2019 | ANNUAL REPORT

TRANSFORM.

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SUSTAIN.

Zambia Sugar

AN ILLOVO SUGAR AFRICA COMPANY

VISION

"To be a diversified, consumer-centric, world-class agricultural business, delivering shareholder value and creating thriving communities."

CONTENTS

KEY FEATURES

KEY FEATURES	August 2019	August 2018
Revenue (K'000)	**2 955 958**	2 362 468
Operating profit (K'000)	**605 741**	387 601
Profit for the year (K'000)	**269 394**	156 394
Earnings per share (ngwee)	**83.3**	48.2
Headline earnings per share (ngwee)	**81.6**	43.9
Dividends per share (ngwee)	**8.0**	-
Number of shares in issue (000)	**316 571**	316 571

FINANCIAL HIGHLIGHTS

Profit For The Year
Million Kwacha

K 269.4
August 2018: K 156.4

Operating Profit
Million Kwacha

K 605.7
August 2018: K 387.6

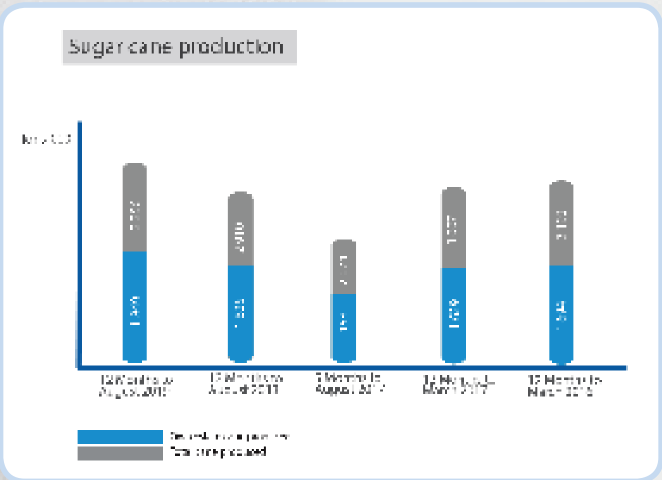
Earnings Per Share
Ngwee

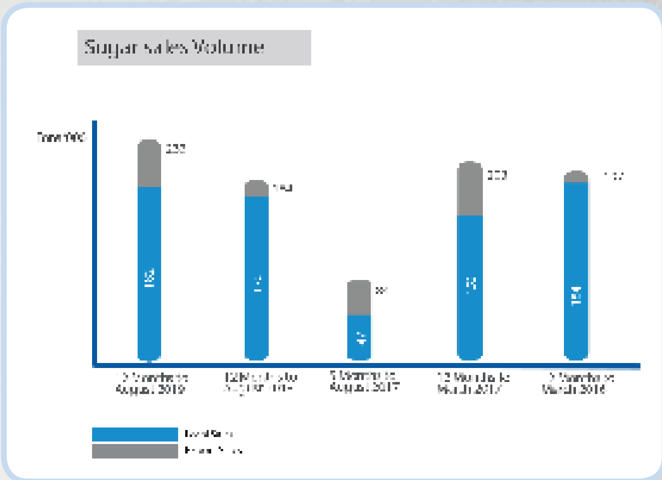
83.3
August 2018: 48.2

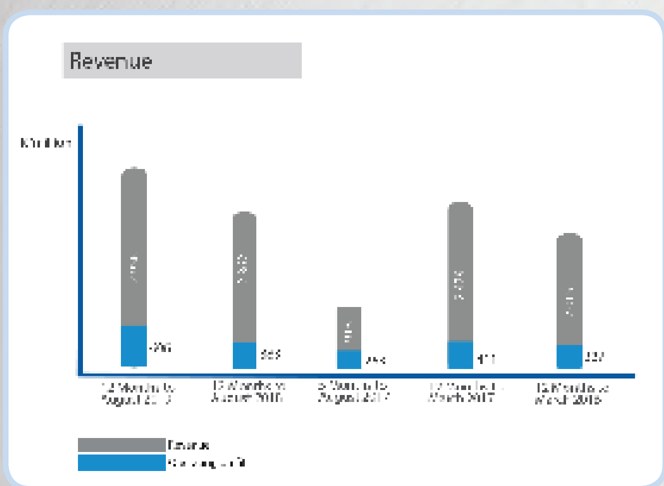
Sales Revenue
Billion Kwacha

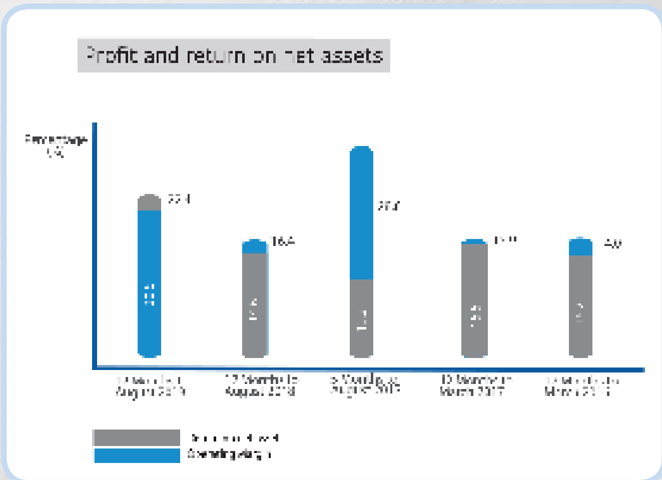
K 2.96
August 2018: K 2.36

FIVE YEAR REVIEW









GROUP

PRODUCTION & SALES			August 2019 Tons '000	August 2018 Tons '000	5 months ended August 2017 Tons '000	March 2017 Tons '000	Restated March 2016 Tons '000
Own estate cane produced			**1 849**	1 625	1 158	1 639	1 694
Total cane milled			**3 356**	2 910	2 074	3 007	3 102
Sugar production			**399**	351	249	359	380
Cane sugar ratio			**8.41**	8.29	8.33	8.38	8.16
Sugar sales			**415**	354	131	361	381
Local			**182**	170	47	153	184
Export			**233**	184	84	208	197
Molasses sales			**129**	94	36	104	103
Local			**50**	44	20	49	42
Export			**79**	50	16	55	61

FINANCIAL	Notes		K '000	K '000	K '000	K '000	K '000
Statement of comprehensive income							
Revenue			**2 955 958**	2 362 468	912 829	2 479 348	2 015 435
Operating profit			**605 741**	387 601	262 707	410 508	327 416
Net financing costs			**(299 492)**	(242 530)	(151 674)	(469 791)	(221 915)
Profit/(loss) before taxation			**306 249**	145 071	111 033	(59 283)	105 501
Taxation			**(36 855)**	11 323	(19 459)	(814)	(19 905)
Profit/(loss) for the year			**269 394**	156 394	91 574	(60 097)	85 596
Attributable to non-controlling interest			**(5 664)**	(3 752)	(2 507)	(6 512)	(5 461)
Profit/(loss) attributable to shareholders of Zambia Sugar Plc			**263 730**	152 642	89 067	(66 609)	80 135
Other comprehensive income/(loss)			**32 798**	(45 433)	13 517	39 802	19 938
Total comprehensive income/(loss) for the year attributable to shareholders of Zambia Sugar Plc			**296 528**	107 209	102 584	(26 807)	100 073
Statement of financial position							
Property, plant and equipment			**1 901 875**	1 913 060	1 920 001	1 931 227	1 826 528
Intangible asset			**67 902**	67 902	67 902	67 902	67 902
Current assets			**1 650 730**	1 429 082	1 634 257	1 376 091	1 308 641
Net cash and bank balances			**313 017**	200 666	290 920	160 365	77 694
Borrowings			**(1 631 697)**	(1 640 924)	(1 680 260)	(1 647 914)	(1 582 439)
Deferred tax liability			**(138 357)**	(121 262)	(143 428)	(127 585)	(129 092)
Current liabilities			**(750 791)**	(693 907)	(1 045 737)	(816 796)	(601 169)
Net asset value			**1 412 679**	1 154 617	1 043 655	943 290	968 065
Profitability and asset management							
Operating margin		%	**20.5**	16.4	28.8	16.6	16.2
Return on net assets	1	%	**22.4**	14.6	10.2	15.9	14.0
Liquidity and borrowings							
Current ratio	2	times	**2.6**	2.3	1.8	1.9	2.3
Interest cover	3	times	**2.0**	1.6	1.7	0.9	1.5
Net debt : equity	4	%	**93**	125	133	158	155
Gearing	5	%	**48**	56	57	61	61
Earnings and dividends per share							
Earnings per share	6	ngwee	**83.31**	48.22	28.13	(21.04)	36.12
Headline earnings per share	7	ngwee	**81.56**	43.95	28.13	(21.03)	35.95
Dividend per share	8	ngwee	**8.0**	-	-	-	-
Dividend cover	9	times	**10.19**	-	-	-	-
Dividend paid		K '000	**-**	-	-	-	47 486
LuSE statistics							
Ordinary shares in issue		'000	**316 571**	316 571	316 571	316 571	316 571
Weighted average number of shares		'000	**316 571**	316 571	316 571	316 571	316 571
Net asset value per share	10	K	**4.46**	3.65	3.30	2.98	3.06
Market price per share at year end		K	**2.71**	2.71	2.70	2.70	4.78
Dividend yield at year end	11	%	**3.0**	-	-	-	0.0
Price: headline earnings ratio	12	%	**3.3**	6.2	9.6	(12.8)	13.2

NOTES TO THE FIVE YEAR REVIEW

1. Return on net assets

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

2. Current ratio

Current assets divided by current liabilities.

3. Interest cover

Profit from operations divided by net financing costs.

4. Net debt: equity ratio

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

5. Gearing

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

6. Earnings per share

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

7. Headline earnings per share

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

8. Dividend per share

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

9. Dividend cover

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

10. Net asset value per share

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

11. Dividend yield at year end

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

12. Price: headline earnings ratio at year end

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

VALUE ADDED STATEMENT

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

During the period under review, K1 277 million (August 2018: K959 million) was created. Of this amount, K895 million (August 2018: K718 million) was distributed to employees, providers of capital and to government. Of the wealth created, 45% (August 2018: 49%) was paid to employees.

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

	Group		Company	
	August 2019 K '000	August 2018 K '000	**August 2019 K '000**	August 2018 K '000
Wealth created				
Revenue	**2 955 958**	2 362 468	**2 955 958**	2 362 468
Dividend income	**-**	-	**16 746**	-
Paid to growers for cane purchases	**(659 162)**	(500 698)	**(731 422)**	(617 584)
Manufacturing and distribution costs	**(1 019 636)**	(902 483)	**(1 022 101)**	(839 547)
	1 277 160	959 287	**1 219 181**	905 337
Wealth distributed				
To employees as salaries, wages and other benefits	**571 565**	469 813	**544 663**	447 229
To lenders of capital as interest	**299 492**	242 530	**302 022**	247 327
To shareholders as dividends	**-**	-	**-**	-
To government as taxation	**23 404**	5 795	**18 582**	673
	894 461	718 138	**865 267**	695 229
Wealth reinvested				
Retained profits	**263 730**	152 642	**245 126**	130 104
Depreciation	**105 518**	105 625	**96 261**	97 023
Deferred taxation	**13 451**	(17 118)	**12 527**	(17 019)
	1 277 160	959 287	**1 219 181**	905 337
Amounts paid to government for taxation excludes the following:				
Employees tax deducted from remuneration	**87 212**	78 873	**86 025**	77 885
Net VAT amount paid to government	**29 821**	101 579	**36 754**	100 332
Customs and excise duties	**23 316**	16 273	**18 136**	15 809
Withholding taxes and Withholding VAT collected on behalf of government	**261 906**	187 252	**258 921**	186 882
	402 255	383 977	**399 836**	**380 908**

Wealth Created **K1.277 bn**

Wealth Distributed **K894 m**

Wealth Reinvested **K383 m**

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the 2019 Annual Report to you, our esteemed shareholders. The year under review shows positive momentum, and strong results gained in a difficult operational and economic environment.

A year ago, I presented the 2018 report with a focus on making the business resilient to various economic and social challenges whilst positioning it for growth. This was in light of the changes that the business was undertaking in operational optimisation while keeping an eye on emerging and recurring external factors to ensure the right course of action.

OPERATIONAL PERFORMANCE

A review of the operational performance indicates that our principal operations in factory and agriculture recorded significant improvements. The business set out to build on the positive technical performance from the previous year and thus implemented a number of initiatives in the factory and agriculture operations.

As has been highlighted in this report, the period under review has shown that while the road to sustainability is still bumpy, important improvements were noted in operational performance. Sugar cane supply increased by 15% during the year to 3 356 000 tons, and sugar production increased to 399 000 tons. Both commendable statistics.

Progress was recorded in both domestic and export markets. The introduction of affordable pack sizes on the domestic market had a positive impact on market penetration. In the domestic market, the company achieved 182 000 tons of sugar sales, up from 170 000 tons the previous year. A total of 233 000 tons were sold into the export markets, as compared to 184 000 tons in the previous year.

FINANCIAL PERFORMANCE

The improvement in technical performance and sales volumes translated into positive financial performance in the year under review. Significant to note is that revenue increased by 25% to K2.96 billion (2018: K2.36 billion) and our operating profit improved by 56% to K606 million (2018: K388 million), while earnings per share improved by 73%. These strong results were achieved amidst a constrained economic environment and difficult trading conditions. It is indeed a good sign that the business is on the right track to delivering positive shareholder value.

The Group made headway into reduction of its external debt by repaying K140 million principal debt of the external loan during the year. The balance will be repaid in full by July 2020. All external loan interest commitments were met. During the year, interest on related party loans amounting to K158 million was capitalised in order to facilitate the repayment of short term foreign currency liabilities. The Group is expected to commence repayments of related party loans during the 2020 financial year.

The Group remains highly indebted at year end and continues to focus on key initiatives to reduce the debt burden on the business in a high interest rate environment.

OTHER HIGHLIGHTS

I wish to report to you that Zambia Sugar purchased the minority shareholding in Nanga Farms Ltd during the year. This is a valuable investment for the business as it seeks to increase productivity and efficiencies within Nanga Farm.

CHALLENGES

Operational challenges

The consequences of climate change continue to impact the company operations. The effect of drought has been felt through the infestation of pests and diseases in prior years. Drought affects the company in two ways; firstly, due to the reduced water availability in the Kafue River impacting on the irrigation operations. Secondly, the countrywide low water levels impact Zesco's ability to generate electricity from the hydro-electric power stations. Whilst the factory is self-sufficient on electricity during the crushing season, irrigation operations are supplemented with electricity from the national grid. The company's outgrowers are also solely reliant on electricity from Zesco. The impact of the load shedding by Zesco is reduced water on the sugar cane crop which may result in lower yields in the 2020 season.

Macro-economic challenges

The macro-economic environment continues to present challenges such as the effects of the devaluing Kwacha, increasing fuel prices, the financial impact of load shedding and the increasing cost of finance. These factors have contributed towards rising inflation and lower levels of disposable income for our customers.

Management focused on reducing the cost of production in order to deliver high quality, affordable products to meet the market demands.

RESPONSE TO CHALLENGES

It is encouraging that the business' response to the challenges has been proactive in many respects. Chief among the strategies being undertaken is to make the company climate resilient and embed in the operations cost optimisation initiatives. I am glad to report to you that the Board continued to direct management in sustaining optimisation strategies aimed at bolstering operational health. As reported in the previous report, the company continued with Project 400, which is meant to reset the cost base and eliminate waste. This initiative continued its momentum during the year under review and the business recorded meaningful savings which contributed to the improvement in the operating profit.

A number of commendable initiatives were implemented that were aimed at organisational transformation. In addition to the voluntary separation programme undertaken in the previous year, management implemented a recruitment freeze in the year under review. Employee structures and skills are consistently reviewed and capability development prioritised for the long-term sustainability of the business.

OUTLOOK

While we continue to face headwinds in the business, we remain optimistic about the future. Among the positives driving optimism is the improved agricultural performance, implementation of commercial imperatives and factory throughput capability.

We are encouraged by the significant effort by management to implement cost reset measures that are not only progressive but also strengthening the balance sheet. You can be assured that the management will continue to focus on degearing the business in order to deliver value.

APPRECIATION

I would like to appreciate you, our shareholders, for your continued support. I wish to assure you that your Board will continue to review the business operations and to support management in implementing sound strategies to add value. It is our resolve to push the performance upwards to ensure that all the gains attained in the period under review are sustained and set to increase profitability in the future.

May I also recognise the employees and management for the great efforts in continuing to drive business improvement and profitability against the backdrop of the challenging business environment.

Zambia Sugar employees have been supportive and responsive to the transformational changes and they continue to support management in the endeavours to improve operational performance. It is satisfying to see that the efforts are starting to bear fruit. Finally, to fellow Board members, I greatly appreciate your leadership, sound guidance and unwavering support to the business during the year as we executed the mandate of providing policy direction. Allow me to particularly acknowledge and thank three Board members whose journey came to an end: Ms Monica Musonda who has served on the Board for 3 years, Ms Faith Mukutu who served for one and half years as Finance Director and Mr Mohammed Abdool-Samad, who served on the Board of Zambia Sugar since 2011 when he joined Illovo as Group Financial Director. I take this opportunity to thank them for their services to the Company.

I also happily welcome Mr Norman Mbazima, who was appointed to the Board during the year. Having previously served on the Zambia Sugar Board, Mr Mbazima comes back with a wealth of knowledge and experience gained from Anglo America South Africa where he was Deputy Chairman of the Group and remains a member of the Group Management Committee. I also welcome Mr Craig Taylor appointed to the Board during the year having been appointed interim Finance Director of Illovo Sugar Africa (Pty) Ltd. I trust you will be able to complete the formality by voting for them at the AGM.

DIVIDEND

It is with great pleasure that I announce that the Board has proposed a final dividend of 8 ngwee per share. Whilst this is not the level of return that you, our valued shareholders may desire, it does show that the business is moving in the right direction. The business remains highly indebted, and the key imperative is to reduce these debt levels in the short to medium term. A strengthened balance sheet will undoubtedly drive greater returns in the future.

Finally, I thank you all for your unwavering support.

Fidelis M. Banda
Board Chairman
29 October 2019

BOARD OF DIRECTORS

The Company has a unitary Board of Directors comprising of 10 members.

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

New appointments to the Board are carried out in a transparent manner and are made in accordance with the recommendations of the Remunerations and Nominations Committee and, following approval of the Board, are subject to confirmation by shareholders at the next annual general meeting. The Board responsibilities are set out by the Board Charter, which requires that there is an appropriate balance of power and authority on the Board. The Board Charter is reviewed annually and during the period under review, the Board satisfied its responsibilities in compliance therewith. The Board is responsible for the overall stewardship of Zambia Sugar Plc.

