Managing Director's
Statement

"The company's strategic plan envisages ***diversification through value addition*** to its sugar products as key to its continued sustainability"

It is always an honour to be able to report to shareholders and a particular pleasure for me to report to the shareholders of Zambia Sugar Plc. My first year in office has been one of getting to grips with the business and ensuring that our focus remains on achieving production and safety targets, whilst understanding the many challenges and opportunities at a time when sugar prices in our export markets are declining and production costs are rising.

It has also been a revealing year in which I have learnt that the company is not only a significant contributor to the Zambian economy through its value chain, but also a driver of employment formalisation as evidenced by Mazabuka being the fourth largest pension contributor to the National Pension Scheme Authority. This is a source of pride to the management team.

The 2013/14 production season started on a promising note with both sugar cane yields and sucrose content being higher than anticipated. This positive start, coming after the challenges of the 2012/13 season when failure of the 30mW power generation unit resulted in greatly increased reliance on the import of power from Zambia Electricity Supply Corporation (ZESCO) with associated constraints on irrigation, was very encouraging and created an expectation of record sugar production.

The focus thus shifted to preventative maintenance to optimise plant availability, and the maximisation of power generation to reduce reliance on power imports and provide sufficient water for irrigation. In the end, only 3.154 million tonnes of cane was delivered to the factory from both outgrowers and own fields, compared to 3.246 million tons in the previous season. This was a disappointing result, arising principally from crop stress during the 2012/13 season through not having sufficient power to irrigate properly and damage to cane roots due to severe water-logging of some fields following the heavy rains towards the end of that year. In an attempt to optimise extraction and recoveries the factory crush rate was reduced, thus maximising cane throughput during the high sucrose period.

A number of key learnings from the experiences of the previous year were applied in the 2013/14 season. These included a keener focus on field drainage and water availability for irrigation, which is expected to form the basis for cane yield improvements in the 2014/15 season. In addition, production was planned and controlled within a 34 week season so as to complete the campaign before the onset of summer rains.

Despite the set-back in terms of production, the year did produce some significant achievements, notably a total of 9.4 million disabling injury free hours in agriculture and factory and, with the increased focus on irrigation infrastructure, the largest delivery of irrigation water to the fields in Nakambala' s history.

In line with the company's commitment to the development of its employees, we continued to pursue a number of programs in the area of human resources. These included a renewed focus on performance and talent management processes to ensure that all our people remain engaged and aligned to the delivery of our strategic objectives.

World sugar prices remained depressed during the period under review, making for a challenging year for sugar sales. On the domestic front, the company had to deal with illegal imports of industrial sugar, an issue resolved through advocacy and engagement with government. The biggest challenge, however, was the sustained import of world sugar into the COMESA region, our major export market. Given the expected loss of the European market in 2017 and increasing uncertainty in the regional markets a primary focus of the company is to reduce production costs so as to remain competitive. Additionally, considerable effort has been put into developing a strategy to address the sugar market challenges including the growing competition from current and new domestic sugar producers. To mitigate against the anticipated loss of the European market, the company's strategic plan envisages diversification through value addition to its sugar products to achieve sustainability.

Increased focus is also being placed on protecting our market share in the domestic market. Key to this will be strengthening our logistics base and reducing costs so as to distribute our products more cost effectively.

CORPORATE SOCIAL RESPONSIBILITY

The company remains focused on meeting all Regulatory and Illovo Group standards on safety and environment to ensure sustainability of our operations and to remain welcome in the communities in which we operate. Of particular relevance in this regard is the outcome of a Water Footprint Study which places the company as an efficient user of water, with significant amounts of process water from the factory being re-used for irrigation to conserve water drawn from the Kafue River. This not only saves on water usage but also reduces the cost of water abstraction.

The company's corporate social responsibility programme focuses on the provision of various services and funding for activities and projects within the Mazabuka community and beyond. These include the supply of raw water to the Mazabuka town, the provision of health care services and social amenities to our employees and their families, the development of sport through sponsorships, and contributions towards various cultural activities and events. During the year the company contributed towards the construction of a nursing wing at the Rusanga University, new premises for the Mazabuka Community Radio Station, and science laboratories at two local high schools. In addition the company supplied seed cane to the Manyonyo small-holder project.

PROSPECTS FOR THE FUTURE

Although we have had a tough trading year, we can now look forward to an exciting and challenging year ahead. As always we will, as a company, be faced with a number of challenges and opportunities.

Whilst there is little we can do about world sugar prices and trade policy we can manage our costs and this presents an immediate opportunity for us to leverage our operations. Key to this will be the roll-out of our Continuous Improvement (CI) program across the business to ensure that CI projects are operational in every department.

Last season's improvements to both Factory and Agriculture are expected to result in a record cane harvest and sugar make in the coming season. This will require significant management effort to ensure that all employees are aligned with strategic and operational objectives and committed to the importance of remaining focused on production, preventative maintenance and safety to achieve our production targets.

Dr. Aubrey M. Chibumba
Managing Director

Director's Report

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.

AGRICULTURE

Cane delivered to the factory by our own operations declined from 1.94 million tons in the previous year to 1.86 million tons in 2013/14. Outgrower deliveries declined from 1.30 million tons of cane, compared with 1.29 million tons in the previous season. Deliveries by small holder schemes included therein declined by 17% to 273 000 tons. In general the sugar cane yields were disappointing. Contributing factors included the reduced water supply during the 2012 season associated with the failure of the number five turbo alternator set, compounded by abnormally wet conditions during the summer months and declining age of the late harvested fields.

PRODUCTION

The factory achieved good cane throughput supported by a record time efficiency. Unfortunately sugar production dropped to 393 000 tons from 404 000 tons the previous season largely as a result of the decrease in the sugar cane crop. The refinery achieved a record production and was awarded both the South African Bureau of Standards FSSC 22000 and the Kenyan Bureau of Standards Diamond Mark certification during the year. Good progress continues in upgrading the skills of the factory maintenance and operational staff.

CONTINUOUS IMPROVEMENT

The continuous improvement (CI) initiative at Zambia Sugar made significant ground during the year with substantial cost savings being realised as a result. The CI initiative will be rolled out to all employees in a phased programme so as to build a sustainable culture for change.

MARKETING

Domestic sales improved despite strong competition from regional imports, particularly in the Eastern Province. Domestic sales of 165 000 tons reflected a 4% increase on the previous year. The growth in the industrial and retail segments of the markets in combination with effective market penetration strategies benefited sales.

Sales to the EU improved from 121 000 tons in the previous year to 138 000 tons though prices were less favourable.

Exports into the Regional markets decreased to 99 000 tons from 104 000 tons the previous year. Depressed World sugar prices and the removal of certain COMESA Free Trade Area (FTA) advantages significantly reduced realisations in these markets.

PROSPECTS

Sugar cane yields in the 2014/15 production season are expected to improve, given the favourable growing conditions experienced and the benefit of a stable power supply in terms of irrigation optimisation. Sugar production is expected to similarly increase and this should result in a record sugar production. Sugar sales are forecast to increase in line with production, with reasonably strong growth in local market consumption being expected. However, margins in both the EU and regional export markets are expected to remain under pressure from the availability of sugar on the world market. Realisations in these markets will continue to be influenced by exchange rate movements.

The factory commenced crushing in the last week of March 2014 and operations have quickly stabilised notwithstanding some rain related interruptions. Early season sucrose yields and sugar recoveries are at acceptable levels and will improve as the crop matures.

HUMAN RESOURCES

The company is an equal opportunity employer that is committed to develop its employees and maintain the status of employer of choice. The goal of the company is to recruit and retain employees that possess the competencies and skills required to achieve targeted business performance. In this respect, the company is adequately resourced. Key areas of human resources focus include employee strategic alignment, the roll out of the continuous improvement process, targeted manpower succession planning, and talent and performance management.

The company's employment practices comply with the Zambian regulatory requirements. Talent management practices have been enhanced and performance contracts are in place, with employees undergoing regular performance appraisals. Employee training and development is aimed at building the capacity to deliver business objectives.

Value Driven Leadership (VDL), an Illovo group initiative aimed at creating awareness and embedding Group leadership values, was launched during the year. The VDL programme has been rolled out to all senior staff. This programme will be cascaded to the entire workforce.

Efforts to embed a performance culture continue and to this end performance and talent management processes have been extended to first line managers. Workshops were conducted throughout the business by the human resources department in order to enhance the quality of performance contracts and performance reviews in line with Illovo group requirements. Career Panels are being held to review succession plans and talent pipelines to ensure sustainability of the business operations.

Training continued to be a strategic priority on the basis of specific training needs in order to upgrade both technical and management skills. The focus on safety, health and environment was also maintained and training activities were conducted to upgrade awareness in basic first aid conducted by Zambia Red Cross Society for employees in various departments. Safety, health and environment representatives training was also conducted for one hundred and fifty employees from all departments.

DIVIDENDS

An interim dividend of ZMW0.08 per share (2013: ZMW0.08) was paid to shareholders on 9 December 2013. Notice is hereby given that a second interim dividend of ZMW0.10 per share (2013: ZMW0.12) has been declared in respect of the year ended 31 March 2014. This dividend is payable on 27 June 2014 to shareholders registered at the close of business on 23 May 2014.

At the forthcoming Annual General Meeting to be held on 20 August 2014, the directors will propose a final dividend for the year ended 31 March 2014 of ZMW0.02 per share (2013: ZMW0.02). This will result in a total dividend for the year of ZMW0.20 per share (2013: ZMW0.22).

EMPLOYEES

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

Month/Year	Average Number	Month/Year	Average Number
April 2013	4 528	October 2013	5 399
May 2013	4 627	November 2013	3 736
June 2013	4 637	December 2013	3 871
July 2013	4 728	January 2014	2 564
August 2013	5 207	February 2014	2 530
September 2013	5 484	March 2014	3 629

The total remuneration and benefits paid in respect of the above employees was ZMW313 million (2013: ZMW267 million).

RESEARCH AND DEVELOPMENT

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

AUDITORS

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

DIRECTORATE

The names of the directors in office at the date of this report are set out on page 6.

Mr G J Clark resigned as Managing Director of Illovo Sugar Limited in September 2013 to pursue a new career elsewhere in Africa. He simultaneously resigned from the board of Zambia Sugar Plc. creating a vacancy which saw the appointment of Mr J P Hulley, Operations Director of Illovo Sugar Limited, as a director on the Board and Chairman of the Risk Committee. Mr Clark was succeeded by Mr G B Dalgleish, as Managing Director of Illovo Sugar Limited. Mr Dalgleish remains on the Board of Zambia Sugar.

Mrs M M Mutimushi was appointed Company Secretary of the company with effect from 3 February 2014 and Mr L M Sievu took up another role within the Illovo Sugar Central Region.

COMPANY SECRETARY

Mwansa M Mutimushi

DIRECTORS' INTERESTS

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

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

	2014 No of shares	2013 No of shares
F M Banda	**7 176**	7 176
H K Mambwe	**2 500**	2 500

ANALYSIS OF SHAREHOLDERS

			Number of holders	**%**	**Number of shares**	**%**
RANGE						
1	-	1 000	2 532	73.67	879 608	0.28
1 001	-	5 000	628	18.27	1 381 192	0.44
5 001	-	10 000	125	3.64	902 013	0.28
10 001	-	100 000	112	3.26	3 241 317	1.02
100 001	-	1 000 000	33	0.96	12 538 811	3.96
>1 000 000			7	0.20	297 628 444	94.02
Total			**3 437**	**100.00**	**316 571 385**	**100.00**
CLASSIFICATION						
Pension Funds			60	1.75	45 534 185	14.38
Local Companies			59	1.72	3 503 884	1.11
Local Individuals			2 964	86.24	4 112 702	1.30
Foreign Companies			36	1.05	4 657 621	1.47
Foreign Individuals			317	9.22	606 098	0.19
Illovo Sugar Coöperatief U.A			1	0.03	258 156 895	81.55
Total			**3 437**	**100.00**	**316 571 385**	**100.00**

Sustainability

By applying **sound environmental management practices** we ensure sustainable operations today and into the future

Zambia Sugar remains conscious of the strong interdependence with, and strives to make a meaningful contribution to, the communities and natural environment in which it operates. We subscribe to the principles of sustainable development, and through our business strategies, we aim to ensure that sound, sustainable practices are developed and maintained across our business.

This report provides information on the social, economic and environmental sustainability of our primary activities of cane growing and sugar production in terms of economic, social and environmental impacts.

The company continues to build on a cane sugar integrated business sustainability model which has at its core a number of key sustainability and operational imperatives to maximise the use of input materials. Making sugar is a technical process that requires significant resources, including labour, land, water, energy and other materials to produce the final product. Although the primary energy source for the company's production process, bagasse, is renewable and delivered to the sugar factory as the fibre in sugar cane, other resources are constrained and require responsible management to ensure their sustainability and ultimately that of the business.

From a corporate social investment perspective, given the rural location of our operation, the company provides much-needed employment, social benefits and supply opportunities. Over and above the usual costs of production which would typically be found in the more developed sugar-producing countries, Zambia Sugar provides various social benefits to its employees. Apart from employment opportunities, the company provides revenue to the local growers who supply sugar cane to the factory, benefiting these growers directly, and indirectly leading to significant multiplier effects within the community. In addition, a substantial element of our inputs in terms of materials and services are procured from within Zambia.

In accordance with our commitment to the advancement of ethical business practices, we recognise that the scope of influence of our operation goes beyond our own internal policies and procedures, and includes the practices of our suppliers. Accordingly, through our procurement contracts with major suppliers of goods and services, we seek to secure undertakings from those suppliers to conduct their businesses in a responsible and ethical manner.

ECONOMIC IMPACT

As a creator of wealth and a major employer, Zambia Sugar plays a significant economic role, contributing towards empowering emerging businesses and supplementing governments' efforts to provide the local community with infrastructure, education and health care. We also create value by transforming raw materials into products for our many customers, and make substantial payments to the value chain of suppliers, contractors, distributors, customers, employees and to government through direct and indirect taxes, as well as to shareholders and other providers of capital.

The company's value-added statement on page 30 of this report shows the wealth we have been able to create through manufacturing, trading and investment and our subsequent distribution and reinvestment in the business. This statement, together with our five-year review of financial performance and statistics on page 26 underscore our major economic position within Zambia.

Employment

Zambia Sugar provides substantial employment, with a permanent complement at 31 March 2014 of 1 950 and an average annual complement including seasonal employees of 4 300. Combined with employment provided by our outgrowers and by various outsourced service providers this makes the company the largest employer in the Mazabuka region.

