)/liabilities

	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
Balance at beginning of year	(31 037)	(31 037)	28 031
Charged to income:			
- Prior year underprovision	7 716	7 720	8 250
- Acquisition of business	32 363	-	-
- Temporary differences	7 305	5 335	(67 318)
Balance at end of year	16 347	(17 982)	(31 037)
Analysis of provision:			
Property, plant and equipment	109 800	95 470	70 934
Intangible asset	10 185	-	-
Factory overhaul costs	3 888	3 888	3 038
Growing cane and cane roots	66 234	54 924	44 392
Tax losses	(186 003)	(184 081)	(149 795)
Other	12 243	11 817	394
Balance at end of year	16 347	(17 982)	(31 037)
Asset	(17 982)	(17 982)	(31 037)
Liability	34 329	-	-

	GROUP	COMPANY	
	2010	2010	2009
	ZK'million	ZK'million	ZK'million

22. Trade and other payables

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

Trade payables	36 311	36 160	69 922
Other payables	15 724	13 938	8 854
Balance at end of year	52 035	50 098	78 776

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

23. Amounts due (from)/to related parties

The majority shareholding 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 on an arms length basis.

23.1 Trading transactions

Amounts due from related parties			
Maragra Açúcar SA	(93)	(93)	-
Ubombo Sugar Limited	(3 864)	(3 864)	-
Nanga Farms PLC	-	(2 019)	-
	-	-	-
	(3 957)	(5 976)	-
Amounts due to related parties			
Illovo Sugar Limited - Procurement Division	14 333	14 333	34 433
Illovo Sugar Ireland	8 944	8 944	30 859
Kilombero Sugar Company Limited	-	-	7
Illovo Sugar Limited - Corporate Division	4 414	4 414	3 594
Illovo Sugar (Malawi) Limited	313	313	-
	28 004	28 004	68 893

The following transactions were carried out with related parties during the year ended 31 March 2010:

	Purchases and management services	Interest paid	Total
Illovo Sugar Limited - Procurement Division	40 201	3 485	43 686
Illovo Sugar Ireland	49 339	47 630	96 969
Illovo Group Holdings Ltd	-	39 141	39 141
Ubombo Sugar Limited	6 931	-	6 931
Illovo Sugar (Malawi) Ltd	772	-	772
Maragra Açúcar SA	1 256	-	1 256
Nanga Farms PLC	55 810	-	55 810
	154 309	90 256	244 565

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

Purchases from Nanga Farms PLC were eliminated in the preparation of the consolidated financial statements.

	Years of repayment	Effective Interest rate (%)	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
23.2 Loans from related parties					
Illovo Sugar Ireland					
- Zambian Kwacha (see note i)	2010 - 2011	18.09	245 654	245 654	270 342
Illovo Group Holdings Limited					
- US Dollar (see note ii)	2010 - 2012	6.50	636 263	636 263	489 544
- Euro (see note ii)	2010 - 2012	6.50	36 890	36 890	41 105
Total related party borrowings			918 807	918 807	800 991
Less:					
Current portion			(865 887)	(865 887)	(110 894)
			52 920	52 920	690 097
The amounts are due for repayment in the following years ending 31 March:					
2010			-	-	110 894
2011			865 887	865 887	475 056
2012			52 920	52 920	177 920
2013			-	-	37 121
			918 807	918 807	800 991

(i) The loan from Illovo Sugar Ireland attracts interest at 17.38% per annum being the weighted average rate of 15.38% for the 3-year Government Bond dated 26 October 2007 plus a 2% margin. Interest has been accrued at the 31 March 2010 using the effective interest rate of 18.09%. The loan is repayable in full by November 2011.

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

(ii) Loans from Illovo Group Holdings Limited are denominated in US Dollars and Euros, unsecured and attract interest at the 90 day USD and Euro LIBOR applicable at the beginning of each month plus a 6% margin.

	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
24. Provisions			
At beginning of year	4 056	4 056	3 679
Provisions made during the year	3 338	3 338	523
Utilised during the year	(4 056)	(4 056)	(146)
	3 338	3 338	4 056
Analysed as follows:			
Provision for leave pay	3 338	3 338	2 452
Provision for legal fees	-	-	1 604
	3 338	3 338	4 056

	GROUP 2010 ZK'million	COMPANY 2010 ZK'million	COMPANY 2009 ZK'million
25. Capital commitments			
Approved but not contracted	15 526	15 526	7 962
Contracted	6 795	6 795	154 001
	22 321	22 321	161 963

Capital expenditure will be financed from cash resources and short and long term borrowings (see note 20).

26. Retirement benefits

Defined contribution pension scheme

With effect from 1 May 2002, Zambia Sugar Plc established a defined contribution pension scheme and the pension costs are recognised as an expense when employees have rendered service entitling them to the contributions. The Group expensed an amount of **ZK5 917 million** (2009: ZK5 149 million) during the year in respect of the defined contribution pension scheme of which the Company contributed **ZK5 820 million** (2009: ZK5 149 million).