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

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

NON-EXECUTIVE INDEPENDENT DIRECTORS

FIDELIS M. BANDA (68), ACIS, FCMA, CGMA, FZICA - Chairman of Nomination Committee

Mr Fidelis Banda is Chairman of the Board as well as Chairman of the Nomination Committee.

He was appointed to the Board in 2001 as a non-executive director. His association with Zambia Sugar started 44 years ago when he was appointed as management trainee and rose through the ranks to become Finance Director/Company Secretary in 1995.

He took early retirement in 2002 but was retained on the Board as an independent non-executive director. Mr Banda is also a director of other companies.

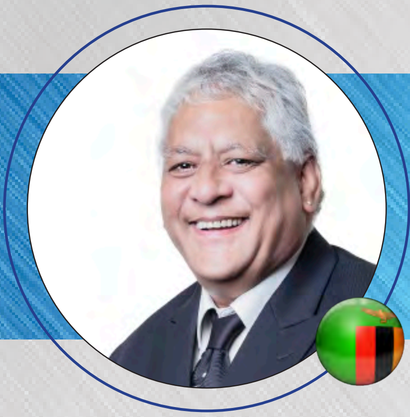
AMI R. MPUNGWE (68), BA (Hons)

Mr Ami Mpungwe was appointed director of the Company in 2006. He brings a wealth of experience gained as a non-executive director of two other Illovo subsidiaries; Illovo Sugar (Malawi) Limited and Kilombero Sugar Company Limited in Tanzania.

He is also a director of a number of other companies in Tanzania and has had over 25 years' experience in the Tanzanian Government which included serving as a Deputy High Commissioner accredited to Zambia from 1979 to 1985.

Mrs Rebecca Katowa, MD, in conversation with Mr Robert Liebenthal, a shareholder after the 57th AGM.

NON-EXECUTIVE INDEPENDENT DIRECTORS



DIPAK K. A. PATEL (66)

Mr Dipak Patel was appointed to the Board of Zambia Sugar in 2006. A businessman and chairman of various companies, Mr Patel previously served as Member of Parliament for Lusaka Central Constituency for 15 years and also held ministerial positions during this time including Minister of Commerce, Trade and Industry.

He is an advocate on the need to address Third World poverty through fair trade. In addition, he is a member of the Board of Trustees of the Investment Climate Facility, nominated by the Department for International Development of the United Kingdom.

NORMAN B. MBAZIMA (61)
FCCA, FZICA

Mr Norman Mbazima was appointed to the Board on 26th February 2019. He began his career in accounting roles at Zambia Consolidated Copper Mines (ZCCM), before spending 17 years with Deloitte and Touche.

He has extensive experience in the Anglo America Group since joining in 2001.
He worked for Kumba Iron Ore, a business unit of Anglo America. He was appointed to the board of Anglo America South Africa as the Deputy Chairman in June 2015. Previously he was the CEO of Thermal Coal, CEO of Scaw Metals, Finance Director and Acting CEO of the Platinum business unit, CFO of the former Anglo Coal business unit - KCM.

On 1 September 2016, he became full time Deputy Chairman of Anglo America South Africa and remains a member of the Group Management Committee.

Mr Graham Rolfe, Operations Director, talking to Mr Zoran Zuze from Meliora Consultancy Ltd at the 57th AGM.

Zambia Sugar Chairman Mr Fidelis Banda (standing) with Board members addressing shareholders during the 57th Annual General Meeting.

EXECUTIVE DIRECTORS

REBECCA M. L. KATOWA (59) BA, MBA, DipM, MCIM, FZIM

Mrs Rebecca Katowa is the Managing Director of Zambia Sugar Plc. She joined the company in 1996 as Marketing Services Manager and in 2001 became company Marketing Director.

She was appointed to the Board in 2002. She holds a Bachelor of Arts degree with double major in Economics, Geography and Library Science from University of Zambia (UNZA), a post graduate Diploma in Marketing from the Chartered Institute of Marketing (UK) and a Master's in Business Administration (MBA) from the Copperbelt University.

She is a professional marketer with a track record of delivering strong business performance. She is a member of the Chartered Institute of Marketing (CIM-UK) and a fellow of the Zambia Institute of Marketing.

FAITH M. MUKUTU (38) BSc, FCCA, FZICA

Ms Faith Mukutu joined Zambia Sugar as Finance Director on 19th February 2018. Ms Mukutu joined Zambia Sugar from Zambian Breweries Plc, a member of ABInBev, where she held the position of Finance Director.

She has over 15 years' experience in Finance and Audit functions having started her career at PricewaterhouseCoopers. She was appointed as Finance Director of Zambian Breweries Plc, National Breweries Plc and Heinrich's Syndicate Ltd and took up seats on the three boards in November 2015. This was after she moved from Maluti Mountain Brewery, a SAB-Miller Plc subsidiary in Lesotho, where she served in the same capacity from 2011.

Ms Mukutu resigned from the company with effect from 1 September 2019.

GRAHAM M. ROLFE (58) BSc. Elec Eng, GCC, Pr Eng MDP

Mr Graham Rolfe was appointed to the Board in November 2016 following his appointment as Operations Director in October 2016.

From 1987 to 1993 he worked in various positions within the power generating industry.

He joined the sugar industry in 1993 serving in various operations roles within TSB Sugar. He was appointed General Manager of Komati Mill in 2002 and later served at two sugar mills for TSB sugar in the same capacity.

He served as a member of the TSB Executive Team until 2014. Projects accredited to his career include the building and expansion of Komati Mill and the Zambia Sugar Product Alignment and Refinery (PAAR) which was successfully completed in June 2016.

Cane fields under centre pivots at Nakambala Estate - Mazabuka

NON-EXECUTIVE DIRECTORS

GAVIN B. DALGLEISH (53) MScChem Eng

Mr Gavin Dalgleish is the Group Managing Director of Illovo Sugar Africa (Pty) Ltd. He was appointed to the Board of Zambia Sugar in 2012. He assumed the position of Operations Director for Illovo Sugar Limited (ISL) (now Illovo Sugar Africa (Pty) Ltd) in 2012, and was appointed Managing Director in September 2013.

He holds a master's degree in Chemical Engineering and first joined Illovo in 1988.

He has since held a number of technical, business development, operational and general management positions in Illovo. He spent three years leading the Australia-based global technology unit of AB Mauri, a yeast business which is a subsidiary of Illovo's holding company, Associated British Foods plc before returning to Illovo in December 2010.

CRAIG P. TAYLOR (49) BComm, CA (SA)

Mr Craig Taylor was appointed to the Board on 1st August, 2019. He is a senior finance professional and holds a Bachelor of Commerce – Accounting, Post Graduate Diploma in Accounting and is a Chartered Accountant (South Africa).

He was appointed to the Board on 1st August 2019 having been appointed as Illovo Sugar Africa Interim Group
Finance Director. Prior to this appointment he was Group Head of Finance from January 2018 to April 2019. He joined Illovo from Microsoft Corporation, USA where he worked from 2006 to January 2016 first as senior finance manager and rose to positon of Finance Director.

He also worked for T-MOBLIE USA, from 2005 to 2006 as Senior Finance Manager of Business Operations and Logistics. Between 2003 and 2005 he worked at Cranium Games Seattle USA.

DR. NELIS SAAYMAN (49) PhDChemEng

Dr Nelis Saayman was appointed to the Zambia Sugar Board on 1 May 2018. He is a qualified chemical engineer and previously served as Senior Vice President: Group Planning and Optimisation of the Sasol Group.

He holds a PhD in Chemical Engineering from Stellenbosch University, a Master's Degree in Business Leadership from the University of South Africa and B.Eng. (Chemical) (cum de laude) from Stellenbosch University.

He has years of varied technical, operational and business experience in various roles including at top management level. He is currently Illovo Sugar Africa (Pty) Ltd Group Operations Director.

Cane haulage at Nakambala Estate - Mazabuka

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

It is my pleasure to share the annual results of the Zambia Sugar Group for the financial year ended 31 August 2019. I am pleased with the strong performance of the business despite the challenging operating environment. You will recall that in the previous financial year, I reported that the business had undertaken various cost-reset initiatives to mitigate the numerous headwinds we were facing. I had indicated that these initiatives had begun to bear fruit and this is further evidenced in our 2019 financial performance. I am positive that the business is on the right path after a difficult number of years.

MILESTONES

We have continued to pursue opportunities within our sphere of influence to help the business mitigate these challenges through the following priority areas of our strategy, namely to;

- Commercialise the business,
- Secure our cane supply,
- Optimise our factory operations, and
- Achieving our cost and revenue targets.

Continuous Improvement (CI) remains a focus point with a significant and positive impact on our business particularly in agriculture, where such initiatives have seen a marked improvement in our cane yields. In the year under review, we have implemented new ways of working on 15 of the total 20 farms on the estate, aimed at ensuring that the agriculture practices and processes are as efficient, accurate and effective as possible. To this end we have recorded an increase in cane production with a total cane supply of 3 356 000 million tons in the 12 months to 31 August 2019, of which 1 849 000 tons was supplied by our estate.

One of the highlights of the commercial journey we embarked on three years ago, with the launch of our commercial imperatives campaign, has been the actualisation of the Optimised Product Portfolio. This initiative has been implemented through the Project Pamodzi, which resulted in the launch of two new pack formats – both the new 195g and 330g Whitespoon Brown Sugar packs have proved very popular in the marketplace. In the same vein, we re-designed our original Whitespoon packaging to enhance the Whitespoon brand and improve the look and feel of our products.

We continue to focus on improving our plant maintenance programmes to drive plant reliability and performance, whilst striving to achieve our expansion targets in agriculture and factory performance. During the financial year sugar production increased to 399 000 tons compared to 351 000 tons in the previous financial year.

CHALLENGES

The recurring and persistent challenges in our operating environment continue put pressure on the company's cost base, resulting in the erosion of certain cost-reset initiatives already delivered. In response, the business continues to direct its efforts to address those aspects of our performance where we have the greatest opportunities for production

and/or financial improvements.
The drought has had a telling effect on the economy, notably in the agriculture sector. The failed crops have impacted on the disposable income of everyday Zambian citizens, and food shortages have been prevalent.

Further, power shortages and subsequent load shedding have continued to put a strain on the economy and the business.

Zambia has continued to see an increase in illegally imported sugar trading in the local market. The negative impact of this activity has been compounded by the presence of counterfeit sugar in our domestic market. We are grateful for the crackdown by law enforcement agencies but unfortunately, since the initial policing of this activity, there has been a resurgence of counterfeit sugar in last quarter of the year.

STRATEGIC RESPONSE

Management and staff have responded to the various challenges by embarking on a programme of enhanced transformation projects to enable the business thrive and become more sustainable.

This company-wide transformation programme dubbed “Fit4Future” is aimed at simplifying how we do business by prioritising initiatives that reduce complexities. Through the Fit4Future programme, we are in the process of implementing a new operating model geared towards the business achieving its strategic growth ambition.

Some of the “must win battles” that have set the tone for Fit4Future include: external spend reduction, mill frontline efficiency and recoveries, margin enhancement and agricultural productivity.

These elements form our 2022 ambition of being a consumer centric business with roots in growing sugarcane and making sugar and sugar related products.

ADVOCACY

Our efforts in advocacy continue to be focused on engagements with key stakeholders on a number of issues ranging from the challenge of counterfeit products on the market to policy issues that have a direct impact on the business, such as new legislation, trade frameworks such as the Tripartite Free Trade Area (TFTA) and the African Continental Free Trade Area (ACFTA).

A measured implementation of trade protocols and regulatory instruments will benefit the private sector and ensure spurred economic growth and ultimately contribute to the GDP of the economy.

I am pleased to inform you that the sugar industry stakeholders have agreed to the formation of the Sugar Association of Zambia (SAZ) to advocate on the sugar industry regulatory framework.

The objectives of the proposed Association include among others:

1. Advocate for the development of a regulatory framework for the Zambian Sugar Industry that will regulate sugarcane and sugar production, processing, marketing (domestic sales and exports) in a fashion that will, in the context of distorted global sugar markets, establish sustainable opportunities for all sugarcane and sugar producers in Zambia;

2. Foster the development of the sugarcane based industry in Zambia and promote the improvement of cultivation and manufacturing practices, quality control and packaging of sugar and other related sugarcane mainstream products, including electricity generation and ethanol production;

3. Advocate for national standards in bio-safety and bio-security in the sugar industry with particular focus on cane varieties, pest and disease control and seed cane availability.

SAFETY CULTURE

In the period under review, we have seen a significant improvement in our overall safety performance with injury rates and statistics showing that we are close to achieving our Target Zero ambition. We are beginning to develop a safety culture moving from a reactive and policing culture, to a desired proactive “safety-vigilant” culture, where safety ownership is internalised by everybody. This has seen an overall improvement in all safety indicators and overall balanced scorecard.
This improvement in safety performance has been a result of a number of initiatives put in place to curb the negative safety trends. The business has continued to reinforce “Four Steps to Safety” campaigns; delivery of the improved safety induction videos for all people on site; and the implementation of safe behaviour coaching that focuses on managing negative behaviours that have a detrimental impact on safety.

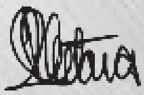
This is being done through addressing the reasons why employees decide to engage in unsafe behaviours, and also through disciplinary action. Management continue to show visible safety leadership to the workforce by undertaking regular “Gemba” walks. These initiatives will continue until the Safety culture reaches a stage of vigilance, where Safety is a fundamental part of the company’s culture and everyone plays an important role in continuing to improve the safety culture.

FUTURE OUTLOOK

Our aim is to continue on the cost-reset trajectory in order to achieve our cost targets, grow revenue, pay down our debt and position the business for growth. We will do this by maintaining a safe and conducive environment for our employees and through our Creating Shared Value (CSV) strategy which calls for the implementation of initiatives and projects in collaboration with the communities for the benefit of both shareholders and the broader community of Zambia.

I am confident that my management team and all employees are committed to ensuring that we deliver consistently on our vision.

I thank you.



Rebecca M. L. Katowa
Managing Director
29 October 2019

MANAGEMENT TEAM

REBECCA M. L. KATOWA
BA, MBA, DipM, MCIM, FZIM
Managing Director

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

GRAHAM M. ROLFE
BSc. Elec Eng, GCC, Pr Eng, MDP
Operations Director

Responsible for agriculture and factory operations, safety, health, environment and risk (SHER), as well as quality and food safety.

FAITH M. MUKUTU
BSc, FCCA, FZICA
Finance Director

Responsible for financial, performance analysis, internal and external financial reporting, treasury and corporate finance functions, business development and information technology.

CHEMBE KABANDAMA
MBA, BSc.Eng, CIMA
Marketing Director

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

MWANSA M. MUTIMUSHI
LLB, AHCZ, ASCZ, LMM, MedArb
Company Secretary and Legal Counsel

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

JAPHET BANDA
Mcom Rhodes, PDEM Rhodes, DJourn
Human Resources Director

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

ANTHONY H. DOMLEO
BComm, NDA
Agriculture Manager

Responsible for agricultural operations and smallholder development.

MCLEAN DEBWE
BChemEng, ALChemE
Factory Manager

Responsible for Factory operations and manufacturing.

STUART S. FORBES
BTech Mgt, ABP
Supply Chain Manager

Responsible for procurement, inventory, logistics and warehousing.

Employees at work in factory packaging plant

SUSTAINABILITY REPORT

Zambia Sugar's thriving community agenda continues to make significant impact in the communities in which we operate. Through its value chain, the company has implemented various measures in the aspects of socio-economic impact, safety, health environment and risk management, human capital, product responsibility and continuous improvement that demonstrate its commitment to sustainability.

SOCIO-ECONOMIC IMPACT

Creating Shared Value (CSV)
The CSV agenda remains a priority as the company seeks to advance responsible partnerships to empower more communities. A CSV initiative in road construction dubbed "Lubombo Road Project" that we commenced last year with various partners, demonstrated empowerment of 110 youths and four contractors and their supervisors with road construction skills.

During the demonstration phase 165 Lubombo youths engaged as general workers and cobblestone suppliers supported around 600 of their household members. The second phase of implementation of the project is set to commence in late 2019. In addition, the project would benefit a population of around 29 000 people who live in Lubombo and neighbouring communities which will result in multiplier benefits arising from increased opportunities, access to markets, and attraction of services such as banking and trading.

"Youths refer to young adults between the ages of 18-35years".

Youths engaged on the Lubombo road being constructed using labour based technologies as a CSV project.

Empowerment through Alternative Crops
In the quest to support small grower development, there are efforts to empower smallholder farmers with opportunities for growing alternative crops. During the year under review engagements were held with stakeholders to initiate joint activities to support alternative crops to enhance their food security and alternative incomes. A firm commitment with Solidaridad, a non-governmental organisation supporting rural communities in agriculture, was explored and engagements with farmers are expected to yield a feasible pilot project for farmers under the Magobbo Sugarcane Growers Trust (one of the smallholder schemes).

Thus. the company continues to develop partnerships for alternative crops and alternative land use to support food security and empower communities. This is part of the company's commitment to overall enterprise development where deliberate efforts are considered to promote small and medium enterprises.

Stakeholders after touring land portions proposed for the alternative crops project

Corporate Social Investment
The company maintains a spread of social services and supportive amenities on the estate benefiting our employees and their families. In addition these socio-economic benefits of the company interventions in communities continue benefit the wider Mazabuka community. Some of our on-going corporate social investments related to employee welfare services include investments in health, education, housing, sanitation, infrastructure and general welfare. In the year under review, the company spent a total of K45 million (K42m: 2018), of which K20.6 million (K17m: 2018) was spent on health services and medical facilities serving employees and their immediate family members.

Pupils at Kabanje Primary School receiving computers from the Zambia Sugar Electrical and Instrumentation team

SHER PERFORMANCE

Safety
Safety is a fundamental practice at Zambia Sugar and nothing starts without consideration of safety. During the year under review the company launched the Safety Enabler to the business transformational journey. This is among the highest priority areas for the business towards the achievement of its vision.

The safety enabler focuses on delivering a safety framework that builds confidence and trust towards the ultimate goal of working completely safe at Zambia Sugar in line with Illovo Group Vision 2022. It will also provide the foundation towards enabling the delivery of longer-term benefits, such as the personal safety of our employees and their loved ones outside of the workplace.
It is meant to create a safety brand that will be embedded into the way we do things at Zambia Sugar.

It is a demonstration that the company does not only take the management of operational safety risk as a compliance measure against national laws and Group Policies and standards, but as a business enabler to meet strategic ends. The Safety Health Environment and Risk (SHER) Systems and processes are implemented to the best standards to ensure they contribute to business continuity and sustainability. During the year under review, several activities were undertaken to support existing safety programmes such as Four-Steps-To-Safety and People Driven Safety through safe behaviour coaching.