Preferential procurement

A key component of our strategy is to promote small and medium enterprises within Zambia. To this end we have a preferential procurement policy in place that encourages the participation of the local community in economically beneficial activities and supports the long-term growth and stability of a local supply chain by sourcing materials and services of the correct quality at an acceptable premium, notwithstanding the economic advantages that would otherwise be gained by sourcing bulk supplies and technologies through the Illovo group procurement function in South Africa.

Outgrower development and revenue

During the year outgrowers supplied a total of 1.29 million tons of cane generating revenue of ZMW 332 million, of which 20% was attributable to small-holder schemes. This revenue has the effect of promoting economic growth, enterprise development and job creation directly and through various support services such as cane haulage and land preparation. The emergence of new small-holder schemes, with which the company is directly involved, reflects our commitment to

Sustainability

(continued)

Zambia Sugar received recognition for environmental performance and received the following awards:

Business Leader in Corporate Environmental Stewardship ***Zambia Chamber of Commerce and Industry (ZACCI)***	Overall Contribution to Sound Environmental Management Practices in the Industry ***Zambia Environmental Management Agency (ZEMA)***	Best Exhibit: Environmental Awareness ***Agricultural and Commercial Show Society of Zambia (ACSSZ)***

support the development of sustainable, commercially-directed farming business models and governance systems in our growing community.

SOCIAL IMPACT

Our core business principles are based on the contribution that we can make to the economic and social development and wellbeing of our stakeholders and the community within which we operate.

We recognise the importance of our people in the delivery of Zambia Sugar's stated goals and objectives. Human resource policies and operational strategies take into account the business needs of our operation with direction from the Illovo group. They appropriately include an understanding of national imperatives and relevant legislation and alignment is achieved through our Strategic Intent.

Underpinning this strategy, and to ensure that the operational objectives are met, is a work ethic of continuous improvement which encourages focused, skilled employees to realise their full potential and to "make a difference" in their areas of operation.

Employee relations

Success in a competitive industry cannot be achieved without a motivated, committed and unified workforce that is focused on achieving common objectives. To this end, we strive to create an environment in which our employees feel valued and support the company's values, strategies and priorities.

Communication with our employees is an important criterion towards the building of their understanding of the company. One aspect of this engagement is the presentation of an annual Business Understanding Programme to employees at all levels.

Organisational effectiveness and talent management

The staffing of our operation within effective organisational structures with competent personnel, both from an operational and managerial perspective, remains a priority to ensure that our goals and objectives are achieved.

We continue to focus on talent management and manpower succession planning to develop and retain managerial and technical skills, especially within our identified key disciplines and positions. A structured approach to career reviews leads to individual career and performance plans, contributing to both the succession and retention of key personnel.

Remuneration

Zambia Sugar strives to be an employer of choice and to offer competitive remuneration packages. In respect of unionised employees wage levels are determined through negotiations with the labour union under a collective agreement. A performance-related bonus scheme based on production, safety and financial targets is utilised to provide short-term incentives to all employees, permanent and seasonal. In addition to competitive salaries and wages the company offers a number of employment benefits, including accommodation, health care and education.

Our VCT programmme was accessed by an increased number of employees and also reached out to the wider community

During the year we achieved 7 million disabling injury free hours in our agricuktural operation, greatly reducing our Disabling Injury Frequency Rate (DIFR).

Health and safety management systems

The NOSA Integrated Five-star System covering safety, health and environmental management has been implemented across our business and we are accredited with a Four-Star rating.

Safety performance improvement remains a priority focus, with ongoing initiatives in this area. Our goal is to achieve an increasingly safer workplace while promoting a culture of safety among staff so that injuries are reduced and safety rules are understood and upheld. The company has developed safety improvement strategies to ensure robust processes are implemented to manage health and safety. These processes are implemented in accordance with the requirements of applicable occupational health and safety regulations, as well as Illovo group policies and guidelines.

Providing a working environment in which our employees can operate in a healthy, energised and engaged manner is vital to maintaining personal development and to our business success. We strive to provide a workplace free from undue health risk emanating from our core activities. We also aim proactively to reduce workplace health risks by anticipating, assessing and managing health risk, and providing access to quality health care and educating, informing and empowering our employees to take responsibility for their own health and wellbeing.

Occupational health is a primary function of medical services delivered to our employees. Qualified nursing practitioners and doctors provide occupational health services, including regular job-related medical examinations, base-line assessments and ongoing monitoring and management of health status, such as hearing and lung-function testing. Employees who work in demarcated risk areas are subjected to base-line medical examinations on engagement and routinely monitored by the occupational health care staff during their career with Zambia Sugar. The Illovo group medical consultant is engaged in all matters of health and safety and takes particular responsibility for ensuring that the more significant health hazards are appropriately managed in the workplace.

Health care services

Access to health care is provided to all our employees and to the dependants of permanent employees, either through our company hospital and primary health care clinics, or by referral to external medical facilities. Access to the company's facilities is extended to members of the surrounding communities at nominal cost.

We continue to experience the effects of the HIV epidemic on our operation and have implemented management plans to address these. Our business strategy is aligned with that of UNAIDS, referred to as the "Triple Zero" strategy of zero new cases of HIV, zero deaths amongst people living with HIV and AIDS, and zero discrimination. Our efforts are thus aimed at identifying and maintaining the negative status of the majority of our employees, determining which employees are HIV-positive and ensuring that they are on suitable medical management programmes, and work to reduce stigma and discrimination around HIV and AIDS.

Development and training

The ongoing retention and development of our employees are key strategies for ensuring the sustainability and growth of our business into the future, as well as for attaining our employment equity and localisation targets.

Key retention strategies include creating a work environment in which our employees are challenged to exercise their talent to the full, a strong focus on accountability, performance standards, regular performance feedback, shop floor communication, and forums for team problem-solving and continuous improvement. Our long-standing Business Understanding Programme continues to be used as an inclusive culture-building tool, and extends to employees at all levels.

A wide range of leadership and educational programmes are offered to our employees with the aim of encouraging "lifelong learning" through training and education, providing them with the opportunity to improve their qualifications, learn new skills, upgrade and realign skills with new technologies, and improve overall work effectiveness. In this way, we encourage our people to reach their full potential. The company's talent management programme brings structured formality to this process and ensures we have a talent pipeline to provide the required number and quality of managers and specialists for our operations.

Diversity and equal opportunity

The company actively promotes equal opportunity and fair treatment in employment through the elimination of unfair discrimination. We also encourage inclusiveness with regard to human resource practices irrespective of race, gender, nationality or religious affiliation in an effort to promote diversity in our workforce

ENVIRONMENTAL IMPACT

Zambia Sugar's direct environmental impacts are primarily associated with our agricultural and manufacturing operations. As the largest single producer of sugar on the African continent, the company has a significant agricultural footprint and uses intensive manufacturing processes that consume water, generate solid waste and result in emissions to air and discharges to water bodies.

Environmental philosophy

Our underlying environmental philosophy is to continually investigate means to reduce the environmental impact of our operations. Against the background of our strategic Intent to maximise the return on every stick of cane, we are particularly mindful of the possible impacts of our operations on the use of natural resources and strive to minimise these impacts through efficient use in a responsible and sustainable way and through committing ourselves to continuous improvement.

Operational aspects

As far as our agricultural operation is concerned, we have adopted farming practices based on established field conservation guidelines, so as to ensure agricultural production on a sustainable basis with minimum impact on the environment. This includes giving careful consideration to land use planning when developing new and re-establishing existing cane fields, optimal placement of field and access roads, the most suitable method of field establishment so as to conserve soil and water, protection of existing environmental features such as wetlands and catchment areas, and the systematic removal of alien vegetation.

In addition, sugar cane, upon harvesting, immediately recommences another growing cycle from its existing roots. This process, called ratooning, recurs until the cane yield of the plant reduces below a predetermined level, whereupon replanting is undertaken. This generally takes place every seven to ten years. The environmental benefit of this ratooning and replanting process is the significant reduction in the frequency of soil disturbance and the exposure to soil erosion.

The process used for producing sugar from sugar cane provides a unique sustainable advantage with minimal environmental impact. The fibrous residue remaining after the extraction of sucrose from sugar cane, bagasse, is used as a boiler fuel in our sugar factory, and under normal operating conditions, the factory is self-sufficient in terms of energy requirements. Power is also supplied for cane irrigation, but supplementary electricity supplies are required from ZESCO, particularly during the factory off-crop maintenance period. Fortunately, this period coincides with the rainy season, when there is a limited need for irrigation. The unique process of utilising bagasse as an energy source also results in our operation having no reliance on fossil fuels.

Materials

Input materials used are relevant to the company's sustainability as they impact on our contribution to the conservation of the global resource base, efforts to reduce resource intensity, and management of the operation's overall costs.

Where practical, we use input materials in both cane growing and sugar processing that support the sustainability initiative. A factory by-product in the form of filtercake (a mixture of mud and cane fibre) is applied to the cane fields as a soil amelioration medium, while the use of herbicides, pesticides and fungicides in agriculture and various chemicals in sugar processing is carefully calibrated.

Energy

Energy efficiency has become increasingly important to Zambia Sugar, given the growing demand for and increasing cost of energy, and the corresponding impact on the environment along with the risk of power outages from the national grid. We are focused on reducing the environmental impact of our products, including efforts to drive new levels of energy-efficient performance. We proactively monitor and manage energy consumption, and constantly look for ways to improve the energy efficiency of our production processes, which includes employing better management systems, improving our own staff awareness and investing in new technologies.

Sugar cane offers excellent opportunities and competitive advantages for the production of renewable energy sources compared to other agricultural crops. During the year under review a substantial element of the energy consumed within our operation was sourced from renewable resources.

Emissions

Zambia Sugar is committed to transparency concerning GHG emissions reduction initiatives at Nakambala and is supportive of global climate change mitigation. Our primary source of energy is from the use of carbon-neutral bagasse which substantially decreases process GHG emissions, in comparison to the use of fossil fuel sources.

Water conservation

Ensuring access to a reliable supply of water is a critical strategic priority for the company to meet both its business needs and those of surrounding communities.

We undertake water abstraction operations in compliance with existing water-use licences issued by the relevant authority. The company's greatest water use is for cane irrigation as all our land under cane is irrigated.

By comparison, process water requirements at our factory are minimal, and involve recycling water through the factory, following which it is discharged to supplement irrigation water. The quality of discharge water is monitored in terms of oxygen demand, suspended solids, dissolved solids and PH to ensure compliance with the relevant regulations. We continually evaluate and implement new processes to improve efficiencies in an effort to reduce overall water consumption and maximise recycling.

Water conservation, use and availability have all been identified as material issues to the business. Consequently, Zambia Sugar's sustainability policy includes water governance criteria. Two of the key objectives of this policy are to reduce water consumption per unit of production within the operation and to review waste water management so as to identify opportunities for improvement.

Our agricultural operation uses an irrigation scheduling tool to manage the effective use of water. In addition we are currently implementing a water strategy framework so as to minimise the use of water and hence energy per unit of production.

Assessing water-related risks is an important component of the overall risk management strategy for our business. Zambia Sugar recognises that water is a global resource that requires local management. Ultimately, through developing a better understanding of our water-related risks we hope to be able to provide strategic direction to our operation and an elevated understanding of localised water resource risk factors.

Waste

As part of our drive to use resources efficiently, we are currently working towards promoting waste minimisation and reduction at our operation through the reuse of resources where possible, and the recovery of recyclable waste. All waste generated by the company is managed and disposed of according to the applicable regulations so as to ensure this takes place in an environmentally responsible manner. Where possible, we endeavour to reduce, reuse and recycle waste and make use of in-country service providers to remove waste off-site.

Product responsibility

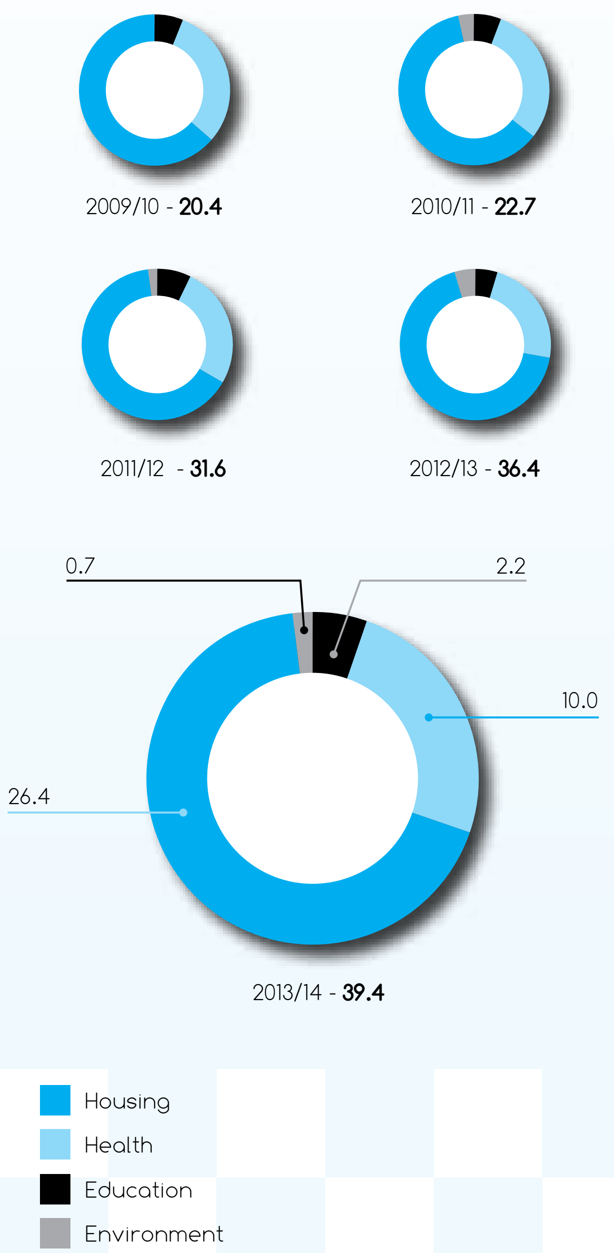
Zambia Sugar produces a range of sugar products which are sold into domestic and international markets. We endeavour to produce consistently high-quality products for our consumers and as such have a formalised support structure to ensure an appropriate and ordered response towards product stewardship. This includes a set of detailed standards relating to raw materials, packaging materials and to production processes.