Gratuity scheme

In respect to Nanga Farms PLC, all daily rated employees are on one year contracts of employment and are entitled to a deferred payment at 15% and graded salaried staff at 16.67%. Management staff are on two year contracts. As at 31 March 2010, the gratuity provision was **ZK207 million**.

27. Contingent liabilities

There are contingent liabilities in respect of various industrial relations and legal costs amounting to ZK2 010 million.

28. Financial risk management

28.1 Liquidity risk management

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

28.2 Interest rate risk management

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

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 analyses below have 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	
2010	2010	2009
ZK'million	ZK'million	ZK'million
6 501	6 208	5 742

28.3 Currency risk management

In the normal course of business, the Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group is exposed to foreign currency risk arising from various currency exposures primarily with respect to the US Dollar, Euro and South African Rand. Currency risk is managed by matching the currency of debts to suppliers with debts due from customers.

The carrying amount of the foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Group	Assets	Liabilities
	2010	2010
	ZK'million	ZK'million
US Dollars	24 119	11 498
SA Rands	308	5 750
Euros	1 695	3 060
Other	-	799

Company	Assets		Liabilities	
	2010	2009	2010	2009
	ZK'million	ZK'million	ZK'million	ZK'million
US Dollars	20 771	96 722	10 326	11 467
SA Rands	308	117	5 750	24 288
Euros	1 695	12 503	3 060	23 709
Other	-	-	799	543

28.3 Currency risk management (continued)

Foreign currency sensitivity

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

10% foreign currency sensitivity

All figures in ZK million

Group	US Dollar		SA Rand		Euro	
	2010		2010		2010	
Monetary assets	(3 308)		(892)		(170)	
Monetary liabilities	66 950		2 515		4 866	
	63 642		(1 623)		4 696	
Company						
	2010	2009	2010	2009	2010	2009
Monetary assets	(2 678)	(10 359)	(892)	(1 010)	(170)	(1 250)
Monetary liabilities	64 550	49 987	2 541	6 257	4 866	9 567
	61 872	39 628	(1 649)	5 247	4 696	8 317

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

	Rates at 31 March		Average for year	
	2010	2009	2010	2009
Kwacha/Rand	632	575	628	477
Kwacha/US Dollar	4 640	5 540	4 893	4 162
Kwacha/Euro	6 254	7 333	6 854	5 951

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 2010, 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	
	2010	2010	2009
	ZK'million	ZK million	ZK million
Not past due	15 444	15 201	10 795
Past due by 30 days	3 023	2 929	1 344
Past due by 60 days	778	701	1 159
Past due by 90 days	1 473	1 472	599
Past due over 120 days	-	-	1 893
	20 718	20 303	15 790
less : allowance for doubtful debts	(894)	(872)	(1 238)
Total trade receivables	19 824	19 431	14 552

No specific trade receivables have been placed under liquidation in either the current or prior years.

29 Events after the reporting date

There are no significant post balance sheet events which would require adjustments or disclosure in these financial statements.

Notice is hereby given that the 48th annual general meeting of members of the Company will be held at the Intercontinental Hotel, Lusaka, Zambia on Thursday 26 August 2010 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 2010.

3. Election of directors

   3.1. To confirm the appointment of Mr B M Stuart who was appointed as director since the previous annual general meeting.

   3.2. To re-elect Messrs Graham John Clark, Ami Mpungwe and Dipak Patel 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 revised annual fees payable by the company to directors (ZK115 million) for the year ending March 2011 be approved with effect from 1 April 2010. (March 2010: ZK105 million).

5. Appointment of auditors

   To confirm the reappointment of the auditors, Deloitte & Touche, for the year ending March 2011 and to authorise the directors to determine the auditors terms and remuneration.

6. Declaration of final dividend

   That a final dividend of ZK0.50 per share for the year ended 31 March 2010 recommended by the directors be declared to all shareholders registered in the books of the company at close of business on 30 August 2010 and payable on 24 September 2010

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, 23 August 2010.

By order of the Board

L M Sievu

Company Secretary

29 April 2010

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	January
Second interim	Declared	April
	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 230666
Fax	:	(260) 21 3 230385
Email address	:	administrator@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	:	ina@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 48th annual general meeting

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

of ____(address)

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

do hereby appoint

Number of votes

(1 share = 1 vote)

1. ______________________________ of ______________________________or failing him/her

2. ______________________________ of ______________________________or failing him/her

3. the chairman of the meeting

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the Intercontinental Hotel, Lusaka, Zambia on Thursday 26 August 2010 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 2010 annual financial statements.			
3.	Election of directors			
	Confirmation of appointment of director			
3.1	Barry M Stuart			
	Re-election of directors			
3.2	Graham John Clark			
3.3	Ami Mpungwe			
3.4	Dipak Patel			
4.	Approval of directors' fees.			
5.	Re-appointment of Deloitte & Touche as auditors.			
6.	Declaration of final dividend.			

Signed at ______________________________ on this____________________day of ________________2010

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, 23 August 2010.
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.