Zambia Sugar Managing Director Rebecca Katowa's Safety Leadership Commitment video being played to the Vision Zero National Launch

Zambia Sugar SHER Manager Mwaala Sipilanyambe and Safety Coordinator Stella Mwale delivering a Partner presentation to the audience on Vision Zero Principle # 1 "Leadership Commitment"

The Company though its CSV approach has also been instrumental in spearheading our proactive safety approach on a national scale by sharing our strategy to the entire nation. We believe that safety is not only important at Zambia Sugar, but also at home and every corner of the country. As a result, we were recognised and appreciated as a strategic partner and as a leader in proactive safety management in Zambia by the Workers Compensation Fund Control Board. This was through the company's participation in the Vision Zero Campaign National launch activities around the country. Vision Zero is based on the belief that all occupational accidents and diseases are preventable and on the commitment of Vision Zero companies and partners to promote the three core values of the campaign: Safety, Health and Wellbeing, a philosophy we also share.

Health and Occupational Health
The health and occupational health policies help to support implementation of activities and practices that advance the promotion of health and reduction in risk behaviours. Significant investments are made in the health of our people and community. Not only are measures in place to protect workers against occupational health hazards and to safe guard the general health and well-being of employees, but also to ensure that the measures impacted all those who come into contact with our operations such as visitors to our operations and our communities.

Environment
The performance of the company in environmental management practices was satisfactory relative to the environmental regulations on air, land, water, ecology and noise. Compliance to regulatory and legislative obligations was satisfactory.

The company embeds and implements best practices in environmental management throughout the operations; enhancing on monitoring and performance mechanisms, measures performance against environmental regulations. There is strong commitment to the environmental governance best practices and accountability from the operation through to the Board of Directors.

The company was showcased on a promotional media campaign by the Zambia Environmental Management Agency (ZEMA) on account of its robust accountability and responsibility to sound environmental management and commitment.

Risk
Risk management is assured at the highest level of the management strategy and measures are undertaken to support business performance.

SUSTAINABILITY REPORT (Continued)

Quality and Food Safety

The Quality and Food Safety performance for the period under review was outstanding. The business successfully retained permits to supply certifications by institutions such as Zambia Compulsory Standards Agency (ZCSA) and the South African Bureau of Standards (SABS). Further, the Quality Management Systems (QMS) continue to impress with continuous improvement consolidation. These were reflected in the effective customer complaint closures, enhanced internal incidence management, as well as good performance of the Quality and Food Safety Scorecard.

People development continued to be the main focus during the period under review. Employee awareness in Quality and Food Safety requirements has shown a positive trend with all embracing it as a culture at Zambia Sugar. Further, engagement with various regulatory bodies within Zambia and countries where we export to has been helpful in developing a deeper understanding of compliance requirements. It has also helped to develop strategic partnerships fundamental to ensuring a food safety culture.

Workers in the packing station in the factory

In all, customer requirement standards in both local and export markets remain important focal points with zero tolerance to product quality failures. We work to ensure that our products remain the customers' choice in Africa.

Continuous Improvement

Our Continuous improvement efforts continue to support operational efficiencies through rolling out foundational best practices. During the year under review, a number of activities were promoted across the key operations to improve performance and behavioural change. There was extensive roll out of these activities across the business to maximise value. In particular, the 2018/19 further implemented initiatives in Agriculture, Factory, Supply Chain, and Civil Engineering operations.

Human Capital

A strategic driver to business performance is a productive and empowered workforce. Strategic measures are in place to optimise the attraction and retention of the best skilled manpower. In this regard, the Engaged Performance Management process was successfully operationalised. This also supports an agenda to support organisational transformation.

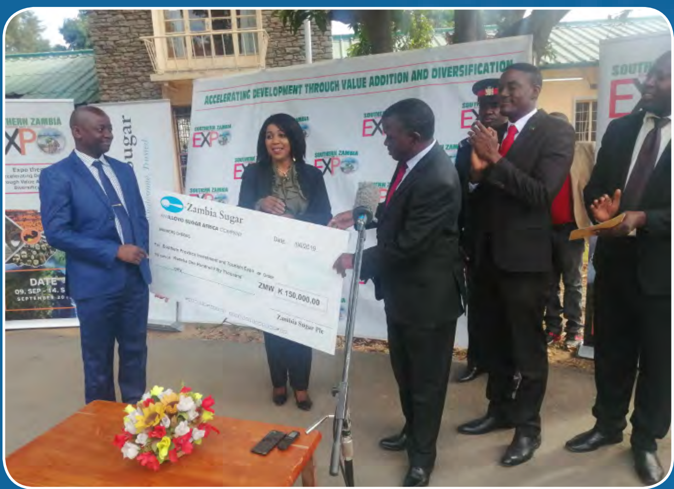
Overall, the company retained sound performance in implementation of key human resources policies and human development programmes which included learning and development, talent management and apprenticeship.

Employees during one of the continuous improvement training sessions


“Whitespoon Sugar Range – over 50 years of proven product quality”
WHITESPOON
PERFECT TOP UP PACK
Brown Sugar
WHITESPOON
ENERGY FOR LIFE
10kg NETT
ENERGY FOR LIFE
Household Sugar
Brown Sugar
NEW
Brown Sugar
Castor Sugar
Zambia Sugar
AN ILLOVO SUGAR AFRICA COMPANY
ILLOVO

PHOTO FOCUS

• National Council for Construction (NCC) principal training officer, Ms Prudence Mushota explains the cobblestone technology to Lafarge Zambia CEO Mr Jimmy Khan (in white coat) as Mrs Katowa looks on.



• Ms Sally Namutowe (centre) presents a cheque to Southern Province Permanent Secretary, Mr Mwangala Liomba in sponsorship of the Southern Province Investment Expo.

• Representatives of British companies that visited Zambia Sugar before attending the 2019 Agri-expo held in Chisamba.

• Above - Brazilian delegation that was in Zambia for a biofuels conference toured Zambia Sugar operations.

• The Parliamentary Committee on Youth and Sports visited Zambia Sugar to learn about the company's investments in youth and sport. Above, the committee tour the Nakambala Stadium.

• Zambia Sugar Board members attending a corporate governance workshop.

• Mr McLean Debwe, Factory Manager, shows Mr Fidelis Banda, Board Chairman and Mr Norman Mbazima, new board member a sample of the 195g new sugar pack.

• Zambia Sugar commercial team members in Whitespoon branded attire promoting the launch of the afforable range of Whitespoon product packs.

• Zambia Sugar employees marching during the 2019 World Malaria Day celebrations.

• Zambia Sugar employees attend Quality and Food Safety ISO training.

• Zambia Sugar managing director, Mrs Rebecca Katowa (in tracksuit) with Zambia Sugar employees after participating in the 2019 Lafarge Marathon.

CORPORATE GOVERNANCE REPORT

"Zambia Sugar Plc. ("the Company") remains committed to achieving exemplary standards of corporate governance by applying the best management practices which reflect its emphasis on principles of transparency, integrity, accountability and fairness. Zambia Sugar Plc. believes that a corporate culture of compliance with applicable laws, regulations, internal policies and procedures as well as adherence to relevant codes of best practice nonbinding rules and standards are core components of good corporate governance. The Company continues to enforce and foster the Declaration of Gifts and Ethics policies and endeavors to ensure that standards of ethical and responsible conduct are met throughout the organisation."

The Company draws guidance from the Lusaka Securities Exchange (LuSE) Governance Code, the LuSE Listing Rules and the Securities and Exchange Commission (SEC) Rules and Regulations, principles contained in the United Nations Global Compact (UNGC), the United Nations Global Compact and Human Rights, The International Bill of Human Rights and International Labour Organisation (ILO) Declaration on fundamental Principles and Rights at Work.

FRAMEWORK

The Company's corporate governance framework is structured to provide for the prudent management and oversight of the business and to adequately protect the interests of all stakeholders.

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

THE BOARD OF DIRECTORS

The Board currently comprises 10 directors, including four independent non-executive directors. The Board is mandated in terms of its Charter, which requires that there is an appropriate balance of power and authority on the board.

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

The roles of the chairman and the chief executive are separated and the chairman is a non-executive independent director.

THE BOARD COMPOSITION

At the end of the financial year, the Board comprised the following directors;

Director	Title	Date of Appointment
Fidelis Banda	Chairman	17 May 2001
Rebecca Katowa	Managing Director	5 April 2001
Ami Mpungwe	Independent Non-Executive Director	27 October 2006
Dipak K A Patel	Independent Non-Executive Director	8 December 2006
Gavin B Dalgleish	Non-Executive Director	29 August 2012
Norman Mbazima	Independent Non-executive Director	26 February 2019
Nelis Saayman	Non-Executive Director	1 May 2018
Faith M Mukutu	Executive	20 February 2017
Graham M Rolfe	Executive	9 November 2016
Craig P Taylor	Non-Executive Director	1 August 2019

Brief curricula vitae of the directors appear on page 8-11 of this report.

During the year, Ms. MK Musonda (16 May 2019), Mr. MH Abdool-Samad (31 July 2019) and Ms. FM Mukutu (31 August 2019) resigned from the Board.

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

BOARD MEETINGS

The Zambia Sugar Plc. Board meets formally four times annually and the company's Articles of Association makes provision for decisions to be taken between meetings through written resolutions, where necessary. The meetings of the Board were presided over by the chairman. Written notices of board meetings, agendas and other management reports were circulated at timeously. The minutes of the meetings were appropriately recorded by the company secretary, circulated and approved at subsequent board meetings.

Four meetings were convened in 2018/19 and attendance was as shown in the table below;

DIRECTORS' NAME	252ND BOARD MEETING (22/11/2018)	253TH BOARD MEETING (26/02/2019)	254TH BOARD MEETING (16/05/2019)	255TH BOARD MEETING (21/08/19)	TOTAL MEETINGS ATTENDED	TOTAL MEETINGS HELD
F M Banda	√	√	√	√	4	4
GB Dalgleish	√	√	√	√	4	4
N Saayman	√	√	√	√	2	4
MH Abdool-Samad	√	√	√	**RS**	3	4
AR Mpungwe	√	√	√	√	4	4
DK Patel	√	√	√	√	4	4
MK Musonda	√	√	√	**RS**	3	4
RL Katowa	√	√	X	√	3	4
GM Rolfe	√	√	√	√	4	4
FM Mukutu	√	√	√	√	4	4
NB Mbazima	**BA**	**BA**	√	√	2	4
CP Taylor	**BA**	**BA**	**BA**	√	1	4
KEY						
√	**Attended**					
X	**Absent**					
BA	**Before Appointment**					
RS	**Resigned**					

BOARD COMMITTEES

The Board is assisted in the discharge of its responsibilities by three committees namely:

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

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

AUDIT COMMITTEE

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

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

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

AUDIT COMMITTEE ATTENDANCE SCHEDULE		OCTOBER 2018 MEETING	MAY 2019 MEETING
MH Abdool-Samad	Non-Executive Chairman	√	√
AR Mpungwe	Non-Executive Director	√	√
MK Musonda	Non-Executive Director	√	√
NB Mbazima	Non-Executive Director	BA	√
KEY			
√	**Attended**		
X	**Absent**		
BA	**Before Appointment**		
RS	**Resigned**		

RISK COMMITTEE

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

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

RISK MANAGEMENT COMMITTEE ATTENDANCE SCHEDULE			
NAME	**CATEGORY**	**NOVEMBER 2018 MEETING**	**MAY 2019 MEETING**
N Saayman	Non-Executive Chairman	√	√
AR Mpungwe	Non-Executive Director	√	√
GB Dalgleish	Non-Executive Director	√	√
MH Abdool-Samad	Non-Executive Director	√	√
RML Katowa	Executive Director	√	√
KEY			
√	**Attended**		
X	**Absent**		
BA	**Before Appointment**		
RS	**Before Appointment**		

REMUNERATION AND NOMINATION COMMITTEE

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

NAME	CATEGORY	NOVEMBER 2018 MEETING	FEB 2019 MEETING
MK Musonda	Non-Executive Independent Chairman	√	√
GB Dalgleish	Non-Executive Director	√	√
FM Banda	Non-Executive Director	√	√
AR Mpungwe	Non-Executive Director	√	√
MH Abdool-Samad	Non-Executive Director	√	√
KEY			
√	**Attended**		
X	**Absent**		
BA	**Before Appointment**		
RS	**Resigned**		

RETIREMENT AND ELECTION OF DIRECTORS

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

PERFORMANCE EVALUATION OF THE BOARD

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

BOARD INDUCTION AND DEVELOPMENT

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

EXECUTIVE COMMITTEE OF MANAGEMENT

The Zambia Sugar Plc.'s executive committee of management also known as Nakambala Executive Team (NET) is headed by the Managing Director and is responsible for the day-to-day management of the Company. NET provides the Board with sound information, advice and recommendations on the organisational structure, objectives, strategies, plans and policies of Zambia Sugar Plc. to enable the Board make informed decisions.

COMPANY SECRETARY

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

STAFF DEVELOPMENT, TRAINING AND INFORMATION TECHNOLOGY

Zambia Sugar Plc. is committed to staff development and training as this is a key ingredient to continued and improved operations. The Company recognises information technology as key in its strategy of delivering quality products which are the first choice of our customers and consumers. To this end, the Company has over the last two years, invested in the automation of certain key processes from raw and packaging material receipts to manufacturing, sales and distribution, and finally payment system for our goods and services. All the outlining Depots, in the country, are connected to the business systems.

STAKEHOLDER RELATIONS

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

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

Internally the Board and Management consider effective communication as being critical to the success of the business. To this effect, the Corporate Affairs department produces bi-annual magazine and weekly bulletins which are circulated to all employees. The magazine highlights key issues affecting the business be it financial performance, corporate governance, risk management, human resource, production, sales and distribution

INTERNAL AUDITORS

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

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

EXTERNAL AUDITORS

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

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

ORGANISATIONAL INTEGRITY

In its continued efforts to foster integrity within the organisation, the Company continues to enforce the Ethics policy and encourages all employees to make a declaration of their assets and/or business involvements' every year.
Employees are required to declare all the gifts received in the course of employment by way of a gift register.

INTERNAL CONTROL

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

The effectiveness of these internal controls and systems is monitored by the Internal Audit unit, 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 company website: www.zamsugar.co.zm. All managers are required to give written assent to this Code. In any instance where ethical standards are called into question, the circumstances are investigated and resolved by the appropriate executive.

FRAUD CONTROL

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

ANTI BRIBERY AND CORRUPTION

The Company has rolled out an Anti-Bribery and Corruption (ABC) policy. The ABC policy is embedded in the Company's operations and widely disseminated, with employees required to assent that they understand and abide by the provisions of the policy.

Appropriate ABC training for employees is on-going and visibility of the policy is sustained in communication briefs. The Company has embarked on embedding the relevant ABC provisions in supply agreements and suppliers, transporters, sugar distributors and agents are required to assent to these provisions. The Company liaises with the national Anti-Corruption Commission (ACC) where required.

LEGAL COMPLIANCE AND COMPETITION

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

INSIDER TRADING

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

SHARE DEALING

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

MARKET DISCLOSURE

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

Zambia Sugar shareholder Mwelwa Chibesakunda at the 57th AGM

Mwansa M. Mutimushi
Company Secretary and Legal Counsel
29 October 2019

Zambia Sugar

AN ILLOVO SUGAR AFRICA COMPANY

ENHANCING PRODUCT PACKAGING AS A MEASURE OF QUALITY

Zambia Sugar has unveiled to the market its newly revamped packaging designs for its Whitespoon range of products. The new Whitespoon packaging is meant to give Whitespoon products an improved appeal on the shelves to consumers. This was an exciting development for the business and we are pleased to see a positive response in the trade.

The new look packs also re-inforce the quality of the product contained inside each packet. It is with this deep consumer understanding, that the Whitespoon brand positions itself behind the proposition **"energy for life"**, and on the new packaging the proposition is now coupled with a symbol of **family & activity**. We also understand the important role that sugar plays in the lives of our consumers, providing them with the energy they need to succeed in their day.

In addition, we needed to communicate the importance of family values, good nutrition and active lifestyles. A family is brought together as they enjoy Whitespoon products at the table and they bond by being active together.

Whitespoon Sugar – Sweet. Wholesome.Trusted!

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

Page	Financial Contents

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report which forms part of the annual financial statements of Zambia Sugar Plc and the subsidiary ("Group") for the year ended 31 August 2019.

PRINCIPAL ACTIVITIES

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

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

Business Address	Postal Address
Plot No. 118a, Lubombo Road, Nakambala Estate, Mazabuka, ZAMBIA	P.O. Box 670240, Mazabuka, ZAMBIA

REVIEW OF OPERATIONS

Agriculture

Total sugar cane delivered to the factory in the financial year was 3 356 000 tons, with our operations supplying 1 849 000 tons and growers supplying a total of 1 507 000 tons. The late season cane yields in 2018 improved and dry conditions allowed for the extension of the 2018 crushing season. Good cane yields continue to be recorded in the 2019 season, with an average of 128 tons cane per hectare to date, 7% above the previous season.

Cane quality has been trending below average for the season to date mainly due to climatic factors. Cane supply has further increased as the area under expansion comes into production.

Production

Sugar production during the year was 399 000 tons (August 2018: 351 000 tons. Refined sugar production for the year was 74 000 tons (August 2018: 78 000 tons).

Major challenges impacting sugar production in the year included cane quality, cane availability at the start of the season and plant reliability. The business is committed to maximising production and is focusing on continuous improvement, cost optimisation, quality, and enhancing plant reliability.

Commercial

Total revenue for the year was K2 956 million. This was as a result of a strong performance in both the domestic and export markets.

Demand in the domestic market was strong for the first half of the year but slowed down in the second half as various adverse economic factors took effect. The inflow of foreign sugar brands and illicit trade continued throughout the year. Despite these challenges, the business continued to leverage on the strong momentum gathered in the route to consumer, optimisation of its portfolio focusing on low income consumer segments and advancements in commercial execution to defend its market share.

Strong demand from the Kenyan market coupled with the weakening local currency mitigated the impact of world sugar entering the regional markets and suppressing market prices. Commercial readiness and improved stock availability ensured the business capitalised on all opportunities that arose in regional markets.

Supply Chain

The procurement of goods and services was a key focus area for the business. The Fit4Future project will continue to look for opportunities for transformation within the business to ensure long term sustainability.

The Sales and Operations planning process has matured and developed, resulting in improved sugar availability to meet the market demand.

The outbound logistics teams continue to enhance the delivery of quality products to the customers and ensuring that stock was available at all major sales and distibution points.