LEFT: Staff engaged in voluntary work at Mazabuka General Hospital on Independence day. RIGHT: Participants during a training session for Magobbo Outgrowers.

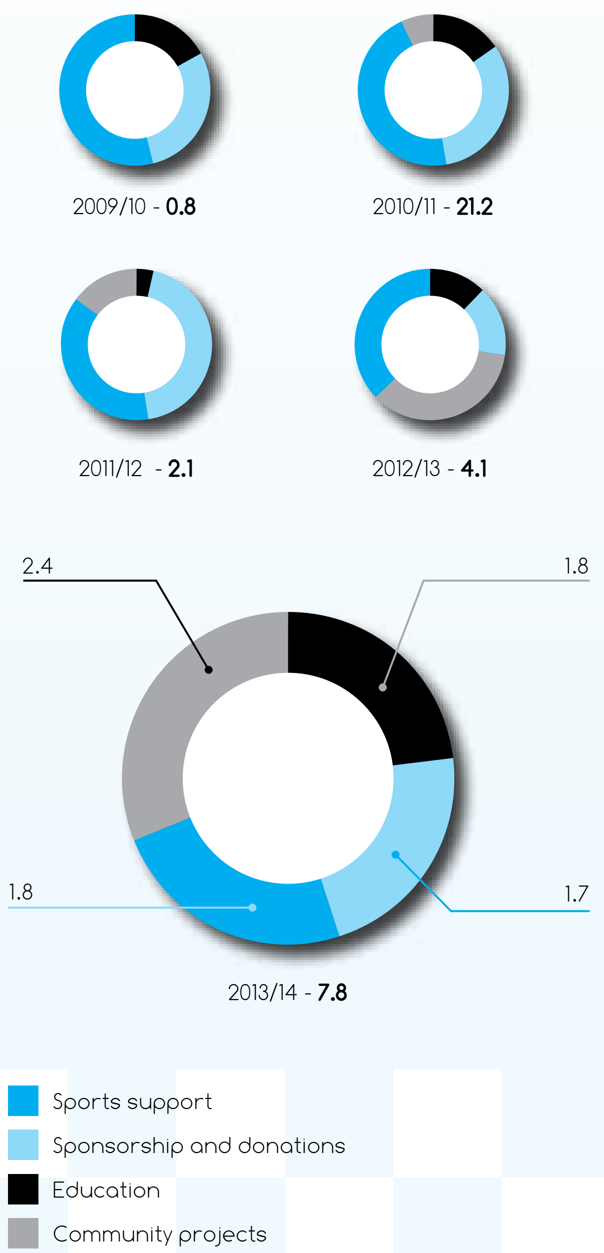
SOCIAL RESPONSIBILITY EXPENDITURE

The following charts indicate the total social investment expenditure in 2013/14, as compared with expenditure in the preceding four years.

EMPLOYEE RELATED SOCIAL INVESTMENT (ZMW'million)



SOCIAL INVESTMENT IN THE WIDER COMMUNITY (ZMW'million)



Maintaining its track record of adopting sound Corporate Governance principles over the years, Zambia Sugar Plc ("the Company") is at the forefront of applying the best management practices, in order to achieve high standards of governance. These practices are oriented towards enhancing investor confidence, with increased transparency and corporate responsibility.

The Company believes that a corporate culture of compliance with applicable laws, regulations, internal policies and procedures is a core component of good Corporate Governance. Consequently the Company adheres to the laws applicable to it, to include, among others, the Company's Act, Employment Act and Factories Act

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

The Company continues to enforce and foster the Declaration of Gifts and Ethics policies which are in place as well as the Anti-Bribery and Corruption policies.

FRAMEWORK

The Company has established a formal governance framework by way of adopting comprehensive Board Procedures on Corporate Governance. This framework provides detailed guidance for effective governance of the Company which includes formal policies, procedures and relevant management reporting requirements.

Zambia Sugar Plc is committed to improve its governance practices to suit the changing needs and reviews the governance practices from time to time.

This report, therefore, aims to provide an overview of the Company's governance practices.

THE BOARD AND BOARD COMMITTEES

The Board is elected by the shareholders of the Company in accordance with the provisions of the Articles of Association of the Company. The Board 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 and operates and complies with sound corporate governance principles and identifying key risk areas.

*"The Company believes that a corporate culture of **compliance with applicable laws, regulations, internal policies and procedures** is a core component of good Corporate Governance"*

The Executive Directors propose strategy and implement operational decisions concerning the Company's businesses. Non-executive Directors complement the skills and experience of the executive Directors, by contributing to the formulation of strategy, policy and decision making through their knowledge and experience of other businesses and sectors.

There is a clear division of responsibilities between the Chairman and the Managing Director. The Chairman of the Board is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda, taking into account the issues relevant to the Company and the concerns of all Board Members. The Chairman also maintains effective communication with the shareholders and ensures that all Directors receive sufficient, timely and accurate information on all issues to be dealt with by the Board.

The Managing Director is responsible for the executive leadership and day-to-day management of the Company. He is accountable to the Board for the development, recommendation and implementation of strategies, policies and the framework of controls. The Managing Director is assisted by a team of Directors for each function within the business.

The Board believes that its overall composition in the year under review continued to remain appropriate, having regard in particular to the independence and integrity of all of its Directors and experience and skills which they bring to their duties

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 management presented matters for board discussion and approval. There was full attendance at all meetings, except Mrs M Mwanakatwe at the February, 2014 meeting. The Director gave satisfactory reasons to the board for not attending the meeting.

The attendance is as herebelow:-

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS DURING THE YEAR ENDED 31 MARCH 2014

	BOARD		AUDIT COMMITTEE		REMUNERATION/ NOMINATION COMMITTEE		RISK MANAGEMENT COMMITTEE		ANNUAL GENERAL MEETING	
	A	B	A	B	A	B	A	B	A	B
F M Banda	4	4	2	2	2	N/A	2	N/A	1	1
G J Clark	4	2	2	2	2	1	2	1	1	N/A
G B Dalgleish	4	4	2	2	2	N/A	2	2	1	0
J P Hulley	4	2	2	N/A	2	N/A	2	1	1	N/A
I G Parrott	4	4	2	2*	2	2*	2	2	1	1
M H Abdool-Samad	4	4	2	2	2	N/A	2	2	1	0
A R Mpungwe	4	4	2	2	2	2	2	2	1	0
D K Patel	4	4	2	N/A	2	N/A	2	N/A	1	0
M D Mwanakatwe	4	3	2	N/A	2	2	2	N/A	1	1
A M Chibumba	4	4	2	2**	2	2	2	2	1	1
M F Pousson	4	4	2	N/A	2	N/A	2	2~~	1	1
R L Katowa	4	4	2	N/A	2	N/A	2	N/A	1	1
D C Kabunda	4	4	2	N/A	2	N/A	2	N/A	1	1
H K Mambwe	4	4	2	2***	2	N/A	2	2	1	1

Column A indicates the number of meetings held during the year the director was a member of the board/committee
Column B indicates the number of meetings attended during the year the director was a member of the board/committee
* Participation in his capacity as Illovo Central Region director
** Participation in his capacity as Zambia Sugar Managing Director
*** Participation in his capacity as Zambia Sugar Financial Director
~~ Participation in his capacity as Zambia Sugar Operations Director

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.

Land preparation for sugar cane replant

BOARD COMMITTEES

Whilst significant matters are dealt with by the Board, the Board Committees have been delegated with the responsibility of assisting the Board carry out its duties and to enhance effectiveness. To this end, the Executive Committee meets weekly and serves to assist the Board to co-ordinate, guide and monitor the management and performance of the Company.

AUDIT COMMITTEE

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

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

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

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

The committee meets twice a year. In year under review there was full attendance by its members at both meetings.

NOMINATION COMMITTEE

The Nomination Committee comprises two non-executive independent Directors and one non-executive Director and is chaired by a non-executive Director. The committee is responsible for:

- *ensuring that a regular, rigorous and objective evaluation of the structure, size, composition, balance of skills, knowledge and experience of the board is undertaken;*
- *recommending any proposed changes to the composition of the board and to instigate and manage the recruitment process;*
- *supervising the administration of the Company's policies relating to actual or potential conflicts of interest affecting members of the board;*
- *ensuring that appropriate succession planning is in place for both members of the board and the senior management reporting in the executive committee;*
- *ensuring the Company's adherence to applicable legal and regulatory requirements and*
- *overseeing compliance with the applicable corporate governance regulations.*

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

The Company's Risk Management Committee comprises three non-executive Directors and one executive Director and is chaired by a non-executive Director. Meetings are attended by 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 on-going process for risk identification, mitigation and management;*
- *ensuring the establishment of a comprehensive system of controls; pursuing measures for increasing risk awareness throughout the Company;*
- *reviewing any significant legal matters;*
- *and reviewing the adequacy of insurance coverage.*

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

RETIREMENT AND ELECTION OF DIRECTORS

It is the Board's policy that new Directors are subject to election at the first opportunity following their appointment.

Non-executive Directors are subject to retirement and re-election on annual basis, in accordance with the Articles of Association.

COMPANY SECRETARY

The Company Secretary is appointed by the Board of Directors. All Board members have access to the secretarial services provided by the secretarial office.

In liaison with the Chairman, the Company Secretary ensures timely communication and circulation of all matters relating to the Board.

EXTERNAL AUDITORS

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

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

RISK MANAGEMENT

Risk management forms an integral part of Zambia Sugar Plc's core values and the Company lays emphasis on adopting a structured and holistic risk management framework, in order to identify, control, mitigate and manage the risks across the Company.

The Directors are responsible for the Company's risk management systems and for reviewing their effectiveness. The risk management system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

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 on-going 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 group policies and procedures and are implemented by trained personnel, with an appropriate segregation of duties.

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

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

ETHICS

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

FRAUD CONTROL

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

ANTI BRIBERY AND CORRUPTION

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

Cane cutter hard at work

LEGAL COMPLIANCE AND COMPETITION

The board requires management to submit an annual declaration confirming that the Company's operations complied with the applicable Laws of Zambia. In addition, the Company complies with the competition requirements of the Competition and Consumer Protection Act, No. 24 of 2010 and all relevant employees make annual declarations confirming that they were not involved in any anti-competitive practices. The Company has recourse to the group Company secretary and external legal advice on matters of legal compliance.

INSIDER TRADING

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

STAKEHOLDER RELATIONS

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

The Company went beyond the unit and organized a shareholders day during the year to augment and harness the relationship with the shareholders.

The Board considers the AGM key in providing shareholders with the opportunity to ask the Board and chairperson of the Audit committee answer questions concerning the affairs of the Company.

Accordingly, all legal and regulatory requirements, notices and information are released well in advance to shareholders, regulators and the Stock Exchange.

Mwansa M. Mutimushi
Company Secretary

Five Year Review

PRODUCTION & SALES (Tons '000)	2014	2013	2012	2011	2010
Own cane produced	**1 863**	1 942	1 887	1 974	1 705
Total cane milled	**3 154**	3 246	3 039	3 103	2 612
Sugar production	**393**	404	374	385	315
Cane to sugar ratio	**8.03**	8.03	8.13	8.06	8.29
Sugar sales	**401**	384	383	376	306
Local	**165**	159	145	143	130
Export	**237**	225	238	233	175
Molasses sales	**94**	97	86	86	56
Local	**43**	45	39	43	41
Export	**50**	52	47	43	15

FINANCIAL (ZMW'000)	Notes		2014	2013	2012	2011	2010
Statement of profit or loss and other comprehensive income							
Revenue			**1 778 172**	1 534 573	1 480 091	1 232 448	907 963
Profit from operations			**303 146**	316 189	306 649	173 990	159 006
Net financing costs			**(138 812)**	(141 683)	(155 491)	(127 159)	(46 285)
Profit before taxation			**164 334**	174 506	151 158	46 831	112 721
Taxation			**(36 538)**	(33 407)	(21 266)	(16 995)	(15 081)
Profit for the year			**127 796**	141 099	129 892	29 836	97 640
Attributable to non-controlling interest			**(4 061)**	(4 277)	(4 544)	(1 922)	(1 464)
Profit attributable to shareholders of Zambia Sugar Plc			**123 735**	136 822	125 348	27 914	96 176
Other comprehensive income			**(33 152)**	5 022	(1 858)	912	-
Total comprehensive income for the year attributable to shareholders of Zambia Sugar Plc			**90 583**	141 844	123 490	28 826	96 176
Reconciliation of headline earnings							
Profit attributable to shareholders of Zambia Sugar Plc			**123 735**	136 822	125 348	27 914	96 176
Adjusted for:							
(Gain)/loss on sale of property, plant and equipment			**-**	(170)	12	243	(1 133)
Headline earnings for the year			**123 735**	136 652	125 360	28 157	95 043
Statement of financial position							
Property, plant and equipment			**1 205 854**	1 219 133	1 235 658	1 264 658	1 303 378
Intangible asset			**67 902**	67 902	67 902	67 902	67 902
Cane roots			**197 270**	196 552	197 087	200 380	204 826
Deferred tax asset			**-**	-	-	4 233	17 982
Current assets			**699 591**	660 822	506 141	511 343	427 938
Net cash and bank balances			**54 939**	42 161	208 096	53 400	59 145
Borrowings			**(918 000)**	(973 174)	(1 136 603)	(1 150 181)	(1 231 550)
Deferred tax liability			**(106 018)**	(76 813)	(47 299)	(35 701)	(34 329)
Current liabilities			**(272 043)**	(230 193)	(202 986)	(181 645)	(83 377)
Net asset value			**929 495**	906 390	827 996	734 389	731 915
Profitability and asset management							
Operating margin		%	**17.0**	20.6	20.7	14.1	17.5
Return on net assets	1	%	**15.9**	17.0	16.7	9.2	13.2
Liquidity and borrowings							
Current ratio	2	times	**2.8**	3.1	3.5	3.1	5.8
Interest cover	3	times	**2.2**	2.2	2.0	1.4	3.4
Net debt : equity	4	%	**93**	103	112	149	160
Gearing	5	%	**48**	51	53	60	62
Earnings and dividends per share							
Earnings per share	6	ZMW	**0.39**	0.43	0.40	0.09	0.32
Headline earnings per share	7	ZMW	**0.39**	0.43	0.40	0.09	0.32
Dividend per share	8	ZMW	**0.20**	0.22	0.20	0.07	0.15
Dividend cover	9	times	**2.1**	2.0	2.0	1.3	2.1
Dividend paid		ZMW'000	**68 379**	65 847	32 923	27 542	69 646
Lusaka Stock Exchange (LuSE) statistics							
Ordinary shares in issue[1]		000	**316 571**	316 571	316 571	316 571	316 571
Weighted average number of shares[1]		000	**316 571**	316 571	316 571	316 571	298 853
Net asset value per share	10	ZMW	**2.94**	2.86	2.62	2.32	2.31
Market price per share at year end		ZMW	**6.83**	5.20	5.38	6.36	6.30
Dividend yield at year end	11	%	**2.8**	4.2	3.7	1.1	2.4
Price : headline earnings ratio	12	%	**17.5**	12.0	13.6	71.5	19.8

[1]As a consequence of the rebasing of the Kwacha and by consolidating and dividing the ordinary shares on a 20-for-1 basis, the number of shares in issue and the weighted number of shares have been reduced from 6 331 427 708 to 316 571 385. The comparatives have also been rebased for comparability.