Human Resources

The Group continued to be a significant provider of employment, with an average workforce of 6 426 (2018: 5 914) during the year with numbers peaking at 7 580 (2018: 7 375). The average increase was a result of the comparatively longer 2018 crushing season.

Prospects

The implementation of various agro and continuous improvement practices and climatic conditions have had a positive impact on cane yields. We expect to end the season on a positive note, although the impact of load shedding will be detrimental to cane supply in the 2020 season. Notwithstanding, sugar production is expected to exceed this year's production.

The difficult economic conditions in the country driven by drought, high inflationary pressure, increasing interest rates and a weak local currency are expected to impact the domestic market. Management will continue to drive the implementation of the commercial strategy to increase market penetration and grow market share.

Growth is expected to continue in the regional markets although margins will remain under pressure from low global sugar prices.

Management will continue to focus on maximising production, lowering the cost base and reducing debt levels within the business.

REPORT OF THE DIRECTORS (Continued)

FINANCIAL RESULTS

The Group's results are as follows:

Group	Notes	12 months ended August 2019 K' million	12 months ended August 2018 K' million
Revenue	5	**2 956**	2 362
Operating profit	6	**606**	388
Net financing costs	7	**(300)**	(243)
Profit before taxation		**306**	145
Taxation (charge)/credit	8	**(37)**	11
Profit for the year		**269**	156
Profit attributable to:			
Non-controlling interest		**6**	3
Shareholders of Zambia Sugar Plc		**263**	153
Earnings per share (ngwee per share)	9	**83.3**	48.2

DIVIDENDS

A final dividend of 8 Ngwee per share has been proposed for the 2019 financial year in accordance with the Group's Dividend Policy. The Group remains highly indebted and a difficult commercial environment is foreseen for the short term.

DIRECTORATE AND SECRETARY

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

Fidelis M. Banda	Independent Chairman
Ami R. Mpungwe	Non-Executive Independent Director
Dipak K. A. Patel	Non-Executive Independent Director
Norman B. Mbazima	Non-Executive Independent Director
Gavin B. Dalgleish	Non-Executive Director
Nelis Saayman	Non-Executive Director
Craig Taylor	Non-Executive Director
Rebecca M. L. Katowa	Managing Director
Graham M. Rolfe	Operations Director
Faith M. Mukutu	Finance Director
Mwansa M. Mutimushi	Company Secretary

Appointments and Resignations

During the year under review the following changes were made:

Mr. Norman Mbazima was appointed to the board as a non executive director, effective 26 February 2019.

Ms. Monica K. Musonda resigned from the board as a non executive director, effective 16 May 2019.

Mr. Mohammed H. Abdool-Samad resigned from the board as a non executive director, effective 31 July 2019.

Mr. Craig Taylor was appointed to the board as a non executive director, effective 1 August 2019.

Ms. Faith M. Mukutu resigned from the board as an executive director, effective 1 September 2019.

REPORT OF THE DIRECTORS (Continued)

Directors' Interests

None of the Directors had any interest in any contract with the Group during the period under review. The Directors that held beneficial interests in the issued ordinary share capital of the company as at 31 August 2019 were as follows:

	August 2019	August 2018
	No. of shares	No. of shares
Fidelis M. Banda	**7 176**	7 176
Norman B. Mbazima	**75 000**	75 000

DIRECTORS' LOANS

There were no Directors' loans during the current and previous year.

PROPERTY, PLANT AND EQUIPMENT

The significant additions to property, plant and equipment for the Group were:

	August 2019 K'000	August 2018 K'000
Opening Capital Work in Progress	**29 959**	23 092
Additions to Capital Work in Progress	**52 298**	40 226
	82 257	63 318
Items Capitalised during the year		
- Buildings	**(2 365)**	(7 248)
- Plant & equipment	**(42 563)**	(20 927)
- Motor vehicles	**(14 153)**	(5 184)
- Furniture & Fittings	**(4 233)**	-
	(63 314)	(33 359)
Closing Capital work in progress	**18 943**	29 959

During the year, expenditure valued at K52 million (2018: K40 million) were added to property, plant and equipment as capital work in progress while K63 million (2018: K33 million) was completed and transferred to the relevant category of assets. During the year K44 million (2018: K27 million) was added in respect of cane roots.

REPORT OF THE DIRECTORS (Continued)

SHARE CAPITAL

A detailed analysis of the shareholding is shown below:

Range	Number of Holders	Number of shares	%
1 - 1 000	2 391	845 171	0.30%
1001 - 5 000	573	1 252 067	0.40%
5 001 - 10 000	116	830 786	0.30%
10 001 - 100 000	97	2 986 907	0.90%
100 001 - 1 000 000	16	6 321 220	2.00%
> 1 000 001 - 100 000 000	6	66 906 695	21.10%
> 100 000 001	1	237 428 539	75.00%
Totals	3 200	316 571 385	100%

Classification	Number of Holders	Number of shares	%
Illovo Sugar Group Holdings Ltd	1	237 428 539	75.0%
Pension Funds	53	56 212 417	17.8%
Local Companies	61	1 189 326	0.4%
Local Individuals	2 716	3 405 208	1.1%
Foreign Individuals	334	695 966	0.2%
Foreign Companies	35	17 639 729	5.5%
Totals	3 200	316 571 185	100%

Significant Shareholding

As at 31 August 2019, the Company has been advised of the following notable interests in its ordinary share capital:

	Number of Shares	%
Illovo Group Holdings Limited	237 428 539	75.00%
National Pension Scheme Authority	30 788 021	9.73%
Standard Chartered Zambia Securities Nominees Ltd	16 806 004	5.31%

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

EMPLOYEES

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

Year	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
August 2019	7 531	7 580	7 480	7 416	5 722	5 094	4 643	5 227	6 497	5 651	6 619	6 739
August 2018	5 973	6 895	6 898	5 602	5 129	4 706	4 613	3 871	6 349	6 883	6 676	7 375

The total remuneration paid in respect of the above employees was K572 million (2018: K470 million).

EXPORTS

The value of products exported by the Group during the year was K1 317 million (2018: K949 million).

DONATIONS

The Group made donations to the value of K292 000 (2018: K86 000) in respect of various charitable activities. No donation was of a political nature.

OCCUPATIONAL HEALTH

Providing a safe and healthy working environment is a key priority and is underpinned by a robust Health and Safety policy.

REPORT OF THE DIRECTORS (Continued)

Occupational health policies help to support implementation of activities and practices that advance the promotion of health and reduction in risk behaviours. Significant investments have been made in the health of our people and community. Not only are measures in place to protect workers against occupational health hazards and to safeguard the general health and well-being of employees, but also to ensure that the measures impacted all those who come into contact with our operations such as visitors to our operations and our communities.

ENVIRONMENT

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

Compliance to regulatory and legislative obligations was satisfactory. The company implements and embeds best practices in environmental management throughout the operations, enhancing on monitoring and performance mechanisms and thereafter measures performance against environmental regulations. There is strong commitment to the environmental governance best practices and accountability from the operation through to the Board of Directors and the Group's holding company.

We continually investigate ways to reduce the impact on the environment of our operation and there were no major contraventions on regulated environmental aspects recorded in the year.

QUALITY AND FOOD SAFETY

The Quality and Food Safety performance for the period under review was very positive. The business successfully retained its permit to supply certifications by institutions such as Zambia Compulsory Standards Agency (ZCSA) and the South African Bureau of Standards (SABS). Further, the business's Quality Management Systems (QMS) continue to improve through investment and innovation. These improvements resulted in faster customer complaint resolution, enhanced internal incidence management, as well as a significantly improved Quality and Food Safety Scorecard.

The company continues to look at ways of enhancing our food safety and quality procedures and ensuring that we maintain our food safety management system which meets the requirements of Food Safety System Certification (FSSC).

TECHNOLOGY, RESEARCH AND DEVELOPMENT

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

AUDIT AND NON AUDIT REMUNERATION

In the current year, the auditors' remuneration amounted to K2.111 million (2018: K1.685 million). There were no non audit fees paid to auditors.

AUDITORS

In accordance with the provisions of Zambian Companies Act 2017, the auditors, Messrs EY Zambia, will retire as auditors of the Company at the forthcoming Annual General Meeting, and having expressed their willingness to continue in office a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the board

Mwansa Mulumba Mutimushi
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The requirements of the Zambia Companies Act, 2017 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 year.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2017. In addition, the Directors are responsible for the preparation of the directors' report. The independent external auditors, Messrs EY Zambia, have audited the annual financial statements and their report is set out on page 37 to 39.

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

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

In the opinion of the Directors:

• the consolidated and separate 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 August 2019;

• the consolidated and separate statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 August 2019;

• there are reasonable grounds to believe that the Group and the Company will be able to pay debts as and when they fall due;

• the Group accounts are drawn up so as to give a true and fair view of:

(i) the profit of the Company and its subsidiary for the financial period.
(ii) the state of affairs of the Company and its subsidiary as at the end of the financial period; and

• the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2017.

The financial statements of the Group and the Company which were prepared on the going concern basis were approved by the board of Directors on 29 October 2019 and are signed on its behalf by:

Fidelis M Banda
Chairman

Rebecca Katowa
Managing Director

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ZAMBIA SUGAR PLC

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statements of Zambia Sugar Plc and its subsidiary set out on pages 40 to 97, which comprise the consolidated and company statement of financial position as at 31 August 2019, and the consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements present fairly, in all material respects the financial position of Zambia Sugar Plc as at 31 August 2019, and its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Zambia, 2017.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Zambia Sugar Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Zambia Sugar Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	How a KAM was addressed in the audit
Contingent Liabilities	
The Company had various active legal cases with two regulators, namely the Competition and Consumer Protection Commission (CCPC) and the Zambia Revenue Authority (ZRA). The recognition and measurement of provisions or contingent liabilities requires the application of judgement by management in determining the expected outcome as there are uncertainties affecting the determination of whether the amounts related to these cases should be recognised in the financial statements or disclosed as contingent liabilities. The assessments and claims involve judgement by management of the amounts and uncertainties, the outcomes of which could be significant to the financial statements and were considered significant to the audit. The Company's disclosures on contingent liabilities are included in Note 31, which specifically explains the uncertainties which give rise to the classification of the impact of these legal matters as contingent liabiliies.	Our audit procedures included, among others: . Making inquiries of internal and external legal counsel. . Evaluating the status of the court process and objections filed by the Company relating to the legal cases with Competition and Consumer Protection Commission (CCPC) and the Zambia Revenue Authority (ZRA and confirming that the court case was adjourned. . Evaluating the judgements made by management on whether to recognise the provision or to disclose an amount as a contingent liability. This included evaluating the arguments put forward by the Company in each case. . Evaluating the competence and independence of the managements specialist who provided an opinion on the possible outcome of the adjourned court case. . We involved our tax specialists in the interpretation the tax regulations and to assess the Company's compliance with the tax regulations.
Fair Value of Growing Cane	
The Company carries its growing cane at fair value in accordance with IAS-41, Agriculture. The growing cane valuation is based on the estimated sucrose content (adjusted for the Company's long-term view of the average maturity of the cane) and the estimated sucrose price for the following season, less the estimated costs for harvesting and transport. There is significant management judgement in the estimation of the sucrose content and price, expected cane yield and average maturity of the growing cane. At 31 August 2019, the fair value of growing cane was estimated at K337 million. We considered this as a key audit matter as the determination of the fair value involves significant judgement and estimates. A management expert was utilised in the determination of yield and sucrose content values that will be extracted from the area under cane. The Company's disclosures about significant judgements and estimates are included in Note 17 which details the assumptions and key inputs used by management.	Our procedures included, among others: . Evaluating the sucrose price per ton, the direct costs (Haulage and harvest (crop removal costs) per ton against the approved 2020/2019 budget and to the industry norms. . Evaluating the production inputs utilised in the calculation of the fair value such as Sucrose/RV content to the signed factory production report at the beginning of December 2018. . Performing a retrospective review of the inputs above by assessing the August 2018 forecast to the actual and investigating of any material difference. . Assessing the Ratoon Maintenance costs to the forecast prepared by Management by agreeing the prior year estimates to actual results to assess the reasonableness of management forecasts. . Assessing the accuracy of management's valuation by re-performing the mechanics of the valuation calculation.

Key Audit Matters Fair Value of Growing Cane	How a KAM was addressed in the audit
	• For area under cane we obtained the field maps and then use google earth to recalculate the size of the area under cane and compare this to that on management and for any differences determine whether this was reasonable. • Performed the profit adjustment calculation which is based on the inputs from the August 2019 Valuation. • Obtained an understanding of the competence and expertise of management's expert.
Valuation of Expected Credit Losses The adaptation of the IFRS 9, Financial Instruments requirements for Expected Credit Losses (ECL) is a key audit matter due to the high level of judgement and estimation applied by the Directors in determining the impairment allowance. The Company trades with entities with varying risk profiles; trading decisions including accepting of security are based on the circumstances of the counterparty. These conditions resulted in significant judgements being applied by the Directors in establishing an adequate ECL. Management developed the IFRS 9 model and implementation of the model internally to the simplified approach method for determining expected credit losses. The significant areas of judgement and estimation included: • Interpretation of the requirements to determine impairment in terms of IFRS 9 which is reflected in the Companies' ECL. • The identification of exposure and significant deterioration in credit quality. • The identification of security held against the exposure and the valuation of the security held. • Assumption used in the expected credit loss model such as the forward looking macro-economic factors (inflation and gross domestic products). • The measurement of modelled provisions, which is dependent upon assumptions relating to Loss Rate ("LR"), current exposures to the counterparty ("EAD"), definition of default and specific probability adjustment on specific customers that fall within the default definition. As at 31 August 2019, Trade and other receivables amount to K316 million against which an impairment allowance of K23 million was recognised. Disclosure is provided in note 3.1.2 (IFRS 9 Financial Instruments) and note 18 (Trade and Other receivables) to the financial statements that relates to the ECL on receivables.	We obtained an understanding of management's process for determining the ECL for trade and other receivables. We evaluated the design and implementation of controls management implemented in determining the ECL. We obtained management's assessment of the impairment allowance for the current year and performed, amongst others, the following procedures to evaluate the reasonableness of the allowance: • Our quantitative analysis expert was involved in assessing the reasonability of the simplified approach model used by management to develop the estimate. In performing the assessment, the quantitative analysis expert considered the appropriateness of significant assumptions, including the LR and EAD, and specific probability adjustments that were used in reducing the exposure of defaulted debt. • Our quantitative analysis expert assessed the data inputs such as macro-economic factors used in the ECL model and compared them to independent statistical analysis for reasonableness and evaluated the formulas used in the ECL model. • We assessed the definition of default of receivables above 365 days against the entities trading patterns. • We assessed the level of collections made subsequent to year end, specific probability adjustments to verify they are consistent with management expectations. • We recomputed the expected credit losses determined by the client and compared the computation to the recorded amount. • We obtained security held against receivables which was utilised by management to reduce the expected credit losses and agreed the security to title deeds held, valuation reports for the security held and evaluated the legality of holding the title deeds. • We assessed the accuracy and adequacy of the disclosures in the financial statements in accordance with the requirements of IFRS 9 Financial Instruments.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Directorate and corporate information, the Chairman's Statement, Report of the Directors and the Statement of Director's Responsibilities, which we obtained prior to the date of this report, and the annual report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial

Reporting Standards and the requirements of the Companies Act of Zambia, 2017, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing Zambia Sugar Plc's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Zambia Sugar Plc's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

As required by Section 259(3) of the Companies Act of Zambia, 2017 we report to you, based on our audit, that:

- We have no relationship, interest or debt in the company; and
- Based on our audit, we did not come across any serious breaches of corporate governance principles or practices contained in Part VII, sections 82 to 122 of the Companies Act of Zambia, 2017 by the directors.

As required by Part III, Rule18 of the Securities (accounting and financial reporting requirements) Rules of the Securities Act Zambia, we report that:

- The annual financial statements have been properly prepared in accordance with Securities and Exchange Commission rules.
- The Company has, through the financial year, kept proper accounting records in accordance with the requirements of the Securities and Exchange Commission rules.
- The statement of financial position and statement of comprehensive income are in agreement with the Company records.
- We have obtained all the information and explanations which, to the best of our knowledge are belief, are necessary for the purpose of our audit.

EY Zambia

EY Zambia
Chartered Accountants
The engagement partner on the audit resulting in this independent auditor's report is;

Mark M Libakeni
Partner - Practising certificate number: AUD/F000397

31 October 2019
Lusaka

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

for the year ended 31 August 2019

		Group		Company	
	Notes	August 2019 K'000	August 2018 K'000	August 2019 K'000	August 2018 K'000
Revenue from contracts with customers	5	**2 955 958**	2 362 468	**2 955 958**	2 362 468
Cost of sales of goods		**(1 631 891)**	(1 354 388)	**(1 681 504)**	(1 387 667)
Gross profit		**1 324 067**	1 008 080	**1 274 454**	974 801
Profit on disposal of plant and equipment		**6 157**	15 025	**5 854**	15 025
Distribution expenses		**(364 119)**	(236 092)	**(364 119)**	(236 092)
Administration expenses		**(362 405)**	(392 902)	**(356 719)**	(386 139)
Net impairment gains/(losses) on financial assets	18	**2 041**	(6 510)	**2 041**	(6 510)
Operating profit	6	**605 741**	387 601	**561 511**	361 085
Dividend income		**-**	-	**16 746**	-
Net finance costs	7	**(299 492)**	(242 530)	**(302 022)**	(247 327)
Finance Costs		**(300 969)**	(243 505)	**(303 499)**	(248 264)
Finance Income from an effective interest rate		**1 149**	975	**1 149**	937
Other Income		**328**	-	**328**	-
Profit before taxation	6	**306 249**	145 071	**276 235**	113 758
Taxation (expense)/credit	8	**(36 855)**	11 323	**(31 109)**	16 346
Profit for the year		**269 394**	156 394	**245 126**	130 104
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent years:					
Adjustments in respect of cash flow hedges	26	**36 442**	(50 481)	**36 442**	(50 481)
Taxation effect of cash flow hedges	26	**(3 644)**	5 048	**(3 644)**	5 048
Other comprehensive income for the year, net of income tax		**32 798**	(45 433)	**32 798**	(45 433)
Total comprehensive income for the year		**302 192**	110 961	**277 924**	84 671
Profit for the year attributable to:					
Shareholders of Zambia Sugar Plc		**263 730**	152 642	**245 126**	130 104
Non-controlling interest		**5 664**	3 752	**-**	-
		269 394	156 394	**245 126**	130 104
Total comprehensive income for the year attributable to:					
Shareholders of Zambia Sugar Plc		**296 528**	107 209	**277 924**	84 671
Non-controlling interest		**5 664**	3 752	**-**	-
		302 192	110 961	**277 924**	84 671
Basic and diluted earnings per share (ngwee per share)	9	**83.3**	48.2	**77.4**	41.1

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
as at 31 August 2019

	Notes	Group		Company	
		August 2019 K'000	August 2018 K'000	August 2019 K'000	August 2018 K'000
ASSETS					
Non-current assets		**1 969 777**	1 980 962	**1 954 014**	1 949 428
Property, plant and equipment	12	**1 901 875**	1 913 060	**1 776 851**	1 793 804
Intangible asset	14	**67 902**	67 902	**-**	-
Investment in subsidiary	15	**-**	-	**177 163**	155 624
Current assets		**1 974 361**	1 622 850	**1 886 620**	1 556 528
Inventories	16	**687 390**	666 486	**674 746**	655 881
Growing cane	17	**336 745**	302 495	**283 414**	256 683
Trade and other receivables	18	**584 477**	447 024	**563 152**	433 782
Derivative financial instruments	26	**26 228**	-	**26 228**	-
Taxation receivable	8	**-**	1 744	**-**	5 631
Amounts due from related parties	25.4	**10 265**	4 435	**10 265**	4 435
Cash and bank balances	19	**329 256**	200 666	**328 815**	200 116
Assets classified as held for sale	13	**5 625**	6 898	**5 625**	6 898
Total assets		**3 949 763**	3 610 710	**3 846 259**	3 512 854
EQUITY AND LIABILITIES					
Equity attributable to shareholders of Zambia Sugar Plc		**1 412 679**	1 113 888	**1 283 863**	1 023 760
Share capital and premium	20	**247 338**	247 338	**247 338**	247 338
Capital redemption reserve		**40**	40	**40**	40
Hedging reserve	26	**23 567**	(9 231)	**23 567**	(9 231)
Retained earnings		**1 141 734**	875 741	**1 012 918**	785 613
Non-controlling interest		**-**	40 729	**-**	-
Total equity		**1 412 679**	1 154 617	**1 283 863**	1 023 760
Non-current liabilities		**1 538 061**	1 503 131	**1 514 606**	1 480 600
Long-term borrowings	21	**1 399 704**	1 381 869	**1 399 704**	1 381 869
Deferred tax liability	22	**138 357**	121 262	**114 902**	98 731
Current liabilities		**999 023**	952 962	**1 047 790**	1 008 494
Trade and other payables	23	**394 720**	443 269	**377 501**	427 489
Contract Liabilities	24	**221 272**	-	**221 272**	-
Short-term borrowings	21	**231 993**	232 318	**231 993**	232 318
Amounts due to related parties	25.4	**95 691**	189 877	**168 302**	261 189
Derivative financial instruments	26	**44**	10 258	**44**	10 258
Current tax liability	8	**17 855**	-	**11 230**	-
Bank overdraft	19	**16 239**	26 737	**16 239**	26 737
Provisions	27	**21 209**	50 503	**21 209**	50 503
Total liabilities		**2 537 084**	2 456 093	**2 562 396**	2 489 094
Total equity and liabilities		**3 949 763**	3 610 710	**3 846 259**	3 512 854

The responsibilities of the company's directors with regard to the preparation of the financial statements are set out on page 36. The financial statements on pages 40 to 97 were approved and authorised for issue by the board of directors on 29 October 2019 and were signed on its behalf by:

Fidelis M Banda
Chairman

Rebecca Katowa
Managing Director

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 August 2019

	Share capital and premium K'000	Capital redemption reserve K'000	Hedging reserve K'000	Retained earnings K'000	Attributable to shareholders of Zambia Sugar Plc K'000	Non-controlling interest K'000	Total K'000
Group							
Balance at 1 September 2017	**247 338**	**40**	**36 202**	**723 099**	**1 006 679**	**36 977**	**1 043 656**
Total comprehensive income for the year	-	-	(45 433)	152 642	107 209	3 752	110 961
Profit for the year	-	-	-	152 642	152 642	3 752	156 394
Cash flow hedges	-	-	(45 433)	-	(45 433)	-	(45 433)
Balance at 31 August 2018	**247 338**	**40**	**(9 231)**	**875 741**	**1 113 888**	**40 729**	**1 154 617**
Effect of adoption of new accounting standards (Note 3.1)	**-**	**-**	**-**	**(17 821)**	**(17 821)**	**-**	**(17 821)**
Balance at 01 September 2018 (adjusted)	**247 338**	**40**	**(9 231)**	**857 920**	**1 096 067**	**40 729**	**1 136 796**
Total comprehensive income for the year	-	-	32 798	263 730	296 528	5 664	302 192
Profit for the year	-	-	-	263 730	263 730	5 664	269 394
Cash flow hedges	-	-	32 798	-	32 798	-	32 798
Dividends paid	-	-	-	-	-	(2 787)	(2 787)
Elimination of non-controlling interest	-	-	-	20 084	20 084	(43 606)	(23 522)
Balance at 31 August 2019	**247 338**	**40**	**23 567**	**1 141 734**	**1 412 679**	**-**	**1 412 679**
Company							
Balance at 1 September 2017	**247 338**	**40**	**36 202**	**655 509**	**939 089**	**-**	**939 089**
Total comprehensive income for the year	-	-	(45 433)	130 104	84 671	-	84 671
Profit for the year	-	-	-	130 104	130 104	-	130 104
Cash flow hedges	-	-	(45 433)	-	(45 433)	-	(45 433)
Balance at 31 August 2018	247 338	40	(9 231)	785 613	1 023 760	-	1 023 760
Effect of adoption of new accounting standards (Note 3.1)	-	-	-	(17 821)	(17 821)	-	(17 821)
Balance at 01 September 2018 (adjusted)	**247 338**	**40**	**(9 231)**	**767 792**	**1 005 939**	**-**	**1 005 939**
Total comprehensive income for the year	-	-	32 798	245 126	277 924	-	277 924
Profit for the year	-	-	-	245 126	245 126		245 126
Cash flow hedges	-	-	32 798	-	32 798	-	32 798
Balance at 31 August 2019	**247 338**	**40**	**23 567**	**1 012 918**	**1 283 863**	**-**	**1 283 863**

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 year end which mature in the new financial year.

No dividends were paid during the year ended 31 August 2019 (August 2018: Nil) and therefore the dividend per share, calculated on a cash basis, was nil (August 2018: Nil).

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
for the year ended 31 August 2019

		Group		Company	
	Notes	August 2019 K'000	August 2018 K'000	August 2019 K'000	August 2018 K'000
Cash flows from operating activities					
Profit before tax		**306 249**	145 071	**276 235**	113 758
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation of property, plant and equipment	12	**105 518**	105 625	**96 261**	97 023
Impairment of Assets held for sale	13	**-**	1 120	**-**	1 120
Net impairment (gain)/losses on financial assets	18	**(2 041)**	6 510	**(2 041)**	6 510
Finance income	7	**(1 149)**	(975)	**(1 149)**	(937)
Finance cost	7	**300 969**	243 505	**303 499**	248 264
Dividend income		**-**	-	**(16 746)**	-
Assets classified as held for sale expensed	13	**-**	321	**-**	321
Change in fair value of growing cane	17	**(34 250)**	1 311	**(26 731)**	(3 474)
Net foreign exchange differences		**(2 039)**	16 480	**(2 039)**	16 480
Provisions raised during the period	27	**21 209**	50 503	**21 209**	50 503
Provisions utilised during the period	27	**(50 503)**	(15 720)	**(50 503)**	(15 720)
Profit on disposal of property and equipment		**(6 157)**	(15 025)	**(5 854)**	(15 025)
Cash operating profit		**637 806**	538 726	**592 141**	498 823
Working capital movements		**(101 430)**	(242 702)	**(91 448)**	(213 680)
(Increase)/decrease in inventories	16	**(20 904)**	44 109	**(18 865)**	44 817
Decrease in amounts due to/from related parties	25.4	**(100 016)**	(240 292)	**(98 717)**	(224 790)
(Increase)/decrease in trade and other receivables	18	**(135 412)**	105 362	**(127 329)**	112 214
Equity adjustment on adoption of IFRS 9	18	**(17 821)**	-	**(17 821)**	-
Decrease in trade and other payables	23	**(48 549)**	(151 881)	**(49 988)**	(145 921)
Increase in contract liabilities	24	**221 272**	-	**221 272**	-
Cash generated from operations		**536 376**	296 024	**500 693**	285 143
Finance income	7	**1 149**	975	**1 149**	937
Finance cost	7	**(300 969)**	(243 505)	**(303 499)**	(248 264)
Taxation paid	8	**(5 810)**	(5 538)	**(1 721)**	(383)
Dividends paid to non-controlling shareholder		**(2 787)**	-	**-**	-
Net cash outflows from operating activities		**227 959**	47 956	**196 622**	37 433
Cash flows from investing activities					
Purchase of property, plant and equipment	12	**(96 282)**	(99 309)	**(81 257)**	(88 544)
Dividends received		**-**	-	**16 746**	-
Proceeds from disposal of Assets held for sale		**6 864**	1 423	**6 864**	1 423
Proceeds from disposal of plant and equipment		**2 515**	15 492	**2 212**	15 492
Acquisition of non-controlling interests	15	**(21 539)**	-	**(21 539)**	-
Net cash outflows from investing activities		**(108 442)**	(82 394)	**(76 974)**	(71 629)
Net cash inflows/(outflows) before financing activities		**119 517**	(34 438)	**119 648**	(34 196)
Cash flows from financing activities					
Borrowings raised	21	**249 624**	383 420	**249 624**	383 420
Repayment of borrowings	21	**(232 114)**	(301 949)	**(232 114)**	(301 949)
Net cash inflows from financing activities		**17 510**	81 471	**17 510**	81 471
Net increase in cash and cash equivalents		**137 027**	47 033	**137 158**	47 275
Net cash and cash equivalents at beginning of year		**173 929**	143 376	**173 379**	142 584
Net foreign exchange differences		**2 061**	(16 480)	**2 039**	(16 480)
Net cash and cash equivalents at end of year		**313 017**	173 929	**312 576**	173 379
Comprising of:					
Cash and bank balances		**329 256**	200 666	**328 815**	200 116
Bank overdraft		**(16 239)**	(26 737)	**(16 239)**	(26 737)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 August 2019

1. GENERAL INFORMATION

Zambia Sugar Plc is a public limited company incorporated in Zambia. Its parent company is Illovo Sugar Proprietary Limited and its ultimate holding company is Associated British Foods plc. The addresses of its registered office and principal place of the business are disclosed under corporate information on page 31 of these annual financial statements. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors' report.

2. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Zambian Companies Act, 2017, using the historical cost convention except for certain financial instruments and biological assets that are stated at fair value. All principal accounting policies have been applied on a basis consistent with those of the previous year, except for the application of the revised standards which have been described in note 3. The application of these standards has had no material impact on the financial statements.

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

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

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

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- **Level 3** inputs are unobservable inputs for the asset or liability.

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

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

2.1 Basis of consolidation

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
for the year ended 31 August 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of consolidation (Continued)

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

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

2.2 Revenue from contracts with customers

2.2.1 Policy applicable to the year ended 31 August 2018

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

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

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

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

2.2.2 Policy applicable to the year ended 31 August 2019

The Group is in the business of selling sugar and sugar related products. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

(a) Sale of goods

Revenue from sale of sugar and sugar related products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., rebates). In determining the transaction price for the sale of sugar and sugar related products, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Revenue from contracts with customers (Continued)

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of sugar provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. These amounts may subsequently be repaid in cash to the customer or are offset against amounts payable by customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(b) Advances received from customers

Generally, the Group receives only short-term advances from its customers. They are presented as contract liabilities. The Group does not receive long-term advances from customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods to the customer and when the customer pays for that good or service will be one year or less.

(c) Contract balances

- **Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 2.15

- **Contract liabilities**

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

2.3 Leases

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

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see note 2.5 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.

The financial statements of the Group are presented in the currency of the primary economic environment in which it operates (its

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currencies

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

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for: exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings and exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.16 below for hedging accounting policies).

2.5 Borrowing costs

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

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

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

2.6 Retirement benefits

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

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

2.7 Taxation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Taxation (Continued)

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

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

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

2.8 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.

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

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

The group's depreciation rates are as follows:

Leasehold buildings	2 - 60 years
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 derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss

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

Bearer plants comprising of cane roots are stated at cost less accumulated depreciation and accumulated impairment losses. Costs capitalised to cane roots include preparing the land, maintaining a source of seed cane, planting the seed cane and costs related to establishing new area under cane. Depreciation of bearer plants commence when they are ready for their intended use. Costs incurred for infilling including block infilling are generally recognized in the Statement of Profit and Loss unless there is a significant increase in the yield of the sections, in which case such costs are capitalized and depreciated over the remaining useful life of the respective fields.

Depreciation on bearer plants is recognised so as to write off its cost less residual values over useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful lives of the bearer plants has been determined to be 8 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Asset impairment review

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

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

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

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

2.10 Growing cane

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

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

2.11 Factory overhaul costs

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

2.12 Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Intangible assets assessed as having an indefinite useful life are not amortised but tested for impairment annually and impaired, if necessary. Intangible assets assessed as having a finite useful life are amortised over their useful lives using a straight-line basis and are tested for impairment if there is an indication that it may be impaired.

Derecognition of intangible assets

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

2.13 Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Inventories (Continued)

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

2.14 Provisions

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

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

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

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

2.15 Financial instruments – initial recognition and subsequent measurement

2.15.1 Policy applicable to the year ended 31 August 2018

Financial assets and financial liabilities are recognised on the group's consolidated 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 consolidated statement of financial position when the Group 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.

a) Financial assets

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

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

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

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

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments – initial recognition and subsequent measurement (Continued)

2.15.1 Policy applicable to the year ended 31 August 2018 (Continued)

reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments – initial recognition and subsequent measurement (Continued)

2.15.1 Policy applicable to the year ended 31 August 2018 (Continued)

b) 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.

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.

c) Equity

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

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

2.15.2 Policy applicable to the year ended 31 August 2019

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Initial recognition and measurement

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit and loss) are added to the fair value of the financial asset on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 2.2 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments – initial recognition and subsequent measurement (Continued)

2.15.2 Policy applicable to the year ended 31 August 2019 (Continued)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost mainly comprises trade receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise to cash flows on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have financial assets recognised at fair value through OCI as at 31 August 2019.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments – initial recognition and subsequent measurement (Continued)

2.15.2 Policy applicable to the year ended 31 August 2019 (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Financial liabilities

Initial recognition and measurement

All financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit and loss) are deduced from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments – initial recognition and subsequent measurement (Continued)

2.15.2 Policy applicable to the year ended 31 August 2019 (Continued)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

This category includes loans and advances and is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.16 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 September 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 September 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivative financial instruments and hedge accounting (Continued)

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions. The ineffective portion relating to foreign currency contracts is recognised as other expense. Refer to Note 26 for more details.

The Group designates all of the forward contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.17 Segmental analysis

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Segmental analysis (Continued)

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.

2.18 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss. refer to note 13.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

3.1.1 IFRS 15 Revenue from Contracts with Customers

The Group is in the business of selling sugar and sugar related products. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Previous, under IAS 18, the Group recognised revenue from sale of goods when the title to the goods has passed, which usually coincided with the date of delivery, at which time all the following conditions were 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.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five steps in the model are as follows:
- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 September 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 September 2018. The effect of the changes on transition had no impact for the Group's financial statements.

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

3.1.2 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 retrospectively without restating comparatives, with an initial application date of 1 September 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The effect of adopting IFRS 9 as at 1 September 2018 was, as follows:

Impact on the statement of financial position (increase/(decrease)):

	Adjustments	31-Aug-2018 K'000	1-Sep-2017 K'000
Assets			
Trade receivables	(b)	(17 821)	(17 821)
Total assets		(17 821)	(17 821)
Total adjustments on equity			
Retained earnings	(a),(b),(d)	17 821	17 821
		17 821	17 821

The nature of these adjustments are described below:

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 September 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 September 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

• Trade receivables and Other non-current financial assets (i.e., amounts due from related parties) classified as receivables as at 31 August 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 September 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 September 2018.

		IFRS 9 measurement category		
Financial Assets at 1 September 2018	K'000	Fair value through profit or loss K'000	Amortised cost K'000	Fair value through OCI K'000
Trade receivables and other current financial assets measured in accordance with IAS 39	236 527	-	236 527	-
Trade receivables and other current financial assets measured in accordance with IFRS 9	218 706	-	218 706	-
Impact on Closing Balance*	(17 821)	-	(17 821)	-

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

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

3.1.2 IFRS 9 Financial Instruments (Continued)

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Group recognised impairment on the Group's Trade receivables of K24 645 000, which resulted in a decrease in retained earnings of K17 821 000 as at 1 September 2018 and a deferred tax impact of K943 327.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 August 2018 K'000	Remeasurement K'000	ECL under IFRS 9 as at 1 September 2018 K'000
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9	6 824	24 645	17 821

c) Hedge accounting

At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The Group designated the change in fair value of the entire forward contracts in its cash flow hedge relationships. The Group designates all of the forward contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This applies retrospectively without restating comparatives from the date of initial application of IFRS 9 and has no impact on the statement of financial position as at 1 September 2018.

3.1.3 IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation has been adopted in the reported period with a reclassification impact of K 16 million between revenue and administrative costs.

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The Group has only included those standards that will be applicable to it.

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

3.2.1 IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the

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

3.2.1 IFRS 16 Leases (Continued)

right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2020, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements. The standard will be effective for the year ending 31 August 2020.

The effect of adopting IFRS 16 as at 1 September 2019 will be as follows:

Impact on the statement of financial position:

	1 September 2019 K'000
Assets	
Right of use Assets	29 122
Deferred tax asset	1 905
Total assets	31 027
Liabilities	
Lease Liability - Capital	(49 593)
Lease Prepayments	(1 092)
Total liabilities	(50 685)
Total adjustments on equity	
Retained earnings	19 658
Impact on the statement of profit or loss for 2019:	
Depreciation expense (included in cost of sales)	(1 856)
Depreciation expense (included in administrative expenses)	12 772
Operating lease expense (included in administrative expenses	10 916
Operating profit	(8 084)
Finance costs	(283)
Income tax expense	2 549
Profit for the year	

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17

3.2.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

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

3.2.3 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group. The amendment will be effective for the year ending 31 August 2020

3.2.4 Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments are expected to have no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they are expected to have no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they are expected to have no impact on the consolidated financial statements of the Group.

Definition of a Business - Amendments to IFRS 3

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2020.

The amendments are expected to have no impact on the consolidated financial statements of the Group.