Notes to the Five Year Review

1. **Return on net assets**
   Profit from operations expressed as a percentage of average net operating assets.

2. **Current ratio**
   Current assets divided by current liabilities.

3. **Interest cover**
   Profit from operations divided by net financing costs.

4. **Net debt : equity ratio**
   Interest-bearing liabilities (net of cash and cash equivalents) divided by total equity.

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

6. **Earnings per share**
   Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

7. **Headline earnings per share**
   Headline earnings divided by the weighted average number of ordinary shares in issue.

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

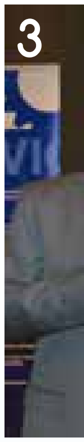
9. **Dividend cover**
   Headline earnings per share divided by dividend per share (interim: paid and declared; final: proposed).

10. **Net asset value per share**
    Total assets less total liabilities divided by the number of shares in issue.

11. **Dividend yield at year end**
    Dividends per share (interim: paid and declared: final: proposed) as a percentage of yearend market price.

12. **Price: headline earnings ratio at year end**
    Year-end market price divided by headline earnings per share.

2013 Awards



1. His Honour the Vice President Dr Guy Scott presents the ZACCI award to Factory Manager, Mr James Mukukwa. 2. Managing Director, Dr Chibumba receiving the LuSE Corporate Governance Award 2012. On his left is Hon. Emmanuel Chenda and LuSE Chairman Mr Friday Ndhlovu, while on his right is Mr Chance Kabaghe. 3. Zambia Bureau of Standards Award. 4. Zambia Agricultural and Commercial Show - Lusaka. 5. Zambia International Trade Fair - Ndola. 6. Zambia Sugar executive management team with Regional Director receive the Illovo Best Country Award. 7. Acting Risk and Loss Services Manager, Emmanuel Kapika receives the award from ZEMA Director General Mr Joseph Sakala

ILLOVO BEST COUNTRY AWARD

Zambia Sugar scooped the Best Country Award for 2012/13 at the Illovo annual awards that recognise and celebrate best practice in various work areas and disciplines across the group. Despite major power generating equipment failure and industrial action, the factory still managed to post a sugar production record of 404 000 tons and grow its markets. Zambia Sugar also collected the Best Agriculture Performance.

ZACCI AWARD

Zambia Sugar received the ZACCI Environmental Award for Business Leader in Corporate Environmental Stewardship 2013 by the Zambia Chamber of Commerce and Industry (ZACCI), which recognises a company that shows leadership in addressing environmental issues in all its business.

LUSE AWARD

ZAMBIA Sugar has been awarded with the Corporate Governance award for 2012 by the Lusaka Stock Exchange (LuSE), awarded in 2013. The award recognises the company that adheres to and practices good corporate governance standards exhibited through its reporting to stakeholders.

ZEMA AWARD

The company received the 2013 Environmental Award for Overall Contribution to Sound Management Practices in Industry by the Zambia Environmental Management Agency (ZEMA).

BEST ENVIRONMENTAL AWARENESS AWARD

Zambia Sugar scooped the Best Environmental Awareness Award in 2013 at the Agricultural and Commercial Show of Zambia (ACSZ) in Lusaka. The award recognises an exhibitor who showcases exhibitions that promote best environmental management practices.

SHOW AWARDS IN 2013

Agricultural and Commercial Show – LUSAKA

- *Best Export Exhibit*
- *Best Made in Zambia*
- *Best Environmental Awareness*

Zambia International Trade Fair - NDOLA

- *Best Export Promotions Exhibit*
- *Best Made in Zambia*

Southern Tourism, Agricultural and Commercial Show - LIVINGSTONE

- *Overall Best Exhibit Award*
- *Best Commerce, Trade and Industry Exhibit*
- *Best Manufacturing Exhibit*

AB SUGAR FOCUS AWARD

Zambia Sugar's Project 500 scooped the Maximise Capacity Utilisation awards in AB Sugar Focus Awards for 2013. The AB Sugar Focus Awards recognise outstanding projects being implemented in the AB Sugar Group, of which Zambia Sugar is a subsidiary operation under Illovo Sugar Group.

8. Managing Director, Dr Aubrey Chibumba (centre) and Corporate Affairs Manager Mr Lovemore Sievu at a press briefing to announce the sponsorship of The Zambia Sugar Open. 9. Managing Director Dr Aubrey Chibumba tees off in the ProAm during the Zambia Sugar Open 2013. 10. Zambia Sugar won Gold Exhibitor award at the 2013 Global Expo Botswana. In the picture, H.E. Mr. R. Mataka (fourth from left), Zambian High Commissioner to Botswana at our stand. 11. Sponsorship of Traditional Ceremonies.

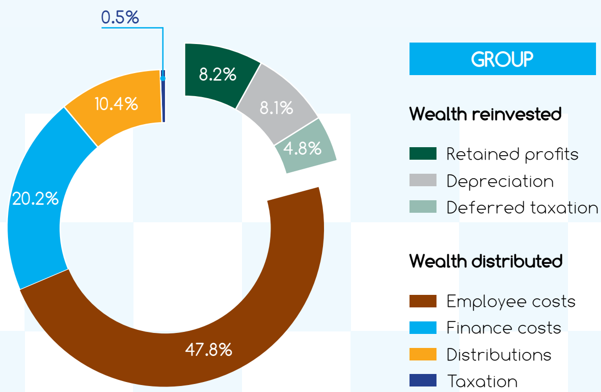
Value Added Statement

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

During the period under review, ZMW687.4 million was created. Of this amount, ZMW542.7 million was distributed to employees, providers of capital and to government. Of the wealth created, 48% was paid to employees.

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

	GROUP		COMPANY	
	2014 ZMK'000	2013 ZMK'000	**2014 ZMK'000**	2013 ZMK'000
Wealth created				
Revenue	**1 778 172**	1 534 573	**1 778 172**	1 534 573
Dividend income	**-**	-	**18 985**	11 298
Paid to growers for cane purchases	**(332 353)**	(297 121)	**(421 566)**	(377 773)
Manufacturing and distribution costs	**(758 448)**	(595 170)	**(718 032)**	(559 367)
	687 371	642 282	**657 559**	608 731
Wealth distributed				
To employees as salaries, wages and other benefits	**328 699**	267 005	**313 548**	259 221
To lenders of capital as interest	**138 812**	141 683	**140 925**	142 216
To shareholders as dividends	**71 539**	67 727	**68 379**	65 847
To government as taxation	**3 650**	4 451	**252**	523
	542 700	480 866	**523 104**	467 807
Wealth reinvested				
Retained profits	**56 257**	78 394	**49 946**	61 600
Depreciation	**55 526**	54 066	**51 788**	50 517
Deferred taxation	**32 888**	28 956	**32 721**	28 807
	687 371	642 282	**657 559**	608 731
Amounts paid to government for taxation excludes the following:				
Employees tax deducted from remuneration	**47 984**	36 925	**47 709**	36 581
Net VAT amount paid to government	**6 269**	(5 076)	**(3 999)**	(14 741)
Customs and excise duties	**8 388**	11 432	**8 388**	11 432
Withholding taxes collected on behalf of government	**17 550**	13 630	**17 550**	13 630
	80 191	56 911	**69 648**	46 902

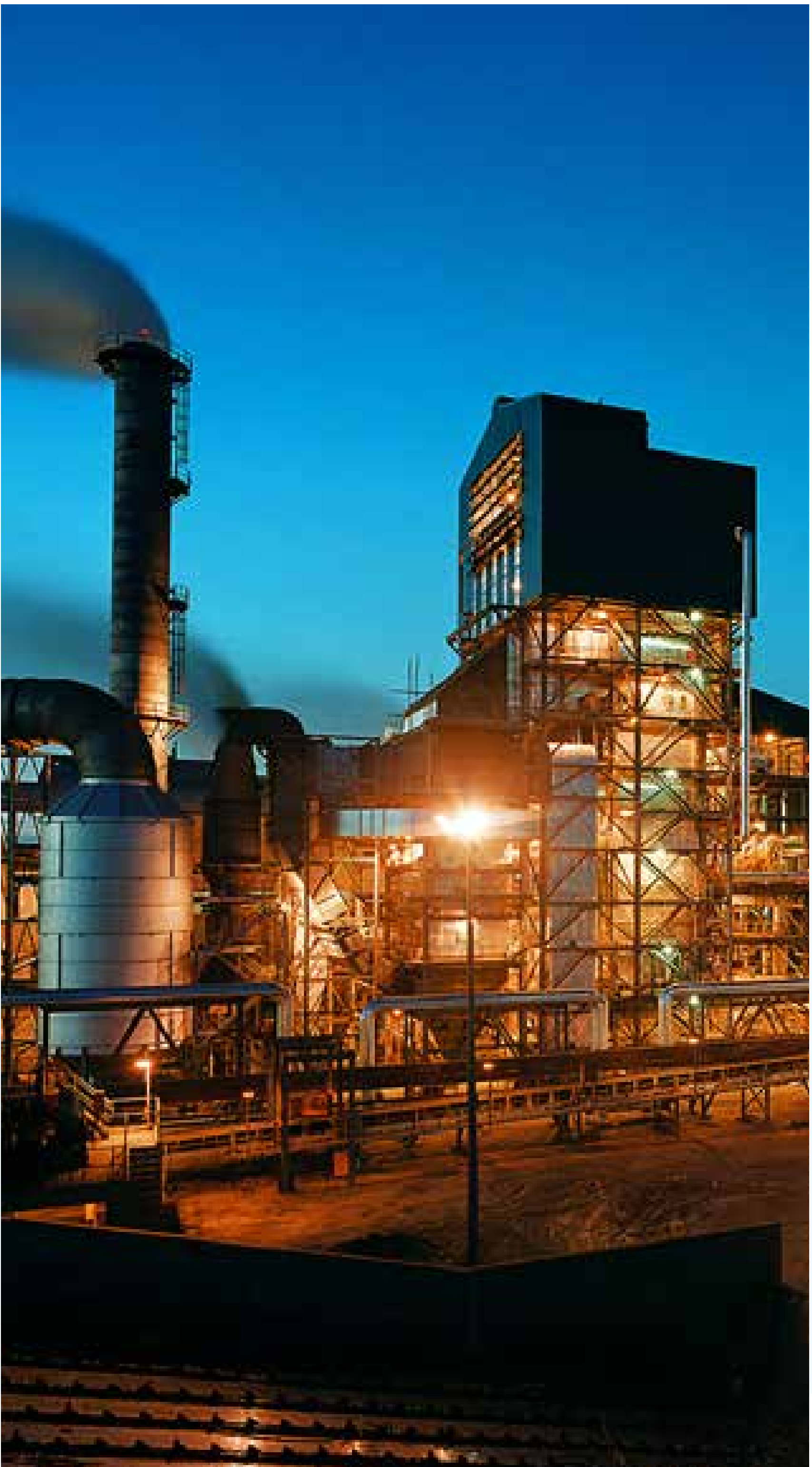


Zambia Sugar Plc

(Incorporated in the Republic of Zambia)

Annual Financial Statements

For the year ended 31 March 2014



Night view of Boiler 6 at Nakambala Factory

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Statement of Responsibility for the Annual Financial Statements

Section 164 (6) of the Companies (amended) Act, 2000 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.

The annual financial statements are prepared on the ongoing basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern in the foreseeable future.

IN THE OPINION OF THE DIRECTORS:

- *the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the profit of the group and the company for the financial year ended 31 March 2014;*
- *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 2014;*
- *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 annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies (amended) Act, 2000.*

The annual financial statements of the group and the company which were prepared on the going concern basis were approved by the board of directors on 6 May 2014 and are signed on its behalf by:

Fidelis M. Banda
Chairman

Aubrey M. Chibumba
Managing Director

Independent Auditor's Report

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated and separate financial statements of Zambia Sugar Plc set out on pages 34 to 62, which comprise the statements of financial position as at 31 March 2014, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies (amended) Act, 2000, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Zambia Sugar Plc and its subsidiary as at 31 March 2014 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies (amended) Act, 2000.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies (amended) Act, 2000 requires that in carrying out our audit, we consider and report to you on the following matter:

We confirm that, in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.