3.2.4 Annual Improvements 2015-2017 Cycle (Continued)

Definition of Material - Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2020. The amendments are expected to have no impact on the consolidated financial statements of the Group.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets, liabilities and contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgments in applying accounting policies

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

4.1.1 Impairment of non-financial 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.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

4.1.2 Provision for expected credit losses of trade receivables and other current financial assets

The Group uses a provision matrix to calculate ECLs for trade receivables and other current financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 18. The ECLs on amounts due to related parties are immaterial.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
for the year ended 31 August 2019

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

4.1 Critical judgments in applying accounting policies (Continued)

4.1.3 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 29.6 for further disclosures.

4.2 Key sources of estimation uncertainty

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

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

4.2.1 Property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual values over their anticipated useful lives using the straight line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 12 to the financial statements.

4.2.2 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 12 to the financial statements.

4.2.3 Growing cane valuation

Growing cane is valued at the estimated sucrose content valued at the estimated sucrose price for the following season, less estimated costs for harvesting and transport. The value of growing cane is further adjusted for the estimated cane growth percentage, the costs necessarily incurred to farm the sugar cane until the commencement of the following season and the expected profit margin on thecane growing activity. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess the domestic and export prices as well as related foreign currency exchange rates. In addition, management prepares detailed costs forecasts to determine the costs to farm the sugar cane to maturity as well as the expected profit margin. The carrying value of growing cane is disclosed in note 17 to the financial statements.

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.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

5.1 Disaggregated revenue information

	Group August 2019 K'000	Group August 2018 K'000	Company August 2019 K'000	Company August 2018 K'000
Revenue represents proceeds received from the following primary business segments:				
Sugar production	**2 303 391**	1 754 074	**2 303 391**	1 863 370
Cane growing	**652 567**	608 394	**652 567**	499 098
Total revenue from contracts with customers	**2 955 958**	2 362 468	**2 955 958**	2 362 468
From secondary business segments as follows:				
Local market	**1 638 853**	1 413 150	**1 638 853**	1 413 150
Export market	**1 317 105**	949 318	**1 317 105**	949 318
Total revenue from contracts with customers	**2 955 958**	2 362 468	**2 955 958**	2 362 468
From geographical business segments as follows:				
Zambia	**1 638 853**	1 414 381	**1 638 853**	1 414 381
Rest of africa	**1 267 069**	937 932	**1 267 069**	937 932
Europe	**50 036**	10 155	**50 036**	10 155
Total revenue from contracts with customers	**2 955 958**	2 362 468	**2 955 958**	2 362 468

The Group recognised a net gain on impairment of receivables arising from contracts with customers, included in the statement of profit or loss, amounting to K2.04 million for the year ended 31 August 2019 (2018: K6.5 million impairment loss)

5.2 Contract balances

	Group August 2019 K'000	Group August 2018 K'000	Company August 2019 K'000	Company August 2018 K'000
Contract liabilities (Note 24)	**221 272**	-	**221 272**	-

Contract liabilities relate to amounts received in advance from customers in relation to sales contracts. These liabilities were previously disclosed under trade and other payables (Note 23).

6. OPERATING PROFIT

Operating profit has been determined after charging/ (crediting) the following:

	Group 2019	Group 2018	Company 2019	Company 2018
Employees remuneration expenses	**533 382**	432 279	**507 528**	412 022
Exchange losses or trading balances	**39 842**	2 064	**38 213**	1 084
Depreciation expense (see note 12)	**105 518**	105 625	**96 261**	97 023
Factory overhaul costs expensed (see note 16.1)	**75 506**	65 643	**75 506**	65 643
Employer contributions to pension funds (see note 30)	**38 183**	37 534	**37 135**	35 207
Operational support fees (see note 25.1.2)	**42 770**	38 042	**42 770**	38 042
Operating lease charges	**31 321**	26 259	**31 321**	26 259
- Property	**27 522**	22 496	**27 522**	22 496
- Plant and equipment	**3 799**	3 763	**3 799**	3 763
Directors' emoluments for services as directors	**1 517**	1 394	**1 508**	1 372
Auditors' remuneration	**2 111**	1 685	**1 738**	1 170
- Audit fees	**2 010**	1 551	**1 655**	1 036
- Fees for other services	**-**	24	**-**	24
- Other expenses	**101**	110	**83**	110
Profit on disposal of plant and equipment	**(6 157)**	(15 025)	**(5 854)**	(15 025)
Charitable donations	**292**	86	**50**	34
Fair value adjustments				
- growing cane (see note 17)	**34 250**	1 311	**26 731**	(3 474)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
for the year ended 31 August 2019

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
7. NET FINANCING COSTS				
Finance costs				
Interest charged on:				
Long-term borrowings	**42 099**	54 604	**42 099**	54 604
Related party borrowings (see 25.5)	**237 329**	164 076	**239 826**	168 857
Bank overdraft and short-term facilities	**23 580**	24 825	**23 613**	24 803
Other	**(2 039)**	-	**(2 039)**	-
Total interest charged	**300 969**	243 505	**303 499**	248 264
Finance income				
Interest received on deposits	**(1 149)**	(975)	**(1 149)**	(937)
Other interest income	**(328)**	-	**(328)**	-
	299 492	242 530	**302 022**	247 327

	Group		Company	
8. TAXATION				
Current tax				
- current year charge	**25 409**	5 868	**20 510**	693
- over provision in prior year	**(2 005)**	(73)	**(1 928)**	(20)
Deferred taxation (see note 22)				
- current year (credit)/charge	**(10 462)**	2 320	**(11 309)**	2 419
- under/(over) provision in prior year	**23 913**	(19 438)	**23 836**	(19 438)
Total taxation charge/(credit)	**36 855**	(11 323)	**31 109**	(16 346)
Included under current liabilities/assets:				
Taxation receivable at beginning of period	**1 744**	2 001	**5 631**	5 921
Current year charge	**(25 409)**	(5 868)	**(20 510)**	(693)
Under provision in prior year	**2 005**	73	**1 928**	20
	(21 660)	(3 794)	**(12 951)**	5 248
Paid during the year	**3 924**	5 538	**1 721**	383
- Prior year	**(119)**	-	**-**	-
Taxation (payable)/receivable at end of period	**(17 855)**	1 744	**(11 320)**	5 631
Reconciliation of taxation rate :				
	%	%	**%**	%
Statutory taxation rate applicable to agricultural entities-	**10.0**	10.0	**10.0**	10.0
Increase/(decrease) in charge due to:				
- Under/(over) provision in prior year	**9.1**	(17.1)	**9.1**	(17.1)
- Expenses disallowed for tax purposes	**3.1**	3.7	**2.1**	1.5
- Tax rate differential on non-farming income	**1.3**	4.4	**-**	0.4
- Other - Blended rate adjustment on first expansion assets	**(10.1)**	(9.2)	**(10.1)**	(9.2)
- Other adjustments	**0.1**	-	**0.1**	-
Effective rate of taxation	**13.5**	(8.2)	**11.2**	(14.4)

Non deductible expenses (disallowed) include, employee non cash fringe benefits (motor vehicles and housing benefits) and incidental costs of obtaining finance (arrangement fees and guarantee fees).

Ageing of Taxation losses

Subject to agreement with the Zambia Revenue Authority, the Group and Company has no estimated tax losses (August 2018: K381.7 million) available to carry forward for a period of not more than 5 years from the charge year in which they were incurred, for set off against future taxable profits from the same source as follows:

	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
March 2016 tax losses available until August 2020	**-**	101 010	**-**	101 010
March 2017 tax losses available until August 2021	**-**	280 708	**-**	280 708
	-	381 718	**-**	381 718

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
for the year ended 31 August 2019

8. TAXATION (Continued)

Ageing of disallowed loan interest

Effective 1 January 2019 deductible interest expense is restricted to 30% of EBITDA as provided under section 29 of the Zambia Income Tax Act (as amended). The Group and Company has estimated disallowed interest of K105 million (August 2018: K0 million) available to carry forward for a period of not more than 5 years from the charge year in which they were disallowed, for set off against future taxable profits from the same source as follows:

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
March 2017 tax losses available until August 2021	**104 950**	-	**104 950**	-

9. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group		Company	
	August 2019	**August 2018**	**August 2019**	**August 2018**
Earnings per share (ngwee per share)	**83.3**	48.2	**77.4**	41.1
Headline earnings per share (ngwee per share)	**81.6**	43.9	**75.8**	36.8
Number of shares	**Shares '000**	Shares '000	**Shares '000**	Shares '000
Weighted average number of ordinary shares for the purposes of basic, diluted and headline earnings per share	**316 571**	316 571	**316 571**	316 571
Reconciliation of earnings	**K'000**	K'000	**K'000**	K'000
Profit attributable to shareholders of Zambia Sugar Plc	**263 730**	152 642	**245 126**	130 104
Earnings for the purposes of earnings per share	**263 730**	152 642	**245 126**	130 104
Reconciliation of headline earnings				
Profit attributable to shareholders of Zambia Sugar Plc	**263 730**	152 642	**245 126**	130 104
Gain on sale of property, plant and equipment	**(6 157)**	(15 025)	**(5 854)**	(15 025)
Tax effect of adjustments	**616**	1 503	**585**	1 503
Non-controlling interest effect of adjustments	**-**	-	**-**	-
Headline earnings for the year	**258 189**	139 120	**239 857**	116 582

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2019

	Group		Company	
	August 2019	August 2018	**August 2019**	August 2018
10. DIVIDENDS PAID				
No dividends were paid in either the current year or the prior year by the Company				
Dividends proposed per share - final 2019 to be proposed at AGM (Ngwee)	8	-	8	-
Number of ordinary shares in issue ('000)	**316 571**	316 571	**316 571**	316 571

11 SEGMENTAL ANALYSIS

Year ended 31 August 2019	Group: Sugar production K'000	Group: Cane growing K'000	Group: TOTAL K'000	Company: Sugar production K'000	Company: Cane growing K'000	Company: TOTAL K'000
Revenue	2 303 391	652 567	**2 955 958**	2 303 391	652 567	**2 955 958**
Operating profit	465 293	140 448	**605 741**	467 143	94 368	**561 511**
Property, plant and equipment	1 432 164	469 711	**1 901 875**	1 419 371	357 480	**1 776 851**
Balance at beginning of period	1 431 506	481 554	**1 913 060**	1 418 713	375 091	**1 793 804**
Additions at cost	81 257	15 025	**96 282**	81 257	-	**81 257**
Depreciation charge for the period	(78 650)	(26 868)	**(105 518)**	(78 650)	(17 611)	**(96 261)**
Net book value of disposals	(1 949)	-	**(1 949)**	(1 949)	-	**(1 949)**
Intangible assets	-	67 902	**67 902**	-	-	**-**
Investment in subsidiary	-	-	**-**	-	177 163	**177 163**
Current assets	1 536 384	443 602	**1 979 986**	1 536 384	355 861	**1 892 245**
Inventories	618 377	69 013	**687 390**	618 377	56 369	**674 746**
Growing cane	-	336 745	**336 745**	-	283 414	**283 414**
Trade and other receivables	547 074	37 403	**584 477**	547 074	16 078	**563 152**
Derivative financial instruments	26 228	-	**26 228**	26 228	-	**26 228**
Amounts due from related parties	10 265	-	**10 265**	10 265	-	**10 265**
Assets classified as held for sale	5 625	-	**5 625**	5 625	-	**5 625**
Cash and cash equivalents	328 815	441	**329 256**	328 815	-	**328 815**
Current liabilities	813 177	185 846	**999 023**	885 788	162 002	**1 047 790**
Trade and other payables	302 001	92 719	**394 720**	302 001	75 500	**377 501**
Contract Liabilities	221 272	-	**221 272**	221 272	-	**221 272**
Short-term borrowings	150 795	81 198	**231 993**	150 795	81 198	**231 993**
Amounts due to related parties	95 691	-	**95 691**	168 302	-	**168 302**
Derivative financial instruments	44	-	**44**	44	-	**44**
Current tax liability	11 230	6 625	**17 855**	11 230	-	**11 230**
Bank overdrafts	16 239	-	**16 239**	16 239	-	**16 239**
Provisions	15 905	5 304	**21 209**	15 905	5 304	**21 209**
Non-current liabilities	1 024 710	513 351	**1 538 061**	1 024 710	489 896	**1 514 606**
Long-term borrowings	909 808	489 896	**1 399 704**	909 808	489 896	**1 399 704**
Deferred tax liability	114 902	23 455	**138 357**	114 902	-	**114 902**
Net asset value	**1 130 662**	**282 017**	**1 412 679**	**1 045 258**	**238 605**	**1 283 863**

11 SEGMENTAL ANALYSIS (Continued)

Year ended 31 August 2018	Group			Company		
	Sugar production K'000	Cane growing K'000	TOTAL K'000	Sugar production K'000	Cane growing K'000	TOTAL K'000
Revenue	1 754 074	608 394	**2 362 468**	1 863 370	499 098	**2 362 468**
Operating profit/(loss)	390 622	(3 021)	**387 601**	392 474	(31 839)	**361 085**
Property, plant and equipment	1 431 506	481 554	**1 913 060**	1 418 713	375 091	**1 793 804**
Balance at beginning of period	1 439 716	480 285	**1 920 001**	1 426 923	375 985	**1 802 908**
Additions at cost	56 488	42 821	**99 309**	56 488	32 056	**88 544**
Depreciation charge for the period	(64 073)	(41 552)	**(105 625)**	(64 073)	(32 950)	**(97 023)**
Net book value of disposals	(625)	-	**(625)**	(625)	-	**(625)**
Intangible assets	-	67 902	**67 902**	-	-	**-**
Investment in subsidiary	-	-	**-**	-	155 624	**155 624**
Current assets	1 235 679	394 069	**1 629 748**	1 239 566	323 860	**1 563 426**
Inventories	601 088	65 398	**666 486**	601 088	54 793	**655 881**
Growing cane	-	302 495	**302 495**	-	256 683	**256 683**
Trade and other receivables	421 398	25 626	**447 024**	421 398	12 384	**433 782**
Derivative financial instruments	-	-	**-**	-	-	**-**
Taxation receivable	1 744	-	**1 744**	5 631	-	**5 631**
Amounts due from related parties	4 435	-	**4 435**	4 435	-	**4 435**
Assets classified as held for sale	6 898	-	**6 898**	6 898	-	**6 898**
Cash and cash equivalents	200 116	550	**200 666**	200 116	-	**200 116**
Current liabilities	757 745	195 217	**952 962**	829 056	179 438	**1 008 494**
Trade and other payables	341 991	101 278	**443 269**	341 991	85 498	**427 489**
Short-term borrowings	151 007	81 311	**232 318**	151 007	81 311	**232 318**
Amounts due to related parties	189 877	-	**189 877**	261 189	-	**261 189**
Derivative financial instruments	10 258	-	**10 258**	10 258	-	**10,258**
Bank overdrafts	26 737	-	**26 737**	26 737	-	**26 737**
Provisions	37 875	12 628	**50 503**	37 874	12 629	**50 503**
Non-current liabilities	996 946	506 185	**1 503 131**	996 946	483 654	**1 480 600**
Long-term borrowings	898 215	483 654	**1 381 869**	898 215	483 654	**1 381 869**
Deferred tax liability	98 731	22 531	**121 262**	98 731	-	**98 731**
Net asset value	**912 494**	**242 123**	**1 154 617**	**832 277**	**191 483**	**1 023 760**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

12 PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and buildings K'000	Plant and machinery K'000	Motor vehicles K'000	Furniture and fittings K'000	Cane roots K'000	Capital work in progress K'000	Total K'000
Cost							
Balance at 1 September 2017	742 127	1 489 061	109 379	21 797	217 198	23 092	2 602 654
Additions	-	31 922	-	-	27 161	40 226	99 309
Transfers	7 248	20 927	5 184	-	-	(33 359)	-
Disposals	(775)	(1 524)	(3 442)	-	-	-	(5 741)
Reclassified as held for sale	(352)	-	-	-	-	-	(352)
Balance at 31 August 2018	748 248	1 540 386	111 121	21 797	244 359	29 959	2 695 870
Additions	-	-	-	-	43 984	52 298	96 282
Transfers	2 365	42 563	14 153	4 233	-	(63 314)	-
Disposals	-	(356)	(12 299)	-	-	-	(12 655)
Balance at 31 August 2019	**750 613**	**1 582 593**	**112 975**	**26 030**	**288 343**	**18 943**	**2 779 497**
Accumulated depreciation							
Balance at 1 September 2017	106 538	385 898	65 329	15 916	108 972	-	682 653
Charge for period	12 809	58 583	10 244	1 824	22 165	-	105 625
Disposals	(445)	(1 524)	(3 305)	-	-	-	(5 274)
Reclassified as held for sale	(194)	-	-	-	-	-	(194)
Balance at 31 August 2018	118 708	442 957	72 268	17 740	131 137	-	782 810
Charge for year	12 747	59 105	10 011	1 792	21 863	-	105 518
Disposals	-	-	(10 706)	-	-	-	(10 706)
Balance at 31 August 2019	**131 455**	**502 062**	**71 573**	**19 532**	**153 000**	-	**877 622**
Net carrying amount							
Balance at 31 August 2019	**619 158**	**1 080 531**	**41 402**	**6 498**	**135 343**	**18 943**	**1 901 875**
Balance at 31 August 2018	629 540	1 097 429	38 853	4 057	113 222	29 959	1 913 060

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings K'000	Plant and machinery K'000	Motor vehicles K'000	Furniture and fittings K'000	Cane roots K'000	Capital work in progress K'000	Total K'000
COMPANY							
Cost							
Balance at 1 September 2017	658 111	1 452 579	107 680	21 031	177 193	18 708	2 435 302
Additions	-	31 922	-	-	21 612	35 010	88 544
Transfers	5 989	18 137	4 021	-	-	(28 147)	-
Disposals	(775)	(1 524)	(3 442)	-	-	-	(5 741)
Reclassified as held for sale	(352)	-	-	-	-	-	(352)
Balance at 31 August 2018	662 973	1 501 114	108 259	21 031	198 805	25 571	2 517 753
Additions	-	-	-	-	36 509	44 748	81 257
Transfers	1 085	37 537	14 153	4 233	-	(57 008)	-
Disposals	-	(356)	(12 299)	-	-	-	(12 655)
Balance at 31 August 2019	**664 058**	**1 538 295**	**110 113**	**25 264**	**235 314**	**13 311**	**2 586 355**
Accumulated depreciation							
Balance at 1 September 2017	105 406	360 099	64 284	15 427	87 178	-	632 394
Charge for year	12 597	54 485	9 916	1 815	18 210	-	97 023
Disposals	(445)	(1 524)	(3 305)	-	-	-	(5 274)
Reclassified as held for sale	(194)	-	-	-	-	-	(194)
Balance at 31 August 2018	117 364	413 060	70 895	17 242	105 388	-	723 949
Charge for period	12 527	54 717	9 623	1 783	17 611	-	96 261
Disposals	-	-	(10 706)	-	-	-	(10 706)
Balance at 31 August 2019	**129 891**	**467 777**	**69 812**	**19 025**	**122 999**	-	**809 504**
Net carrying amount							
Balance at 31 August 2019	**534 167**	**1 070 518**	**40 301**	**6 239**	**112 315**	**13 311**	**1 776 851**
Balance at 31 August 2018	545 609	1 088 054	37 364	3 789	93 417	25 571	1 793 804

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 the Zambian Companies Act, 2017, the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the registered office of the company.

The Company has pledged by way of a first legal mortgage over all fixed property to which the Company holds title and first fixed charge over all property, plant and machinery as security for the long-term borrowings referred to in note 21.

The Directors consider that the fair value of the property, plant and equipment as at 31 August 2019 is at least equal to their carrying values as reflected in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Leasehold Land

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

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Within one year	**11 320**	9 526	**11 320**	9 526
More than one year but less than five years	**45 275**	38 104	**45 275**	38 104
More than five years	**186 760**	161 944	**186 760**	161 944
	243 355	209 574	**243 355**	209 574

13. ASSETS HELD FOR SALE

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

On 17 February, 2017, the Board approved the sale of houses outside the Nakambala Estate perimeter to sitting tenants (employees). Respective employees were given a conditional offer to procure the houses. At year end, 5 houses were not sold (2018: 26 houses). Consequently, the unsold houses were classified as held for sale and placed in a disposal group.There were no liabilities associated with this decision. Measurement of the disposal group's assets at fair value less costs to sell did not result in a profit or loss.

Some assets classified as held for sale were sold during the financial year and further sales have been concluded beyond year end. The assets were not sold in the past twelve months due to factors beyond Management's control. Management are actively seeking buyers and expect to finalise the sale by the 31 August 2020.

The carrying amounts of assets in the disposal group is analysed as follows:	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Property, plant & equipment				
Balance at start of year	**6 898**	9 604	**6 898**	9 604
Additions during the year	**-**	158	**-**	158
Disposals during the year	**(1 273)**	(1 423)	**(1 273)**	(1 423)
Assets previously classified as held for sale expensed	**-**	(321)	**-**	(321)
Impairment charge during the year	**-**	(1 120)	**-**	(1 120)
Balance at end of year	**5 625**	6 898	**5 625**	6 898

14. INTANGIBLE ASSET

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Balance at the beginning and end of year	**67 902**	67 902	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

14. INTANGIBLE ASSET (Continued)

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.

The Group performed its annual impairment test in August 2019 and 2018. The recoverable amount of Investment in Nanga Farms is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The Weighted Average Cost of Capital (WACC) applied to the cash flow projections is 20.9%. The Group calculates and reports on the WACC based on agreed methodology, using inputs from respective banks to determine the cost of equity and the debt facilities to calculate the cost of debt. The Group then use the target debt/equity weightings to calculate the WACC. It incorporates country, currency and company risk in arriving at the cost of equity. Cost of debt is a function of the current debt facilities. The Group uses the Gordon growth method to calculate the terminal value, as it looks to hold the asset and continue to earn cash flows through use of the asset. The investment in Nanga Farms ensure security of source of cane supply as the Group has control of the product from Nanga, thereby preventing other entities from accessing sugar cane from Nanga Farms.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the investment in Nanga Farms is most sensitive to the following assumptions:

• Discount rates

• Raw materials price inflation

• Operational parameters

• Gross and EBITDA margins

Discount rates - Discount rates represent the current market assessment of the specific risks taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in the pre-tax discount rate to by +0.5% would not result in impairment. A rise or decline in the discount rate to by +0.5% would not result in impairment.

Production inputs price inflation - Estimates are obtained from published indices in Zambia, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual raw material price movements are used as an indicator of future price movements. Management has considered the possibility of greater than forecast increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers. Forecast long term inflation lies at 9%. If prices of raw materials increase on average by 0.5% more than the forecast price inflation, the Group will still have no impairment.

Operational parameters - Operational parameters include cane yields, sucrose percentage in sugar cane, and sucrose price. Management have used the average for the past six years to forecast the. A 1 % movement in operational parameters would not result in an impairment.

Gross margins - Gross margins are based on average values achieved in the six years preceding the beginning of the budget period. The gross margin for Nanga was 36.5%. This was adjusted for the focused period to account for expected fluctuations in operational and financial paramenters. Increased operational costs and reduced cane yields can lead to a decline in the gross margin. A decrease in the gross margin by 1.0% would not result in an impairment. EBITDA margin changes are highly correlated to the Gross Profit margin changes due to the low proportion of administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2019

15. INVESTMENTS IN SUBSIDIARIES

The principal subsidiaries of Zambia Sugar Plc are as follows:	Issued capital K'000	Effective percentage holding %	Shares at cost K'000	Amounts due by subsidiary K'000	Amounts due to subsidiary K'000
August 2019					
Direct Investment					
Tukunka Agriculture Limited	10 000	100	-	-	72 963
Nanga Farms Limited	487	14.3	21 539		
Indirect Investment					
Nanga Farms Limited	487	85.7	155 624	-	72 963
August 2018					
Direct Investment					
Tukunka Agriculture Limited	10 000	100	-	-	-
Indirect Investment					
Nanga Farms Limited	487	85.7	155 624	-	57 649

On 28 December 2018, the Group acquired 14.27% shares of Nanga Farms Limited for K21.5 million. This increased the Group's level of investment in Nanga Farms Limited from 85.73% to 100%. The acquisition was of a strategic nature. The acquisition has been accounted for using the acquisition method. The financial statements include the results of the entire accounting period.

The fair values of the identifiable assets and liabilities of Nanga Farms Limited as at the date of acquisition were K193 million.

Transaction costs of K395 000 have been expensed and are included in Administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

16. INVENTORIES

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Maintenance stores (at cost)	**133 804**	87 990	**124 713**	80 815
Provision for obsolescence	**(4 066)**	(3 312)	**(3 460)**	(2 732)
	129 738	84 678	**121 253**	78 083
Livestock	**4 159**	4 010	**-**	-
Factory overhaul costs (Note 16.1) (at cost)	**32 822**	25 838	**32 822**	25 838
Finished goods - sugar (at lower of cost and net realisable value)	**520 671**	551 960	**520 671**	551 960
Total inventories at the lower of cost and net realisable value	**687 390**	666 486	**674 746**	655 881
Movement in the allowance for slow moving stocks				
Balance at beginning of year	**3 312**	1 748	**2 732**	1 748
Amounts written off during the year	**754**	1 564	**728**	984
Provision released during the year	**-**	-	**-**	-
Balance at end of year	**4 066**	3 312	**3 460**	2 732

The costs of individual items of inventory are determined using weighted average costs.

Write-downs of finished goods to net realisable value at year end amounted to K7.3 million (August 2018 – K9.1 million). These were recognised as an expense for the year ended 31 August 2019 and included in cost of sales in the statement of profit or loss. Previous years' write-downs were reversed in the statement of profit or loss during the financial year on reprocessing prior year downgraded sugar.

A first agricultural and floating charge over agriculture assets, crops and stocks has been pledged as security for the long-term borrowings and is referred to in note 21.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

16.1 FACTORY OVERHAUL COSTS

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Balance at beginning of year	**25 838**	23 282	**25 838**	23 282
Capitalised during the year	**82 490**	68 199	**82 490**	68 199
	108 328	91 481	**108 328**	91 481
Amortised during the year	**(75 506)**	(65 643)	**(75 506)**	(65 643)
Balance at end of year	**32 822**	25 838	**32 822**	25 838

Factory overhaul costs are classified under Inventory in Note 16 as they satisfy the definition of inventory in the form of materials or supplies to be consumed in the production process or in the rendering of service.

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

17. GROWING CANE

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
The carrying value of growing cane is reconciled as follows:				
Carrying value at beginning of year	**302 495**	303 806	**256 683**	253 209
Change in fair value	**34 250**	(1 311)	**26 731**	3 474
Carrying value at end of year	**336 745**	302 495	**283 414**	256 683

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

The following are the key assumptions in the valuation of growing cane:				
Expected area to harvest (hectares)	**16 229**	16 251	**13 568**	13 568
Estimated yield (tons cane per hectare)	**118.8**	116.3	**116.8**	115.6
Sucrose content in cane (%)	**14.42**	14.43	**14.42**	14.43
Average maturity of cane at 31 March (%)	**65.7**	65.7	**65.7**	65.7
A 1% change in the unobservable inputs could increase or decrease the fair value of the standing cane by the following values:				
Estimated sucrose content	**4 928**	3 226	**4 088**	2 715
Estimated sucrose price (K'000)	**5 904**	4 116	**4 854**	3 416

A first agricultural and floating charge over agriculture assets, crops and stocks has been pledged as security for the long-term borrowings and is referred to in note 21.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
Trade receivables comprise amounts receivable in respect of the sale of sugar and molasses:	**August 2019 K'000**	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Gross trade receivables	**315 653**	225 530	**315 653**	225 530
Allowance for expected credit losses	**(22 604)**	(6 824)	**(22 604)**	(6 824)
	293 049	218 706	**293 049**	218 706
VAT receivable	**239 593**	197 161	**219 886**	184 330
Other receivables	**51 835**	31 157	**50 217**	30 746
Balance at end of year	**584 477**	447 024	**563 152**	433 782
Movement in the allowance for expected credit losses				
Balance at beginning of year	**(6 824)**	(314)	**(6 824)**	(314)
Increase on adoption of IFRS 9	**(17 821)**	-	**(17 821)**	-
Amounts raised during the year	**-**	(6 510)	**-**	(6 510)
Amounts reversed during the year	**2 041**	-	**2 041**	-
Balance at end of year	**(22 604)**	(6 824)	**(22 604)**	(6 824)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

18. TRADE AND OTHER RECEIVABLES (Continued)

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Additional disclosures concerning the management of credit risk have been provided in note 29.4

An assignment of all present and future rights and claims to material contracts, insurances and all other receivables has been pledged as security for the long-term borrowings and is referred to in note 21.

19. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Bank and cash balances	**329 256**	200 666	**328 815**	200 116
Bank overdraft - unsecured	**(16 239)**	(26 737)	**(16 239)**	(26 737)
Cash and cash equivalents at end of year	**313 017**	173 929	**312 576**	173 379

20. SHARE CAPITAL AND PREMIUM

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Authorised:				
350 000 000 (August 2018: 350 000 000) ordinary shares of K0.01 each (August 2018: K0.01 each)	**3 500**	3 500	**3 500**	3 500
Issued and fully paid:				
316 571 385 (August 2018: 316 571 385) ordinary shares of K0.01 each (August 2018: K0.01 each)	**3 166**	3 166	**3 166**	3 166
Share premium	**244 172**	244 172	**244 172**	244 172
	247 338	247 338	**247 338**	247 338

21. BORROWINGS

	Note	Years of repayment	Effective Interest rate (%)	Group August 2019 K'000	Group August 2018 K'000	Company August 2019 K'000	Company August 2018 K'000
Syndicated bank loan	**a**	**2020**	**17.92**	**140 473**	280 656	**140 473**	280 656
Related party loans	**b**	**2020 - 2023**		**1 491 224**	1 333 531	**1 491 224**	1 333 531
Total borrowings				**1 631 697**	1 614 187	**1 631 697**	1 614 187
Less:							
Current portion - Syndicated bank loan	**a**			**140 473**	140 387	**140 473**	140 387
Short-term related party loans	**b**			**91 520**	91 931	**91 520**	91 931
Short-term borrowings				**231 993**	232 318	**231 993**	232 318
Long-term borrowings				**1 399 704**	1381 869	**1 399 704**	1381 869
The amounts are due for repayment in the following years ending 31 August:							
2019				**-**	232 318	**-**	232 318
2020				**231 993**	1 090 380	**231 993**	1 090 380
2021				**-**	291 489	**-**	291 489
2022				**-**	-	**-**	-
2023				**1 399 704**	-	**1 399 704**	-
				~~**1 631 697**~~	~~1 614 187~~	~~**1 631 697**~~	~~1 614 187~~

Summary of borrowing arrangements

a) The syndicated Zambian Kwacha denominated loan from four financial institutions was first drawn down in July 2015 in order to finance the Product Alignment and Refinery (PAAR) capital project. The final draw down was made in August 2016. The four participating banks are Barclays Bank, Stanbic Bank, Citibank and Zambia National Commercial Bank Plc. The loan is repayable in eight equal instalments commencing in January 2017 and attracts interest at the ruling 182 day Treasury Bill interest rate at the beginning of each interest year plus a 2.5% margin. The weighted average effective interest rate on the loan for the financial year is 17.92% (August 2018: 14.21%).

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21. BORROWINGS (Continued)

The loan is secured by way of a first legal mortgage over all fixed property to which the company holds title, a first fixed charge over all property, plant and machinery, a first agricultural and floating charge over agriculture aand assignment of all present and future rights and claims to material contracts, insurances and all other receivables.

b) Loans from related parties are disclosed in Note 25.2.1
c) There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current or previous year.

22. DEFERRED TAX LIABILITY

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Balance at beginning of year	**121 262**	143 428	**98 731**	120 798
Charged to profit or loss:				
- Current year income statement charge	**(10 462)**	2 320	**(11 309)**	2 419
- Prior year under statement/relief	**23 913**	(19 438)	**23 836**	(19 438)
- Current year other comprehensive income charge	**3 664**	(5 048)	**3 644**	(5 048)
Balance at end of year	**138 357**	121 262	**114 902**	98 731
Analysis of liability:				
Property, plant and equipment	**113 998**	118 245	**110 738**	109 232
Intangible asset	**13 534**	6 790	**11 231**	-
Factory overhaul costs	**3 282**	2 584	**3 282**	2 584
Growing cane	**46 217**	30 249	**28 341**	25 668
Tax losses	**-**	(38 172)	**-**	(38 172)
Deferred Interest Deduction (Restriction): S29	**(10 495)**	-	**(10 495)**	-
Deferred Income	**(22 127)**	-	**(22 127)**	-
Other	**(6 052)**	1 566	**(6 068)**	(581)
Balance at end of year	**138 357**	121 262	**114 902**	98 731

23. TRADE AND OTHER PAYABLES

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

Trade payables	**90 435**	119 049	**83 813**	110 689
Growers	**155 002**	115 406	**155 002**	115 406
Deferred Income	**-**	93 874	**-**	93 874
Accruals	**107 087**	76 029	**97 069**	76 029
Payroll	**29 594**	15 357	**29 072**	15 357
Other payables	**12 602**	23 554	**12 545**	16 134
Balance at end of year	**394 720**	443 269	**377 501**	427 489

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

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

24. CONTRACT LIABILITIES

Contract liabilities relate to amounts received in advance from customers in relation to sales contracts. These liabilities were previously disclosed under trade and other payables.

Deferred Income	**221 272**	-	**221 272**	-
At start of year (Reclassified balamce from trade and other payables)	**93 874**	-	**93 874**	-
Recognised as revenue during the year	**(93 874)**	-	**(93 874)**	-
Deferred income received during the year	**221 272**	-	**221 272**	-
Deferred income balance at end year	**221 272**	-	**221 272**	-
Aging of contract balances				
Current balance (within 12 months)	**221 272**	-	**221 272**	-
Beyond 12 months	**-**	-	**-**	-

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25. AMOUNTS DUE TO/(FROM) RELATED PARTIES

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

25.1 Holding Companies

The Group is controlled by the following entities:

Names	Type	Ownership Interest in Zambia Sugar Plc August 2019	August 2018
Illovo Group Holdings Limited (IGHL), incorporated in Mauritius	Immediate holding company	**75.0%**	75.0%
Illovo Sugar Africa Proprietary Limited (ISAPL), incorporated in South Africa	Illovo holding company	**75.0%**	75.0%
Associated British Foods plc, incorporated in United Kingdom	Ultimate holding company	**75.0%**	75.0%

25.1.1 Ultimate Holding Company

Associated British Foods plc (ABF) holds 100% of the issued share capital of ISAPL and therefore hold an effective ownership interest of 75.0% in the Group. This is compliant with the minimum free float requirement, where 25% of the shares should be in public hands. There were no transactions between the Group and Associated British Foods plc in either the current year or the previous year.

25.1.2 Illovo Holding Company

Illovo Sugar Africa Proprietary Limited ("ISAPL") holds 100% of the issued share capital of Illovo Group Holdings Limited and therefore has an effective ownership interest of 75% in the Group.

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

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Trading balances owing by the Group	**25 082**	44 751	**24 730**	44 349
Procurement of goods and services	**161 580**	127 541	**161 580**	127 541
Interest paid: procurement	**1 675**	290	**1 675**	290

The Group utilises the centralised procurement office to share in the benefit of the bulk purchasing power that arises from ISAPL combining the procurement requirements of six operations to negotiate preferential supply arrangements. On receipt of an order from the Group, the centralised procurement office sources and purchases the required goods and services from third party suppliers. The cost of the goods and services procured, together with any transport costs, is recovered from the Group. No mark-up is charged on the recovery of the procurement expenditure and any pricing benefit negotiated with the third party supplier by the centralised procurement office is passed on to the Group.

The trading balance owing in respect of procurement expenditure on goods and services is unsecured, is repayable within 30 days from statement date and only bears interest if the repayment terms have been exceeded, after which a market-related interest (9% per annum) is charged. Interest is not raised on goods that have not been received, or damaged in transit, and for which there are legitimate queries pending. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balance will be settled by cash payments.

Other transactions and balances with Illovo Sugar Africa Proprietary Limited:

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Trading balances owing by the Group	**10 630**	90 682	**10 630**	90 682
Operational support fees	**42 770**	38 042	**42 770**	38 042
Cost reimbursement (general)	**12 198**	15 925	**12 198**	15 925
Directors fees	**615**	886	**615**	886
Export agency commission	**14 284**	10 830	**14 284**	10 830

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

25.1.2 Illovo Holding Company (Continued)

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

Various third party costs incurred by the Group are paid for by ISAPL and for which ISAPL is reimbursed with no mark-up charged. ISAPL is also compensated for the services rendered by G.B. Dalgleish, N. Saayman, C. Taylor and M.H. Abdool-Samad (resigned during the year) as directors of the company.

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

Illovo Sugar Africa Proprietary Limited ("ISAPL") is the agent to co-ordinate and manage the marketing, sale and distribution of all the Group's export sugar and molasses (excluding distribution into Rwanda) for which it receives a commission of 1% of export revenue. The cost incurred in the year 1 September 2018 to 31 August 2019 is the product of the export revenue achieved.