Deloitte & Touche
Chartered Accountants

Fellystons M. Nchimunya
Partner
Date: 6 May 2014

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2014

	Notes	GROUP 2014 ZMW'000	GROUP 2013 ZMW'000	COMPANY 2014 ZMW'000	COMPANY 2013 ZMW'000
Revenue	4	1 778 172	1 534 573	1 778 172	1 534 573
Cost of sales		(952 755)	(745 873)	(986 694)	(783 454)
Gross profit		825 417	788 700	791 478	751 119
Other gains		573	189	260	189
Distribution expenses		(297 051)	(272 508)	(297 051)	(272 508)
Administration expenses		(225 793)	(200 192)	(221 449)	(196 127)
Profit from operations	5	303 146	316 189	273 238	282 673
Dividend income		-	-	18 985	11 298
Net finance costs	6	(138 812)	(141 683)	(140 925)	(142 216)
Profit before taxation		164 334	174 506	151 298	151 755
Taxation	7	(36 538)	(33 407)	(32 973)	(29 330)
Profit for the year		127 796	141 099	118 325	122 425
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Adjustments in respect of cash flow hedges		(36 836)	5 580	(36 836)	5 580
Taxation effect of cash flow hedges		3 684	(558)	3 684	(558)
Other comprehensive income for the year, net of taxation		(33 152)	5 022	(33 152)	5 022
Total comprehensive income for the year		94 644	146 121	85 173	127 447
Profit for the year attributable to:					
Shareholders of Zambia Sugar Plc		123 735	136 822	118 325	122 425
Non-controlling interest		4 061	4 277	-	-
		127 796	141 099	118 325	122 425
Total comprehensive income for the year attributable to:					
Shareholders of Zambia Sugar Plc		90 583	141 844	85 173	127 447
Non-controlling interest		4 061	4 277	-	-
		94 644	146 121	85 173	127 447
Earnings per share	8				
Earnings per share (ZMW per share)		0.39	0.43	0.37	0.39
Headline earnings per share (ZMW per share)		0.39	0.43	0.37	0.39

Statements of Financial Position

as at 31 March 2014

	Notes	GROUP 2014 ZMW'000	GROUP 2013 ZMW'000	COMPANY 2014 ZMW'000	COMPANY 2013 ZMW'000
ASSETS					
Non-current assets		**1 471 026**	1 483 587	**1 441 576**	1 451 102
Property, plant and equipment	11	**1 205 854**	1 219 133	**1 114 755**	1 126 375
Intangible asset	12	**67 902**	67 902	**-**	-
Investment in subsidiary	13	**-**	-	**155 624**	155 624
Cane roots	14	**197 270**	196 552	**171 197**	169 103
Current assets		**765 943**	708 173	**699 761**	633 744
Inventories	15	**140 989**	170 825	**130 960**	164 457
Growing cane	16	**279 130**	266 251	**228 416**	218 080
Factory overhaul costs	17	**45 279**	54 938	**45 279**	54 938
Trade and other receivables	18	**198 750**	158 875	**196 959**	157 312
Derivative financial instruments		**-**	6 694	**-**	6 694
Current tax asset	7	**529**	222	**638**	222
Amounts due by related parties	23	**34 914**	3 017	**34 914**	3 017
Cash and bank balances		**66 352**	47 351	**62 595**	29 024
Total assets		**2 236 969**	2 191 760	**2 141 337**	2 084 846
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Zambia Sugar Plc		**894 598**	872 394	**840 577**	823 783
Share capital and premium	19	**247 337**	247 337	**247 337**	247 337
Capital redemption reserve		**40**	40	**40**	40
Hedging reserve		**(29 076)**	4 076	**(29 076)**	4 076
Dividend reserve		**34 823**	43 054	**34 823**	43 054
Retained earnings		**641 474**	577 887	**587 453**	529 276
Non-controlling interest		**34 897**	33 996	**-**	-
Total equity		**929 495**	906 390	**840 577**	823 783
Non-current liabilities		**1 024 018**	895 543	**1 000 503**	872 195
Long-term borrowings	20	**918 000**	818 730	**918 000**	818 730
Deferred tax liability	21	**106 018**	76 813	**82 503**	53 465
Current liabilities		**283 457**	389 827	**300 259**	388 868
Trade and other payables	22	**131 917**	157 912	**128 916**	155 821
Current portion of long-term borrowings	20	**-**	154 444	**-**	154 444
Amounts due to related parties	23	**100 044**	62 480	**119 846**	64 706
Derivative financial instruments		**32 308**	2 166	**32 308**	2 166
Current tax liability	7	**-**	1 094	**-**	-
Bank overdraft		**11 413**	5 190	**11 413**	5 190
Provisions	24	**7 774**	6 541	**7 774**	6 541
Total liabilities		**1 307 474**	1 285 370	**1 300 760**	1 261 063
Total equity and liabilities		**2 236 969**	2 191 760	**2 141 337**	2 084 846

The responsibilities of the company's directors with regard to the preparation of the financial statements are set out on page 32. The financial statements on pages 34 to 62 were approved and authorised for issue by the board of directors on 6 May 2014 and were signed on its behalf by:

Fidelis M. Banda
Chairman

Aubrey M. Chibumba
Managing Director

Statements of Changes in Equity

for the year ended 31 March 2014

	Share capital and premium	Capital redemption reserve	Hedging reserve	Dividend reserve	Retained earnings	Attributable to shareholders of Zambia Sugar Plc	Non-controlling interest	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000
GROUP								
Balance at 31 March 2012	247 337	40	(946)	40 520	509 446	796 397	31 599	827 996
Total comprehensive income for the year			5 022		136 822	141 844	4 277	146 121
Profit for the year					136 822	136 822	4 277	141 099
Cash flow hedges			5 022			5 022	-	5 022
Transfer to dividend reserve				68 381	(68 381)	-	-	-
Dividends paid				(65 847)		(65 847)	(1 880)	(67 727)
Balance at 31 March 2013	**247 337**	**40**	**4 076**	**43 054**	**577 887**	**872 394**	**33 996**	**906 390**
Total comprehensive income for the year			(33 152)		123 735	90 583	4 061	94 644
Profit for the year					123 735	123 735	4 061	127 796
Cash flow hedges			(33 152)			(33 152)	-	(33 152)
Transfer to dividend reserve				60 148	(60 148)	-	-	-
Dividends paid				(68 379)		(68 379)	(3 160)	(71 539)
Balance at 31 March 2014	**247 337**	**40**	**(29 076)**	**34 823**	**641 474**	**894 598**	**34 897**	**929 495**
COMPANY								
Balance at 31 March 2012	247 337	40	(946)	40 520	475 232	762 183	-	762 183
Total comprehensive income for the year			5 022		122 425	127 447	-	127 447
Profit for the year					122 425	122 425		122 425
Cash flow hedges			5 022			5 022	-	5 022
Transfer to dividend reserve				68 381	(68 381)	-	-	-
Dividends paid				(65 847)		(65 847)	-	(65 847)
Balance at 31 March 2013	**247 337**	**40**	**4 076**	**43 054**	**529 276**	**823 783**	**-**	**823 783**
Total comprehensive income for the year			(33 152)		118 325	85 173	-	85 173
Profit for the year					118 325	118 325		118 325
Cash flow hedges			(33 152)			(33 152)	-	(33 152)
Transfer to dividend reserve				60 148	(60 148)	-	-	-
Dividends paid				(68 379)		(68 379)	-	(68 379)
Balance at 31 March 2014	**247 337**	**40**	**(29 076)**	**34 823**	**587 453**	**840 577**	**-**	**840 577**

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

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

The dividend per share, calculated on a cash basis, amounts to ZMW0.19 (2013: ZMW0.22). The calculation is based on the dividends paid in the year of ZMW68.4 million (2013: ZMW65.9 million) divided by the weighted average number of ordinary shares in issue of 316 571 385 (2013: 316 571 385).

Statements of Cash Flows

for the year ended 31 March 2014

	Notes	GROUP 2014 ZMW'000	GROUP 2013 ZMW'000	COMPANY 2014 ZMW'000	COMPANY 2013 ZMW'000
Cash flows from operating activities					
Profit from operations		**303 146**	316 189	**273 238**	282 673
Adjustments for:					
Depreciation	11	**55 526**	54 066	**51 788**	50 517
Change in fair value of cane roots	14	**(718)**	3 669	**(2 094)**	(3 919)
Change in fair value of growing cane	16	**(12 879)**	(34 297)	**(10 336)**	(26 433)
Provisions raised during the year		**7 774**	6 541	**7 774**	6 541
Provisions utilised during the year		**(6 541)**	(5 678)	**(6 541)**	(5 678)
Factory overhaul costs expensed	17	**53 980**	44 810	**53 980**	44 810
Gain on disposal of property, plant and equipment		**(573)**	(189)	**(260)**	(189)
Operating cash flows before movements in working capital		**399 715**	385 111	**367 549**	348 322
Working capital movements		**(74 688)**	(132 207)	**(54 133)**	(133 945)
Decrease/(increase) in inventories		**29 836**	(67 627)	**33 497**	(67 072)
Factory overhaul costs incurred	17	**(44 321)**	(54 938)	**(44 321)**	(54 938)
Increase in net amounts due to related parties		**5 667**	24 354	**23 243**	21 473
Increase in trade and other receivables		**(39 875)**	(62 020)	**(39 647)**	(61 028)
(Decrease)/increase in trade and other payables		**(25 995)**	28 024	**(26 905)**	27 620
Cash generated from operations		**325 027**	252 904	**313 416**	214 377
Net financing costs	6	**(138 812)**	(141 683)	**(140 925)**	(142 216)
Income tax paid	7	**(5 051)**	(5 513)	**(668)**	(281)
Dividends paid to shareholders of Zambia Sugar Plc	9	**(68 379)**	(65 847)	**(68 379)**	(65 847)
Dividends paid to non-controlling shareholders		**(3 160)**	(1 880)	**-**	-
Net cash generated by operating activities		**109 625**	37 981	**103 444**	6 033
Cash flows from investing activities					
Payments for property, plant and equipment	11	**(43 792)**	(37 675)	**(41 326)**	(32 712)
Expansion of area under cane	14	**-**	(3 134)	**-**	-
Dividends received		**-**	-	**18 985**	11 298
Proceeds from disposal of property, plant and equipment		**2 119**	323	**1 419**	323
Net cash used in investing activities		**(41 673)**	(40 486)	**(20 922)**	(21 091)
Net cash inflows/(outflows) before financing activities		**67 952**	(2 505)	**82 522**	(15 058)
Cash flows from financing activities					
Net proceeds from borrowings	23	**403 000**	-	**403 000**	-
Repayment of borrowings	20	**(458 174)**	(163 430)	**(458 174)**	(163 430)
Net cash used in financing activities		**(55 174)**	(163 430)	**(55 174)**	(163 430)
Net increase/(decrease) in cash and cash equivalents		**12 778**	(165 935)	**27 348**	(178 488)
Net cash and cash equivalents at beginning of year		**42 161**	208 096	**23 834**	202 322
Net cash and cash equivalents at end of year		**54 939**	42 161	**51 182**	23 834
Comprising of:					
Cash and bank balances		**66 352**	47 351	**62 595**	29 024
Bank overdraft		**(11 413)**	(5 190)	**(11 413)**	(5 190)

Notes to the Annual Financial Statements
for the year ended 31 March 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) using the historical cost convention except for certain financial instruments and biological assets that are stated at fair value. All principal accounting policies have been applied on a basis consistent with those of the previous year, except for the application of the revised standards which have been described in note 2. The application of these standards has had no material impact on the financial statements.

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

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

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

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

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 (its subsidiary). Control is achieved where the company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

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

1.2 Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that: deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively; liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

1.3 Revenue recognition

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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 (see note 1.6 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

1.5 Foreign currencies

The financial statements of the company and its subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are expressed in Zambian Kwacha ('ZMW'), 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 Company and its subsidiary's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for: exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings and exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 1.18 below for hedging accounting policies).

1.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

1.7 Retirement benefits

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

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

1.8 Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated [statement of profit or loss and other comprehensive income/ statement of profit or loss] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

1.9 Property, plant and equipment

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

Freehold land is not depreciated.

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

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

The group's depreciation rates are as follows:	
Leasehold buildings	60 years
Canals and domestic water works	2 - 60 years
Furniture, fittings and equipment	5 - 12 years
Plant and machinery	15 - 50 years
Vehicles	5 - 15 years

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

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

1.10 Asset impairment review

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

1.11 Cane roots and growing cane

Cane roots and growing cane are valued at fair value determined on the following basis:

Cane roots - the escalated average cost, using appropriate inflation related indices, of each year of planting adjusted for the remaining expected life.

Growing cane - the estimated sucrose content in cane at 31 March valued at the estimated sucrose price for the following season, less estimated costs of harvesting and transport.

1.12 Factory overhaul costs

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

1.13 Intangible assets

Intangible assets acquired in a business combination

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

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

De-recognition of intangible assets

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

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

1.15 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

1.16 Financial instruments

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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

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

Equity

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

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

1.17 Derivative financial instruments

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

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

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

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

1.18 Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

1.19 Segmental analysis

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

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

The group is comprised of the following business segments:

- *Cane growing - the growing of sugar cane for use in the sugar production process;*
- *Sugar production - the manufacture of sugar from sugar cane.*

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

2.1 International Financial Reporting Standards adopted during the year

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

IFRS 7 Financial Instruments: Disclosures

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

IFRS 8 Operating Segments

Amendments resulting from Annual Improvements 2010 - 2012 Cycle (aggregation of segments, reconciliation of segment assets). These amendments are effective for the year ending 31 March 2015.

IFRS 10 Consolidated Financial Statements

This standard provides a single model for consolidation based on control over the relevant activities. It replaces IAS 27 Consolidated and Separate Financial Statements, as well as SIC 12 Consolidation – Special Purpose Entities. The application of the amendment has no impact on the consolidated financial statements.

IFRS 11 Joint Arrangements

The standard requires equity accounting of joint ventures and eliminates the proportionate consolidation option of accounting. Previously the group proportionately consolidated all joint ventures which entailed that it included its share of the assets, liabilities, income and expenses of jointly controlled entities on a line-by-line basis in its financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The standard introduces disclosure requirements to enable users of financial statements to evaluate the nature of, and risks associated with, the group's interests in other entities as well as the effects of those interests on the company's financial position, financial performance and cash flows. Other entities consist of subsidiaries, joint arrangements, associates and unconsolidated structured entities. The application of this standard has no material impact on the consolidated financial statements.

IFRS 13 Fair Value Measurement

The standard introduces a definition of fair value; sets out a single framework for measuring fair value; and establishes disclosure requirements for fair value measurements. The application of this standard has no material impact on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

The amendments require items of comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit and loss, and (b) items that may be reclassified subsequently to profit and loss when specific conditions are met.

IAS 19 Employee Benefits

The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerates the recognition of past service costs. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net interest amount under the revised standard, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, there are certain changes to presentation of the defined benefit cost including more extensive disclosures.

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

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

IFRS 2 Share-based Payment

The amendments define 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously part of the definition of 'vesting conditions'. The amendment is effective for the year ending 31 March 2016.

IFRS 3 Business Combinations

The amendment clarifies that any contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. The amendment is effective for the year ending 31 March 2016.

IFRS 9 Financial Instruments: Classification and Measurement

The standard introduces new requirements for classifying and measuring financial instruments. Under the new classification requirements, all financial assets will be recognised at either amortised cost or fair value as determined by the contractual cash flows of the assets. In terms of the new measurement requirements, changes in fair value of financial liabilities measured "at fair value through profit or loss" that are attributable to changes in credit risk of the liability will be recognised in other comprehensive income. The standard will be effective for the year ending 31 March 2015.

IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The standard will be effective for the year ending 31 March 2015.

IAS 16 Property, Plant and Equipment
The amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective for the year ending 31 March 2016.

IAS 24 Related Party Disclosures
The amendment clarifies that and entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for the year ending 31 March 2016.

IAS 32 Financial Instruments: Presentation
Amendments have been made to the application guidance on the offsetting of financial assets and financial liabilities. The revised standard is effective for the year ending 31 March 2015.

IAS 36 Impairment of Assets
The amendment clarifies the disclosure requirements with regard to the recoverable amounts of non-financial assets. The amendment is effective for the year ending 31 March 2015.

IAS 38 Intangible Assets
The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective for the year ending 31 March 2016.

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

In the application of the Group's accounting policies, which are described in note 1, the directors of the Company are required to make judgments, 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.

3.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note 3.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

3.1.1 Impairment of assets

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

3.1.2 Impairment losses on trade receivables

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

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.

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

Property, plant and equipment residual values and useful lives

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

Cane roots valuation

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

Growing cane valuation

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

Income taxes

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

There are no other key assumptions concerning the future, or key sources of estimation uncertainty at the reporting date, that management have assessed as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

	GROUP		COMPANY	
	2014 ZMW'000	2013 ZMW'000	2014 ZMW'000	2013 ZMW'000

4. REVENUE

Revenue represents proceeds receivable from the following primary business segments:

Sugar production	1 296 816	1 093 266	1 386 028	1 173 919
Cane growing	481 356	441 307	392 144	360 654
	1 778 172	1 534 573	1 778 172	1 534 573
From secondary business segments as follows:				
Local market	905 863	787 068	905 863	787 068
Export market	872 309	747 505	872 309	747 505
	1 778 172	1 534 573	1 778 172	1 534 573

5. PROFIT FROM OPERATIONS

Profit from operations has been determined after charging/(crediting) the following:

Auditors' remuneration	1 305	1 176	1 061	939
- Audit fees	949	888	740	692
- Fees for other services	293	253	267	223
- Other expenses	63	35	54	24
Charitable donations	124	116	101	94
Change in fair value of cane roots (see note 14)	(718)	3 669	(2 094)	(3 919)
Change in fair value of growing cane (see note 16)	(12 879)	(34 297)	(10 336)	(26 433)
Depreciation expense (see note 11)	55 526	54 066	51 788	50 517
Operating lease charges	6 502	7 620	6 502	7 620
- Property	4 423	5 762	4 423	5 762
- Plant and equipment	2 079	1 858	2 079	1 858
Directors' emoluments for services as directors	991	1 068	975	1 059
Employees remuneration expenses	290 598	249 425	277 875	241 981
Employer contributions to pension funds (see note 27)	22 314	17 580	21 705	17 240
Exchange loss/(gain) (trading balances)	19 315	(2 494)	19 158	(2 536)
Factory overhaul costs expensed (see note 17)	53 980	44 810	53 980	44 810
Management fees (see note 23.1)	36 921	37 466	36 921	37 466

6. NET FINANCING COSTS

Interest charged on:				
Long-term borrowings	129 392	137 154	129 392	137 154
Bank short-term facilities	9 661	4 940	9 660	4 940
Other	61	388	2 110	778
Total interest charged	139 114	142 482	141 162	142 872
Interest received on loans and deposits	(302)	(799)	(237)	(656)
	138 812	141 683	140 925	142 216

7. TAXATION

	GROUP 2014 ZMW'000	GROUP 2013 ZMW'000	COMPANY 2014 ZMW'000	COMPANY 2013 ZMW'000
Current tax				
- current year charge	3 752	4 199	252	460
- (over)/under provision in prior year	(102)	252	-	63
Deferred taxation				
- current year charge	32 879	28 961	32 712	28 812
- under/(over) provision in prior year	9	(5)	9	(5)
Total taxation charge	36 538	33 407	32 973	29 330
Included under current assets/(liabilities):				
(Payable)/receivable in respect of the previous year	(872)	(1 934)	222	464
Current tax charge	(3 752)	(4 199)	(252)	(460)
Over/(under) provision in prior year	102	(252)	-	(63)
	(4 522)	(6 385)	(30)	(59)
Paid during the year	5 051	5 513	668	281
Taxation receivable/(payable)	529	(872)	638	222
Asset	529	222	638	222
Liability	-	(1 094)	-	-
Reconciliation of taxation rate:	%	%	%	%
Company taxation rate applicable to agricultural entities	10.0	10.0	10.0	10.0
Increase/(decrease) in charge due to:				
- Overprovision in prior years	-	0.1	-	-
- Expenses disallowed for tax purposes	2.0	1.4	2.1	1.7
- Tax rate differential on non-farming income	0.3	0.6	0.1	0.2
- Derecognised accumulated tax losses [1]	10.0	7.0	10.9	8.1
- Dividends received	-	-	(1.3)	(0.7)
Effective rate of taxation	22.3	19.1	21.8	19.3

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

	GROUP		COMPANY	
	2014	2013	**2014**	2013

8. EARNINGS PER SHARE

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Earnings per share (ZMW per share)	**0.39**	0.43	**0.37**	0.39
Headline earnings per share (ZMW per share)	**0.39**	0.43	**0.37**	0.39
Number of shares	**Shares '000**	Shares '000	**Shares '000**	Shares '000
Weighted average number of ordinary shares for the purposes of earnings and headline earnings per share [1]	**316 571**	316 571	**316 571**	316 571

[1]Following the re-basing of the Zambian Kwacha, the par value of the shares was automatically re-based from ZMW0.50 per share to ZMW0.0005 per share. At a Board meeting held on 13 August 2013, the authorised and issued ordinary share capital of the Company was reduced from 7 000 000 000 to 350 000 000. The par value of the authorised and issued shares was then increased from the re-based ZMW0.0005 to ZMW0.01 by consolidating and dividing the ordinary shares on a 20-for-1 basis. Consequently, the nominal value of the authorised and issued ordinary shares remained at a re-based value of ZMW3 500 000.

Earnings	**ZMW'000**	ZMW'000	**ZMW'000**	ZMW'000
Earnings for the purposes of earnings per share (Profit attributable to shareholders of Zambia Sugar Plc)	**123 735**	136 822	**118 325**	122 425
Reconciliation of headline earnings				
Profit attributable to shareholders of Zambia Sugar Plc	**123 735**	136 822	**118 325**	122 425
Adjusted for :-				
Gain on sale of property, plant and equipment	**-**	(189)	**-**	(189)
Tax effect of adjustments	**-**	19	**-**	19
Headline earnings for the year	**123 735**	136 652	**118 325**	122 255

9. DIVIDENDS PAID

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
ZMW0.11 per share (second interim 2012) - paid 22 June 2012		34 190		34 190
ZMW0.02 per share (final 2012) - paid 17 September 2012		6 331		6 331
ZMW0.08 per share (first interim 2013) - paid 21 December 2012		25 326		25 326
ZMW0.12 per share (second interim 2013) - paid 24 June 2013	**36 722**		**36 722**	
ZMW0.02 per share (final 2013) - paid 17 September 2013	**6 331**		**6 331**	
ZMW0.08 per share (first interim 2014) - paid 09 December 2013	**25 326**		**25 326**	
	68 379	65 847	**68 379**	65 847
Dividends declared per share - second interim declared on 6 May 2014 (ZMW)	**0.10**	0.12	**0.10**	0.12
Dividends proposed per share - final to be proposed at AGM (ZMW)	**0.02**	0.02	**0.02**	0.02
Number of ordinary shares in issue ('000)	**316 571**	316 571	**316 571**	316 5 71

10. SEGMENTAL ANALYSIS

Year to 31 March 2014	GROUP Sugar production ZMW'000	GROUP Cane growing ZMW'000	GROUP TOTAL ZMW'000	COMPANY Sugar production ZMW'000	COMPANY Cane growing ZMW'000	COMPANY TOTAL ZMW'000
Revenue	1 296 816	481 356	1 778 172	1 386 028	392 144	1 778 172
Profit from operations	239 282	63 864	303 146	238 970	34 268	273 238
Property, plant and equipment	853 090	352 764	1 205 854	853 477	261 278	1 114 755
Balance at beginning of year	865 928	353 205	1 219 133	865 927	260 448	1 126 375
Additions at cost	28 996	14 796	43 792	28 996	12 330	41 326
Depreciation charge for the year	(40 289)	(15 237)	(55 526)	(40 288)	(11 500)	(51 788)
Net book value of disposals	(1 545)	-	(1 545)	(1 158)	-	(1 158)
Intangible assets	-	67 902	67 902	-	-	-
Investment in subsidiary				-	155 624	155 624
Cane roots	-	197 270	197 270	-	171 197	171 197
Current assets	441 757	324 186	765 943	441 866	257 895	699 761
Inventories	111 329	29 660	140 989	111 329	19 631	130 960
Growing cane	-	279 130	279 130	-	228 416	228 416
Factory overhaul costs	45 279	-	45 279	45 279	-	45 279
Trade and other receivables	187 111	11 639	198 750	187 111	9 848	196 959
Current tax asset	529	-	529	638	-	638
Amounts due by related parties	34 914	-	34 914	34 914	-	34 914
Cash and cash equivalents	62 595	3 757	66 352	62 595	-	62 595
Current liabilities	252 728	30 728	283 456	272 531	27 728	300 257
Trade and other receivables	103 133	28 784	131 917	103 134	25 784	128 916
Amounts due to related parties	100 044	-	100 044	119 846	-	119 846
Derivative financial instruments	32 308	-	32 308	32 308	-	32 308
Bank overdrafts	11 413	-	11 413	11 413	-	11 413
Provisions	5 830	1 944	7 774	5 830	1 944	7 774
Non-current liabilities	679 203	344 815	1 024 018	679 203	321 300	1 000 503
Long-term borrowings	596 700	321 300	918 000	596 700	321 300	918 000
Deferred tax liability	82 503	23 515	106 018	82 503	-	82 503
Net asset value	362 916	566 579	929 495	343 610	496 967	840 577

10. SEGMENTAL ANALYSIS *(CONTINUED)*

Year to 31 March 2013	GROUP Sugar production ZMW'000	GROUP Cane growing ZMW'000	GROUP TOTAL ZMW'000	COMPANY Sugar production ZMW'000	COMPANY Cane growing ZMW'000	COMPANY TOTAL ZMW'000
Revenue	1 093 266	441 307	1 534 573	1 173 919	360 654	1 534 573
Profit from operations	237 927	78 262	316 189	237 926	44 747	282 673
Property, plant and equipment	865 928	353 205	1 219 133	865 927	260 448	1 126 375
Balance at beginning of year	885 013	350 645	1 235 658	885 012	259 302	1 144 314
Additions at cost	20 909	16 766	37 675	20 910	11 802	32 712
Depreciation charge for the year	(39 889)	(14 177)	(54 066)	(39 890)	(10 627)	(50 517)
Net book value of disposals	(105)	(29)	(134)	(105)	(29)	(134)
Intangible assets	-	67 902	67 902	-	-	-
Investment in subsidiary				-	155 624	155 624
Cane roots	-	196 552	196 552	-	169 103	169 103
Current assets	405 516	302 657	708 173	405 516	228 228	633 744
Inventories	154 309	16 516	170 825	154 309	10 148	164 457
Growing cane	-	266 251	266 251	-	218 080	218 080
Factory overhaul costs	54 938	-	54 938	54 938	-	54 938
Trade and other receivables	157 312	1 563	158 875	157 312	-	157 312
Derivative financial instruments	6 694	-	6 694	6 694	-	6 694
Current tax asset	222	-	222	222	-	222
Amounts due by related parties	3 017	-	3 017	3 017	-	3 017
Cash and cash equivalents	29 024	18 327	47 351	29 024	-	29 024
Current liabilities	286 788	83 039	389 827	289 014	79 854	388 868
Trade and other receivables	124 658	33 254	157 912	124 658	31 163	155 821
Current portion of long-term borrowings	87 389	47 055	154 444	87 389	47 055	154 444
Amounts due to related parties	62 480	-	62 480	64 706	-	64 706
Derivative financial instruments	2 166	-	2 166	2 166	-	2 166
Current tax liability	-	1 094	1 094	-	-	-
Bank overdrafts	5 190	-	5 190	5 190	-	5 190
Provisions	4 905	1 636	6 541	4 905	1 636	6 541
Non-current liabilities	598 639	316 904	895 543	598 639	293 556	872 195
Long-term borrowings	545 174	293 556	818 730	545 174	293 556	818 730
Deferred tax liabilities	53 465	23 348	76 813	53 465	-	53 465
Net asset value	386 017	520 373	906 390	383 790	439 993	823 783

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Capital work in progress	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMK'000
GROUP						
Cost						
Balance at 1 April 2012	545 709	860 207	63 048	13 346	13 245	1 495 555
Additions	-	-	-	-	37 675	37 675
Transfers	2 519	17 939	15 705	779	(36 942)	-
Disposals	(24)	(66)	(1 289)	-	-	(1 379)
Balance at 31 March 2013	**548 204**	**878 080**	**77 464**	**14 125**	**13 978**	**1 531 851**
Additions	-	-	-	-	43 792	43 792
Transfers	4 087	13 795	15 019	300	(33 201)	-
Disposals	(823)	(2 243)	(8 267)	-	-	(11 333)
Balance at 31 March 2014	**551 468**	**889 632**	**84 216**	**14 425**	**24 569**	**1 564 310**
Depreciation						
Balance at 1 April 2012	50 323	158 175	41 697	9 702	-	259 897
Charge for year	9 498	37 290	6 053	1 225	-	54 066
Disposals	(8)	(66)	(1 171)	-	-	(1 245)
Balance at 31 March 2013	**59 813**	**195 399**	**46 579**	**10 927**	**-**	**312 718**
Charge for year	9 603	37 642	7 184	1 097	-	55 526
Disposals	(104)	(1 873)	(7 811)	-	-	(9 788)
					-	
Balance at 31 March 2014	**69 312**	**231 168**	**45 952**	**12 024**	**-**	**358 456**
Net carrying amount						
Balance at 31 March 2014	**482 156**	**658 464**	**38 264**	**2 401**	**24 569**	**1 205 854**
Balance at 31 March 2013	488 391	682 681	30 885	3 198	13 978	1 219 133

11. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Capital work in progress	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000
COMPANY						
Cost						
Balance at 1 April 2012	463 282	842 770	62 043	12 654	13 127	1 393 876
Additions	-	-	-	-	32,712	32 712
Transfers	2,340	14,715	15,493	779	(33,327)	-
Disposals	(24)	(66)	(1,289)	-	-	(1 379)
Balance at 31 March 2013	**465 598**	**857 419**	**76 247**	**13 433**	**12 512**	**1 425 209**
Additions	-	-	-	-	41 326	41 326
Transfers	2 806	11 476	14 743	244	(29 269)	-
Disposals	(780)	(379)	(7 874)	-	-	(9 033)
Balance at 31 March 2014	**467 624**	**868 516**	**83 116**	**13 677**	**24 569**	**1 457 502**
Depreciation						
Balance at 1 April 2012	50 334	148 204	41 209	9 815	-	249 562
Charge for year	9 235	34 419	5 835	1 028	-	50 517
Disposals	(8)	(66)	(1,171)	-	-	(1 245)
Balance at 31 March 2013	**59 561**	**182 557**	**45 873**	**10 843**	**-**	**298 834**
Charge for year	9 314	34 600	6 978	896	-	51 788
Disposals	(70)	(379)	(7 426)	-	-	(7 875)
Balance at 31 March 2014	**68 805**	**216 778**	**45 425**	**11 739**	**-**	**342 747**
Net carrying amount						
Balance at 31 March 2014	**398 819**	**651 738**	**37 691**	**1 938**	**24 569**	**1 114 755**
Balance at 31 March 2013	406 037	674 862	30 374	2 590	12 512	1 126 375

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 (amended) Act, 2000, the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the registered office of the company.

Leasehold Land

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

Within one year	**2 994**	2 834	**2 994**	2 834
More than one year but less than five years	**11 976**	11 337	**11 976**	11 337
More than five years	**14 970**	17 006	**14 970**	17 006
	29 940	31 177	**29 940**	31 177

12. INTANGIBLE ASSET

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

13. INVESTMENT IN SUBSIDIARY

The principal subsidiaries of Zambia Sugar Plc are as follows:	Issued capital ZMW'000	Effective percentage holding %	Shares at cost ZMW'000	Amounts due by subsidiary ZMW'000	Amounts due to subsidiary ZMW'000
2014					
Direct Investment					
Tukunka Agriculture Ltd	**10 000**	**100**	**-**	**-**	**-**
Indirect Investment					
Nanga Farms Plc	**487**	**85.73**	**155 624**	**-**	**20 257**
2013					
Direct Investment					
Tukunka Agriculture Ltd	10 000	100	-	-	-
Indirect Investment					
Nanga Farms Plc	487	85.73	155 624	-	2 792

14. CANE ROOTS

	GROUP		COMPANY	
	2014 ZMW'000	2013 ZMW'000	**2014 ZMW'000**	2013 ZMW'000
The fair value of cane roots is reconciled as follows:				
Fair value at beginning of year	**196 552**	197 087	**169 103**	165 184
Expansion of area under cane	**-**	3 134	**-**	-
Change in fair value	**718**	(3 669)	**2 094**	3 919
Fair value at end of year	**197 270**	196 552	**171 197**	169 103
Area under cane at 31 March (hectares)	**16 792**	17 025	**13 999**	14 172
Average remaining expected life of cane roots at 31 March (years)	**3.02**	3.41	**3.14**	3.47

The fair values of cane roots are determined based on inputs that are unobservable, using the best information available in the circumstances and therefore fall into the level 3 fair value category (see note 1):

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
The inflation rates used in the valuation of the cane roots are as follows:	**8%**	9%	**8%**	9%

A 1% change in the inflation rate could increase or decrease the fair value of the cane roots by the following values:

	GROUP	COMPANY
	ZMW'000	**ZMW'000**
Fair value of cane roots	**1 430**	**1 250**

15. INVENTORIES

	GROUP		COMPANY	
	2014 ZMW'000	2013 ZMW'000	**2014 ZMW'000**	2013 ZMW'000
Maintenance stores	**72 569**	72 917	**67 627**	70 799
Provision for obsolesence	**(3 535)**	(3 143)	**(3 535)**	(3 143)
	69 034	69 774	**64 092**	67 656
Livestock	**5 087**	4 250		
Finished goods - sugar	**66 868**	96 801	**66 868**	96 801
	140 989	170 825	**130 960**	164 457

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	ZMW'000	ZMW'000	**ZMW'000**	ZMW'000

16. GROWING CANE

The fair value of growing cane is reconciled as follows:				
Fair value at beginning of year	**266 251**	231 954	**218 080**	191 647
Change in fair value	**12 879**	34 297	**10 336**	26 433
Fair value at end of year	**279 130**	266 251	**228 416**	218 080

The fair values of growing cane are determined based on inputs that are unobservable, using the best information available in the circumstances and therefore fall into the level 3 fair value category (see note 1).

The following assumptions have been used in the determination of the estimated sucrose tonnage at 31 March (see note 1.11):

	2015	2014	2015	2014
Expected area to harvest (hectares)	**16 256**	16 816	**13 492**	13 993
Estimated yield (tons cane per hectare)	**120.2**	117.6	**118.0**	116.0
Sucrose content in cane (%)	**14.55**	14.55	**14.55**	14.55
Average maturity of cane at 31 March (%)	**66.7**	69.1	**66.7**	69.4

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

	GROUP	COMPANY
	ZMW'000	**ZMW'000**
Estimated sucrose content	**3 477**	**2 847**
Estimated sucrose price	**2 798**	**2 291**

17. FACTORY OVERHAUL COSTS

	2014	2013	**2014**	2013
	ZMW'000	ZMW'000	**ZMW'000**	ZMW'000
Balance at beginning of year	**54 938**	44 810	**54 938**	44 810
Capitalised during the year	**44 321**	54 938	**44 321**	54 938
	99 259	99 748	**99 259**	99 748
Amortised during the year	**(53 980)**	(44 810)	**(53 980)**	(44 810)
Balance at end of year	**45 279**	54 938	**45 279**	54 938

18. TRADE AND OTHER RECEIVABLES

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

Gross trade receivables	**163 024**	106 380	**163 024**	106 380
Allowance for doubtful debts	**(879)**	(403)	**(879)**	(403)
	162 145	105 977	**162 145**	105 977
Other receivables	**36 605**	52 898	**34 814**	51 335
Balance at end of year	**198 750**	158 875	**196 959**	157 312
Movement in the allowance for doubtful debts				
Balance at beginning of year	**403**	384	**403**	384
Amounts written off during the year	**(26)**	-	**(26)**	-
Amounts raised during the year	**502**	19	**502**	19
Balance at end of year	**879**	403	**879**	403

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Additional disclosures concerning the management of credit risk have been provided in note 26.4

19. SHARE CAPITAL AND PREMIUM

	GROUP 2014 ZMW'000	GROUP 2013 ZMW'000	COMPANY 2014 ZMW'000	COMPANY 2013 ZMW'000
Authorised:				
350 000 000 (2013: 7 000 000 000) ordinary shares of ZMW0.01 each (2013: ZMW0.50 each)	**3 500**	3 500	**3 500**	3 500
Issued and fully paid:				
316 571 385 (2013: 6 331 427 708) ordinary shares of ZMW0.01 each (2013: ZMW0.50 each)	**3 165**	3 165	**3 165**	3 165
Share premium	**244 172**	244 172	**244 172**	244 172
	247 337	247 337	**247 337**	247 337

Following the rebasing of the Zambian Kwacha, the par value of the shares was automatically rebased from ZMW0.50 per share to ZMW0.0005 per share. At a Board meeting held on 13 August 2013, the authorised and issued ordinary share capital of the Company was reduced from 7 000 000 000 to 350 000 000. The par value of the authorised and issued shares was increased from the rebased ZMW0.0005 to ZMW0.01 by consolidating and dividing the ordinary shares on a 20-for-1 basis. Consequently, the nominal value of the authorised and issued ordinary shares remained at a rebased value of ZMW3 500 000.

20. LONG-TERM BORROWINGS

	Years of repayment	Effective Interest rate (%)	GROUP 2014 ZMW'000	GROUP 2013 ZMW'000	COMPANY 2014 ZMW'000	COMPANY 2013 ZMW'000
Financial and other institutions						
- Zambian Kwacha (see note i)	**2014 - 2017**	14.40	**-**	458 174	**-**	458 174
- Related parties (see note ii)			**918 000**	515 000	**918 000**	515 000
Total borrowings			**918 000**	973 174	**918 000**	973 174
Less:						
Current portion - Zambian Kwacha			**-**	(154 444)	**-**	(154 444)
Long-term portion			**918 000**	818 730	**918 000**	818 730
The amounts are due for repayment in the following years ending 31 March:						
2014			**-**	154 444	**-**	154,444
2015			**-**	134 444	**-**	134,444
2016			**-**	134 444	**-**	134 444
2017 and beyond			**918 000**	549 842	**918 000**	549 842
			918 000	973 174	**918 000**	973 174

Summary of borrowing arrangements

(i) The Zambian Kwacha loan ("new Tranche A loan") was fully repaid on 30 October 2013 as part of a refinance deal with Illovo Group Holdings Limited (IGHL). Under the refinance transaction, Zambia Sugar effectively drew down ZMW403 million from IGHL on 25th October 2013 and the loan proceeds were then used to fully repay the outstanding new Tranche A loan balance of ZMW403 million on 30 October 2013. No break costs were incurred on the full repayment of the new Tranche A loan. All securities held in respect of the new Tranche A loan have been released.

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

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	ZMW'000	ZMW'000	**ZMW'000**	ZMW'000

21. DEFERRED TAX LIABILITY

Balance at beginning of year	**76 813**	47 299	**53 465**	24 100
Charged to income:				
- Current year income statement charge	**32 879**	28 961	**32 712**	28 812
- Prior year income statement charge/(relief)	**9**	(5)	**9**	(5)
- Current year other comprehensive income (relief)/charge	**(3 683)**	558	**(3 683)**	558
Balance at end of year	**106 018**	76 813	**82 503**	53 465
Analysis of provision:				
Property, plant and equipment	**63 370**	63 612	**54 762**	54 988
Intangible asset	**6 790**	6 790	**-**	-
Factory overhaul costs	**4 528**	5 494	**4 528**	5 494
Growing cane and cane roots	**47 343**	45 836	**39 665**	38 274
Tax losses	**(11 871)**	(44 862)	**(11 908)**	(44 862)
Other	**(4 105)**	(57)	**(4 544)**	(429)
Balance at end of year	**106 018**	76 813	**82 503**	53 465

22. TRADE AND OTHER PAYABLES

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

Trade payables	**121 197**	149 739	**119 3658**	147 648
Other payables	**10 720**	8 173	**9 558**	8 173
Balance at end of year	**131 917**	157 912	**128 916**	155 821

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

23. AMOUNTS DUE TO/(BY) RELATED PARTIES

The majority shareholding in Zambia Sugar Plc is held by Illovo Sugar Coöperatief U.A., incorporated in the Netherlands, a subsidiary of Illovo Sugar Limited, a Company incorporated in the Republic of South Africa. Illovo Sugar Limited is listed on the Johannesburg Stock Exchange and is a subsidiary of Associated British Foods plc which holds 51.5% of the issued share capital. All related party transactions are conducted at arms length.

23.1 TRADING TRANSACTIONS

Amounts due by related parties				
Illovo Group Marketing Services Limited	**31 886**	-	**31 886**	-
Illovo Sugar Limited - Corporate Division	**1 585**	-	**1 585**	-
Mitra Sugar Limited	**743**	-	**743**	-
Illovo Sugar Malawi Limited	**-**	2 677	**-**	2 677
Illovo Group Holdings Limited	**280**	-	**280**	-
East African Supply (Pty) Limited	**420**	340	**420**	340
	34 914	3 017	**34 914**	3 017

23.1 TRADING TRANSACTIONS *(CONTINUED)*

	GROUP		COMPANY	
	2014 ZMW'000	2013 ZMW'000	**2014 ZMW'000**	2013 ZMW'000
Amounts due to related parties				
Illovo Sugar Limited - Procurement Division	**22 300**	33 331	**21 845**	32 765
Illovo Sugar Limited - Corporate Division	**2 421**	3 083	**2 421**	3 083
Illovo Sugar Ireland	**17 082**	7 300	**17 082**	7 300
Illovo Group Marketing Services Limited	**58 241**	18 766	**58 241**	18 766
Nanga Farms Plc	**-**	-	**20 257**	2 792
	100 044	62 480	**119 846**	64 706

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

Related party	**Transaction**	**Group 2014**	**Group 2013**	**Company 2014**	**Company 2013**
Illovo Sugar Limited - Procurement Division	Imports of goods & services	**83 142**	116 707	**83 142**	112 077
AB Azucarera Iberia, S.L.[1]	EU sugar exports	**-**	29 005	**-**	29 005
Illovo Group Holdings Limited[2]	Loan interest	**87 193**	62 493	**87 193**	62 493
Illovo Sugar Ireland[2]	Management fee	**36 921**	37 466	**36 921**	37 466
Illovo Group Marketing Services Limited[2]	Export agency commission	**19 251**	14 786	**19 251**	14 786
Illovo Sugar Malawi Limited[2]	Regional management fee	**910**	2 069	**910**	2 069
Kilombero Sugar Company Limited[2]	Regional management fee	**154**	865	**154**	865
		227 571	263 391	**227 571**	258 761

[1] Subsidiary of Associated British Foods plc, the ultimate holding company of Illovo Sugar Limited.
[2] Fellow subsidiaries of Illovo Sugar Limited.

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

Purchases from Nanga Farms Plc have been eliminated on consolidation.

23.2 LOANS FROM RELATED PARTIES

	Years of repayment	**Effective Interest rate (%)**	**Group 2014**	**Group 2013**	**Company 2014**	**Company 2013**
Illovo Group Holdings Limited						
- Zambian Kwacha (see note i)	**2017**	11.37	**515 000**	515 000	**515 000**	515 000
- Zambian Kwacha (see note ii)	**2018**	15.96	**403 000**	-	**403 000**	-
Long-term portion			**918 000**	515 000	**918 000**	515 000

(i) This loan is unsecured and attracts interest at the ruling 91 day T-Bill rate at the beginning of each interest period plus a 4% margin. The loan is to be fully repaid by 31 March 2017.

(ii) The drawdown of this loan was part of the new Tranche A loan refinance transaction (see note 20). This loan is unsecured and attracts interest at the ruling 182 day T-Bill rate plus a 2.25% margin. The interest rate is reset bi-annually at the prevailing 182 day T-Bill rate on or before 30 September and 31 March. The loan is to be fully repaid by 25 October 2018 or such other date as the parties may agree in writing.

	GROUP		COMPANY	
	2014 ZMW'000	2013 ZMW'000	2014 ZMW'000	2013 ZMW'000

24. PROVISIONS

At beginning of year	6 541	5 678	6 541	5 678
Provisions made during the year	7 774	6 541	7 774	6 541
Utilised during the year	(6 541)	(5 678)	(6 541)	(5 678)
At end of year	7 774	6 541	7 774	6 541
Analysed as follows:				
Provision for leave pay	7 774	6 541	7 774	6 541

25. CAPITAL COMMITMENTS

Approved but not contracted	56 300	49 686	52 293	47 275
Contracted	8 295	4 149	8 295	3 469
	64 595	53 835	60 588	50 744

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

26. FINANCIAL RISK MANAGEMENT

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

Categories of financial instruments

Financial assets				
Loans and receivables	277 364	203 612	273 136	183 996
Derivative financial instruments designated as cash flow hedges	-	6 694	-	6 694
Financial liabilities				
Derivative financial instruments designated as cash flow hedges	32 308	2 166	32 308	2 166
Financial liabilities measured at amortised cost	1 161 374	1 205 984	1 178 175	1 206 119
Reconciliation to the statement of financial position				
Trade and other receivables including amounts due by related parties	211 012	156 261	210 541	154 972
Cash and bank balances	66 352	47 351	62 595	29 024
Loans and receivables	277 364	203 612	273 136	183 996
Trade and other payables including amounts due to related parties	231 961	227 620	248 762	227 755
Bank overdraft	11 413	5 190	11 413	5 190
Long-term borrowings	918 000	818 730	918 000	818 730
Current portion of long-term borrowings	-	154 444	-	154 444
Financial liabilities measured at amortised cost	1 161 374	1 205 984	1 178 175	1 206 119

26.1 LIQUIDITY RISK MANAGEMENT

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

The group treasury had access to the following unsecured local banking facilities at 31 March:

	GROUP 2014 ZMW'000	GROUP 2013 ZMW'000
Local general banking facilities	**148 500**	118 500

26.2 INTEREST RATE RISK MANAGEMENT

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

The interest rate profile at 31 March 2014 is as follows:

	Floating rate		
	Less than one year	Greater than one year	Total borrowings
Borrowings (ZMW'000)	-	918	918
% total borrowings	0%	100%	100%

The group has no fixed rate facilities.

Interest rate sensitivity

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

	GROUP		COMPANY	
	2014 ZMW'000	2013 ZMW'000	2014 ZMW'000	2013 ZMW'000
If interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax for the year would decrease/increase by:	**5 027**	5 040	**5 031**	5 058

26.3 CURRENCY RISK MANAGEMENT

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

	ASSETS		LIABILITIES	
	2014 ZMW'000	2013 ZMW'000	2014 ZMW'000	2013 ZMW'000
Group				
US Dollars	**5 548**	5 774	**53 390**	23 947
SA Rands	**4 461**	9 110	**29 353**	39 794
Euros	**32 613**	6 632	**23 746**	2 938
Company				
US Dollars	**5 548**	4 982	**53 390**	23 947
SA Rands	**4 461**	9 110	**29 808**	39 226
Euros	**32 613**	6 632	**23 746**	2 938

Foreign currency sensitivity

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

10% foreign currency sensitivity

All figures in ZMW'000

	US DOLLAR		SA RAND		EURO	
	2014	2013	**2014**	2013	**2014**	2013
Group						
Monetary assets	**(555)**	(578)	**(446)**	(911)	**(3 261)**	(663)
Monetary liabilities	**5 339**	3 026	**2 980**	3 979	**2 375**	294
	4 784	1 817	**2 534**	3 068	**(886)**	(369)
Company						
Monetary assets	**(555)**	(498)	**(446)**	(911)	**(3 261)**	(663)
Monetary liabilities	**5 339**	2 395	**2 980**	3 923	**2 375**	294
	4 784	1 897	**2 534**	3 012	**(886)**	(369)

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

	RATES AT 31 MARCH		AVERAGE FOR YEAR	
	2014	2013	**2014**	2013
Kwacha/Rand	**0.58**	0.59	**0.55**	0.61
Kwacha/US dollar	**6.09**	5.42	**5.50**	5.17
Kwacha/Euro	**8.38**	6.93	**7.38**	6.66

The group has entered into certain forward exchange contracts to cover forecast foreign currency proceeds not yet receivable. The contracts will be utilised for purposes of trade during the 2015 financial year.

	GROUP 2014			GROUP 2013		
	Foreign currency million	**Average rate**	**Amount in ZMW'000**	Foreign currency million	Average rate	Amount in ZMW'000
Foreign currency sold						
US Dollar	37.6	6.02	226 324	31.0	5.52	171 245
Euro	17.1	8.12	138 844	26.3	7.41	194 461

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

26.4 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 2014, 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	
	2014	2013	**2014**	2013
	ZMW'000	ZMW'000	**ZMW'000**	ZMW'000
Not past due	**132 466**	96 662	**132 466**	96 662
Past due by 30 days	**26 309**	5 326	**26 309**	5 326
Past due by 60 days	**3 812**	3 334	**3 812**	3 334
Past due by 90 days	**227**	492	**227**	492
Past due over 120 days	**210**	566	**210**	566
	163 024	106 380	**163 024**	106 380
less : allowance for doubtful debts	**(879)**	(403)	**(879)**	(403)
Total trade receivables	**162 145**	105 977	**162 145**	105 977

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

26.5 CAPITAL RISK MANAGEMENT

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

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

27. RETIREMENT BENEFITS

Defined contribution pension scheme

Zambia Sugar provides retirement benefits for its employees through a defined contribution pension scheme which was established on 1 May 2002. The employer's contribution is recognised as an expense in the year in which the related services are rendered by the employees. The group expensed an amount of ZMW10.6 million (2013: ZMW8.7 million) during the year in respect of this scheme.

The group also contributes to the National Pension Scheme Authority (NAPSA), a defined contribution scheme, for its eligible employees as required by law. Membership is compulsory and monthly contributions are made by both employer and employees. The employer's contribution is expensed in the year in which it arises. The group expensed an amount of ZMW11.7 million (2013: ZMW8.9 million) during the year in respect of this scheme.

28. CONTINGENT LIABILITIES

There is a contingent liability estimated at ZMW0.5 million in respect of local industrial relations actions currently before the courts.

29 EVENTS AFTER THE REPORTING DATE

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

Notice is hereby given that the 52nd annual general meeting of the members of the company will be held at the Taj Pamodzi Hotel, Lusaka, Zambia on Wednesday 20 August 2014 at 11:00hrs to transact the following business:

1. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

2. FINANCIAL STATEMENTS

To receive and adopt the annual financial statements for the year ended 31 March 2014.

3. ELECTION OF DIRECTORS

i. To confirm the appointment of Mr J P Hulley who was appointed as director since the previous annual general meeting.

ii. To re-elect Messrs M H Abdool-Samad, F M Banda, G B Dalgleish and I G Parrott who retire by rotation, in terms of the Companies Act, and who, being eligible, offer themselves for re-election.

4. APPROVAL OF DIRECTORS' FEES

That unless otherwise determined by the company in general meeting, the annual fees payable by the company to directors for the year ending 31 March 2015 be revised to ZMW145 000 (2014: ZMW135 000), ZMW150 000 (2014: ZMW140 000) for committee members and ZMW172 000 (2014: ZMW160 000) for the board chairman and be approved with effect from 1 April 2014.

5. APPOINTMENT OF AUDITORS

To confirm the reappointment of the auditors, Deloitte & Touche, for the year ending 31 March 2015 and to authorise the directors to determine the auditors terms and remuneration.

6. DECLARATION OF FINAL DIVIDEND

That a final dividend of ZMW0.02 per share, for the year ended 31 March 2014, as recommended by the directors, be declared to all shareholders registered in the books of the company, at close of business on 5 September 2014 and payable on 8 September 2014.

7. OTHER BUSINESS

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

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy need not be a member of the Company. Proxy forms should be forwarded so as to reach the Company's registered office or the transfer secretaries not later than 10:00hrs on Monday 18 August 2014.

By order of the Board

Mwansa M. Mutimushi
Company Secretary
6 May 2014

Shareholder's 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		June

DIVIDENDS

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

Shareholders are reminded to notify the transfer secretaries of any change in postal address, dividend payment mode and applicable bank account details for dividend payment.

Corporate Information

Secretary	:	Mwansa M Mutimushi
Business address and Registered office	:	Nakambala Estate, Mazabuka, Zambia
Postal address	:	P O Box 670240, Mazabuka, Zambia
Telephone	:	(260) 21 3 231106
Fax	:	(260) 21 3 230385
Email address	:	MMutimushi@zamsugar.zm
Website address	:	www.illovosugar.co.za
Transfer secretaries	:	Corpserve Transfer Agents Ltd Plot No 3671 House No 6 Mweleshi Rd, Olympia Park, Lusaka, Zambia.
Postal address	:	P O Box 37522, Lusaka, Zambia
Telephone	:	+260 211 256969, 256970
Fax	:	+260 211 256975
E-mail address	:	info@corpservezambia.com.zm
Auditors	:	Deloitte & Touche
Bankers	:	Barclays Bank of Zambia, Citi-Bank Zambia, FNB Zambia Stanbic Bank Zambia, Standard Chartered Bank Zambia, Zambia National Commercial Bank Finance Bank

Zambia Sugar Plc | Form of Proxy

For the 52nd Annual General Meeting

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

of ____(address)

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

Number of votes ________
(1 share = 1 vote)

do hereby appoint

1. __________________________ of ____________________ or failing him/her

2. __________________________ of ____________________ or failing him/her

3. the chairman of the meeting

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the Taj Pamodzi Hotel, Lusaka, Zambia on Wednesday 20 August 2014 at 11:00hrs and at any adjournment thereof as follows:

		Mark with 'X' where applicable		
Resolution No.	**Agenda Item**	**For**	**Against**	**Abstain**
1.	Approval of the minutes of the previous meeting			
2.	Adoption of the audited 2014 annual financial statements			
3.	Election of directors			
	CONFIRMATION OF APPOINTMENT OF DIRECTORS			
3.1	J P Hulley			
	RE-ELECTION OF DIRECTORS			
3.2	M H Abdool-Samad			
3.3	F M Banda			
3.4	G B Dalgleish			
3.5	I G Parrott			
4.	Approval of directors' fees			
5.	Re-appointment of Deloitte & Touche as auditors			
6.	Declaration of final dividend			

Signed at ________________________ on this ______ day of ____________________ 2014

Signature ____

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

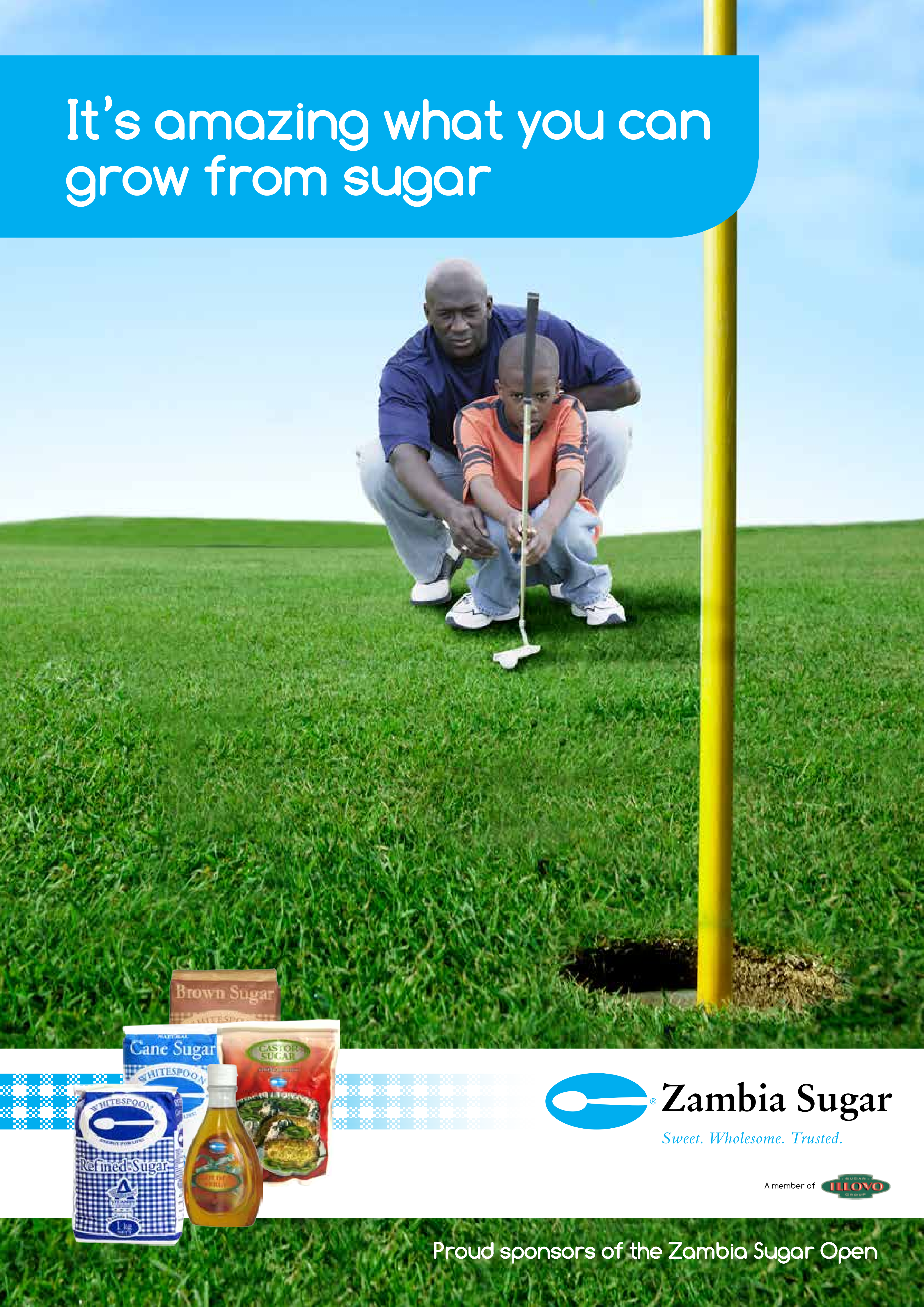
Full name/s of signatory/ies if signing in a representative capacity (see note 4)____________________

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 10:00hrs on Monday 18, August 2014.
6. The delivery of the duly completed proxy form shall not preclude any member or his/her duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
7. If two or more proxies attended the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.

Notes

Notes


It's amazing what you can grow from sugar
Brown Sugar
Cane Sugar
CASTOR SUGAR
Refined Sugar
Zambia Sugar
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