25.2 Fellow Subsidiaries of the Group

25.2.1 Illovo Group Financing Services ("IGFS")

Funding balances owing by the Group

	Years of repayment	Effective Interest rate (%)	Group August 2019 K'000	Group August 2018 K'000	Company August 2019 K'000	Company August 2018 K'000
Aggregation A Loans			**731 022**	645 460	**731 022**	645 460
Loan A1 - Zambian Kwacha	**2023**	18.81	**182 000**	182 000	**182 000**	182 000
Loan A2 - Zambian Kwacha	**2023**	18.81	**182 000**	182 000	**182 000**	182 000
Loan A3 - Zambian Kwacha	**2023**	18.80	**183 111**	183 111	**183 111**	183 111
Loan A4 - Zambian Kwacha	**2023**	18.78	**98 349**	98 349	**98 349**	98 349
Loan A5 - Zambian Kwacha	**2023**	19.64	**85 562**	-	**85 562**	-
Aggregation B Loans			**668 682**	596 140	**668 682**	596 140
Loan B1 - Zambian Kwacha	**2023**	17.07	**202 000**	202 000	**202 000**	202 000
Loan B2 - Zambian Kwacha	**2023**	17.07	**201 000**	201 000	**201 000**	201 000
Loan B3 - Zambian Kwacha	**2023**	17.09	**193 140**	193 140	**193 140**	193 140
Loan B4 - Zambian Kwacha	**2023**	19.81	**72 542**	-	**72 542**	-
Loan 3 - US Dollar	**2019**	3.0	**91 520**	91 931	**91 520**	91 931
Total related party borrowings			**1 491 224**	1 333 531	**1 491 224**	1 333 531
Short-term portion						
Loan 3 - Zambian Kwacha	**2020**	3.0	**91 520**	91 931	**91 520**	91 931
Short-term borrowings			**91 520**	91 931	**91 520**	91 931
Long-term borrowings			**1 399 704**	1 241 600	**1 399 704**	1 241 600

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25.2 Fellow Subsidiaries of the Group (Continued)

25.2.1 Illovo Group Financing Services ("IGFS") (Continued)

Funding balances owing by the Group	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Aggregation A Loans	**28 795**	10 427	**28 795**	10 427
Accrued interest - Loan A1	**7 363**	2 674	**7 363**	2 674
Accrued interest - Loan A2	**7 363**	2 674	**7 363**	2 674
Accrued interest - Loan A3	**7 363**	2 802	**7 363**	2 802
Accrued interest - Loan A4	**3 625**	2 277	**3 625**	2 277
Accrued interest - Loan A5	**3 081**	-	**3 081**	-
Aggregation B Loans	**22 414**	27 150	**22 414**	27 150
Accrued interest - Loan B1	**6 671**	9 205	**6 671**	9 205
Accrued interest - Loan B2	**6 637**	13 659	**6 637**	13 659
Accrued interest - Loan B3	**6 700**	4 286	**6 700**	4 286
Accrued interest - Loan B4	**2 406**	-	**2 406**	-
	51 209	37 577	**51 209**	37 577
Interest paid: funding				
Aggregation A Loans	**128 340**	90 890	**128 340**	90 890
Interest paid - Loan A1	**34 231**	28 677	**34 231**	28 677
Interest paid - Loan A2	**34 231**	28 677	**34 231**	28 677
Interest paid - Loan A3	**34 432**	28 852	**34 432**	28 852
Interest paid - Loan A4	**18 469**	4 684	**18 469**	4 684
Interest paid - Loan A5	**6 977**	-	**6 977**	-
Aggregation B Loans	**107 066**	72 870	**107 066**	72 870
Interest paid - Loan B1	**34 481**	32 126	**34 481**	32 126
Interest paid - Loan B2	**34 310**	31 957	**34 310**	31 957
Interest paid - Loan B3	**33 014**	8 787	**33 014**	8 787
Interest paid - Loan B4	**5 261**	-	**5 261**	-
Interest paid - Loan 3	**248**	26	**248**	26
	235 654	163 786	**235 654**	163 786

A Loans

During the current financial year, the unpaid, accrued interest on Loan A1 (K23.1 million), Loan A2 (K23.1 million), Loan A3 (K23.3 million), Loan A4 (K12.5 million) and Loan A5 (K3.5 million) was capitalised as Loan A5 totalling K85.6 million. The restructuring allowed the Group greater flexibility in determining its long-term capital structure. The terms and conditions of the loans remain unchanged.

The balance owing on the A Loans comprises K731 million capital (August 2018: K645 million) and K29 million accrued interest (August 2018: 10 million). The loans are denominated in Zambian Kwacha, are unsecured and attract interest at the annual yield rate quoted by the Bank of Zambia, from time to time, in respect of the most recent 91 day treasury bill rate, plus 4.0% (four point zero percent), with such rate being set on the original Agreement Effective Date and reset and compounded on each of 31 March, 30 June, 30 September and 31 December each year. Interest is paid on 31 March, 30 June, 30 September, and 31 December each year or if that date is not a business day, the next business day. The repayment date of loans A1, A2 and A3 is 30 September 2022 or such date as agreed in writing by the parties. The repayment dates of loan A4 and A5 are 31 March 2023 and 31 December 2023 respectively, or such date as agreed in writing by the parties. These loans are subordinate to the syndicated loan detailed in note 21.

25.2 Fellow Subsidiaries of the Group (Continued)

25.2.1 Illovo Group Financing Services ("IGFS") (Continued)

Funding balances owing by the Group

B Loans

During the current financial year, the unpaid, accrued interest on Loan B1 (K23.6 million), Loan B2 (K23.5 million), Loan B3 (K22.6 million) and Loan B4 (K2.8 million) was capitalised as Loan B4 totalling K72.5 million. The restructuring allowed the Group greater flexibility in determining its long-term capital structure. The terms and conditions of the loans remain unchanged.

The balance owing on the B Loans comprises K669 million capital (August 2018: K596 million) and K22 million accrued interest (August 2018: K27 million). The loans are denominated in Zambian Kwacha, are unsecured and attract interest at the annual yield rate quoted by the Bank of Zambia, from time to time, in respect of the most recent 182 day treasury bills rate, plus 2.25% (two point twenty five percent), with such rate being set on the Effective Date and reset on 31 March and 30 September each year. Interest is paid on 31 March, 30 June, 30 September, and 31 December each year or if that date is not a business day, the next business day. The repayment date of loans B1 and B2 is 30 September 2022 or such date as agreed in writing by the parties. The repayment dates of loan B3 aand B4 are 30 April 2023 and 20 April 2023 respectively, or such date as agreed in writing by the parties. These loans are subordinate to the syndicated loan detailed in note 21.

Loan 3

Loan 3 is short-term facility that is utilised to assist with the Group's working capital funding requirements at period end. The balance owing comprises K91.5 million capital (August 2018: K91.9 million). The loan outstanding at the end of August 2018 was repaid in full during September 2019. The loan is denominated in US Dollars, is unsecured and attracts interest at the ruling 1 month USD LIBOR inter-bank Offer Rate plus a 3.00% margin wii be repaid using future foreign currency export proceeds to minimise any realised exchange losses. This loan is subordinate to the syndicated loan detailed in note 21.

25.2.2 Illovo Group Marketing Services Limited ("IGMS")

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Trading balances owing by the Group	**8 362**	14 741	**8 362**	14 741
Trading balances owing to the Group	**9 009**	-	**9 009**	-
Export sugar sales	**9 009**	48 281	**9 009**	48 281
Export agency commission	**4 675**	1 920	**4 675**	1 920
Logistics cost reimbursement	**23 460**	11 842	**23 460**	11 842

Trading balance owing by the Group to Illovo Group Marketing Services Limited ("IGMS") represent amounts outstanding for commissions and logistics costs yet to be settled. All trading balances with IGMS are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

During the current year, sugar was sold to IGMS on the same commercial terms and conditions that would be available to third party customers.

IGMS is the Group's appointed agent to coordinate and manage the marketing, sale and distribution of all the Group's export sugar and molasses into Rwanda for which it receives a commission of 3% of export revenue. The cost incurred in the year 1 September 2018 to 31 August 2019 is the product of the export revenue achieved.

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

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25.2 Fellow Subsidiaries of the Company (Continued)

25.2.2 Illovo Group Marketing Services Limited ("IGMS") (Continued)

IGMS is the agent for Zambia Sugar plc on export of sugar to Rwanda. Zambia Sugar pays a commission as indicated above.

Trading balance owing by the Group to IGMS represent amounts outstanding for commissions and logistics costs yet to be reimbursed. All trading balances with IGMS are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

25.2.3 East African Supply Proprietary Limited ("EAS")

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Trading balances owing by the Group	**381**	164	**381**	164
Air services	**2 457**	1 050	**2 457**	1 050

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

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

25.2.4 Illovo Sugar (South Africa) Proprietary Limited ("ISSA")

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Trading balances owing by the Group	**-**	1 962	**-**	1 962
Export sugar sales	**-**	36 238	**-**	36 238
Sale of Equipment	**-**	1 856	**-**	1 856
Distribution cost reimbursement	**-**	1 583	**-**	1 583

There were no transactions with ISSA during the year

25.2.5 Czarnikow group limited

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Trading balances owing to the Group	**74**	4 435	**74**	4 435
Export sugar sales	**22 733**	26 578	**22 733**	26 578

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25.2 Fellow Subsidiaries of the Company (Continued)
25.2.5 Czarnikow group limited (Continued)

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

The trading balance owing to the Group represents the value of export sugar sales invoiced to Czarnikow Group Limited, but which is not yet due to the Group. The trading balances are unsecured, but have repayment terms in line with those applicable to third party customers (i.e. interest is payable on overdue accounts). No expense has been recognised in the current year or prior period in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

25.2.6 Other fellow subsidiaries

Trading balances owing to/(from) the Group

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
				-
- Illovo Sugar (Malawi) plc	**588**	-	**588**	-
- Ubombo Sugar Limited	**(27)**	189	**(27)**	189
- Kilombero Sugar Company Limited ("KSC")	**594**	-	**594**	-
Cost recoveries (general) transactions				
- Illovo Sugar (Malawi) plc	**803**	404	**803**	404
- Kilombero Sugar Company Limited ("KSC")	**2 703**	788	**2 703**	788
Cost reimbursement transactions				
- Ubombo Sugar Limited	**42**	-	**42**	-

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

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

25.3 Subsidiary of Zambia Sugar plc.

The Company holds 100% of the ordinary share capital of Tukunka Agricultural Ltd. Tukunka Agricultural Ltd owns 85.73% of the ordinary share capital for Nanga Farms plc. Effective 28 December 2018, the company purchased the remaining 14.27% of the ordinary share capital for Nanga Farms plc from the minority shareholder. The Company, therefore has an effective ownership interest of 100% in Nanga Farms plc. The Company has entered into a long-term agreement with Nanga Farms plc for the supply of sugar cane.

Nanga Farms plc	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Trading balances owing by the Company5	**-**	**-**	**72 963**	71 714
Operational support fees received	**-**	**-**	**2 880**	2 266
Cane purchases	**-**	**-**	**136 202**	113 838
Dividend income	**-**	**-**	**16 746**	-
Interest paid on overdue balances	**-**	**-**	**2 497**	4 781

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

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

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25.4 Related Party Balances - Summary

	Note	Group August 2019 K'000	Group August 2018 K'000	Company August 2019 K'000	Company August 2018 K'000
Long-term borrowings					
Illovo Group Financing Services	25.2.1	**1 399 704**	1 241 600	**1 399 704**	1 241 600
Short term borrowings					
Illovo Group Financing Services	25.2.1	**91 520**	91 931	**91 520**	91 931
Amounts due from related parties					
Czarnikow group limited	25.2.5	**74**	4 435	**74**	4 435
Illovo Sugar (Malawi) plc	25.2.6	**588**	-	**588**	-
Kilombero Sugar Company Limited	25.2.6	**594**	-	**594**	-
Illovo Group Marketing Services Limited	25.2.2	**9 009**	-	**9 009**	-
		10 265	4 435	**10 265**	4 435
Amounts due to related parties					
Illovo Sugar Africa Proprietary Limited - Procurement Division	25.1.2	**25 082**	44 751	**24 730**	44 349
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	**10 630**	90 682	**10 630**	90 682
Illovo Group Financing Services	25.2.1	**51 209**	37 577	**51 209**	37 577
Illovo Group Marketing Services Limited	25.2.2	**8 362**	14 741	**8 362**	14 741
Illovo Sugar (South Africa) Proprietary Limited	25.2.4	**-**	1 962	**-**	1 962
East African Supply Proprietary Limited	25.2.3	**381**	164	**381**	164
Ubombo Sugar Limited	25.2.6	**27**	-	**27**	-
Nanga Farms Plc	25.3	**-**	-	**72 963**	71 714
		95 691	189 877	**168 302**	261 189

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25.5 Related Party Transactions - Summary

			Group		Company	
			August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Income	**Note**	**Nature of transaction**				
Illovo Group Marketing Services Limited ("IGMS")	25.2.2	Export revenue	**9 009**	48 281	**9 009**	48 281
Illovo Sugar (South Africa) Proprietary Limited	25.2.4	Export revenue	**-**	36 238	**-**	36 238
Illovo Sugar (South Africa) Proprietary Limited	25.2.4	Sale of Equipment	**-**	1 856	**-**	1 856
Czarnikow group limited			**22 733**	26 578	**22 733**	26 578
Kilombero Sugar Company Limited	25.2.5	Export revenue	**2 703**	788	**2 703**	788
Illovo Sugar (Malawi) plc	25.2.6	Cost recoveries	**803**	404	**803**	404
Nanga Farms Limited	25.3	Operational support income	**-**	-	**2 880**	2 266
Nanga Farms Limited	25.3	Dividend income	**-**	-	**16 746**	-
			35 248	114 145	**54 874**	116 411
Expenditure						
Illovo Sugar Africa Proprietary Limited - Procurement Division	25.1.2	Goods and services	**161 580**	127 541	**161 580**	127 541
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	Operational support	**42 770**	38 042	**42 770**	38 042
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	Cost reimbursement	**12 198**	15 925	**12 198**	15 925
Illovo Sugar Africa Proprietary Limited - Corporate Division	25.1.2	Directors fees	**615**	886	**615**	886
Illovo Sugar Africa Proprietary Limited - Corporate division	25.1.2	Export agency commission	**14 284**	10 830	**14 284**	10 830
Illovo Group Marketing Services Limited	25.2.2	Export agency	**4 675**	1 920	**4 675**	1 920
Illovo Group Marketing Services Limited	25.2.2	Cost reimbursement	**23 460**	11 842	**23 460**	11 842
East African Supply Proprietary Limited	25.2.3	Air services	**2 457**	1 050	**2 457**	1 050
Illovo Sugar (South Africa) Proprietary Limited	25.2.4	Cost reimbursement	**-**	1 583	**-**	1 583
Ubombo Sugar Limited	25.2.6	Cost reimbursement	**42**	189	**42**	189
Nanga Farms Limited	25.3	Sugar cane purchases	**-**	-	**136 202**	113 838
			262 081	209 808	**398 283**	323 646
Financing costs						
Illovo Sugar Africa Proprietary Limited - Procurement Division	25.1.2	Overdue trading balances	**1 675**	290	**1 675**	290
Illovo Group Financing Services ("IGFS")	25.2.1	Funding balances	**235 654**	163 786	**235 654**	163 786
Nanga Farms Limited	25.3	Overdue trading balances	**-**	-	**2 497**	4 781
			237 329	164 076	**239 826**	168 857

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25.6 Compensation of key management

25.6 (a) Compensation for the year to 31 August 2019

Non-Executive	Salary (K'000)	Out of Country Allowance (K'000)	Housing Allowance (K'000)	Car Allowance (K'000)	Air Fares Allowance (K'000)	Medicals (K'000)	Bonus (K'000)	Gratuity/ Retirement Benefit (K'000)	Phantom Shares Option Scheme (K'000)
Fidelis Banda	234	-	-	-	-	-	-	-	-
Monica Musonda[6]	153	-	-	-	-	-	-	-	-
Ami Mpungwe	205	-	-	-	-	-	-	-	-
Norman Mbazima[4]	104	-	-	-	-	-	-	-	-
Dipak Patel	197	-	-	-	-	-	-	-	-
Gavin Dalgleish[1]	205	-	-	-	-	-	-	-	-
Mohammed Abdool									
Samad[1&5]	188	-	-	-	-	-	-	-	-
Craig Taylor[1&3]	17	-	-	-	-	-	-	-	-
Nelis Saayman[1]	205	-	-	-	-	-	-	-	-
Executive									
Rebecca Katowa	1 516	-	455	Company	-	Company	110[8]	750	-
				Car		Medical	125[8]		
Graham Rolfe	1 687	1096	Company	Company	119	28		183	-
			House	Car			54[8]		
Faith Mukutu[2]	1 369	-	Company	Company	-	Company		203	-
			House	Car		Medical			

25.6 (b) Compensation for the year to 31 August 2018

Non-Executive	Salary (K'000)	Out of Country Allowance (K'000)	Housing Allowance (K'000)	Car Allowance (K'000)	Air Fares Allowance (K'000)	Medicals (K'000)	Bonus (K'000)	Gratuity/ Retirement Benefit (K'000)	Phantom Shares Option Scheme (K'000)
Fidelis Banda	221	-	-	-	-	-	-	-	-
Monica Musonda	193	-	-	-	-	-	-	-	-
Ami Mpungwe	193	-	-	-	-	-	-	-	-
Dipak Patel	186	-	-	-	-	-	-	-	-
Gavin Dalgleish[1]	193	-	-	-	-	-	-	-	-
Mohammed Abdool	193	-	-	-	-	-	-	-	-
Samad[1]	-	-	-	-	-	-	-	-	-
Nelis Saayman[1]	98	-	-	-			-	-	-
John Hulley[7]	95	-	-	-	-	-	-	-	-
Executive									
Rebecca Katowa	1 456	-	431	Company	-	Company	69[8]	212	233
			Company	Car		Medical			
Graham Rolfe	1 452	994	House	Company	41	28	69[8]	158	53
		-	Company	Car	-				
Faith Mukutu[2]	690		House	Company		Company	-[8]	3	-
				Car		Medical			

1 - Fees earned by these directors, who are nominated by the Group's majority shareholder, are paid to ISAPL.
2 - Resigned as Finance Director on 31 August 2018
3 - Appointed as a Non Executive Director of the Board on 1 August 2019.
4 - Appointed as a Non Executive Director of the Board on 26 February 2019.
5 - Resigned as a Non Executive Director of the Board on 31 July 2019.
6 - Resigned as a Non Executive Director of the Board on 16 May 2019.
7 - Resigned as a Non Executive Director of the Board on 22 February 2018.
8 - The Executive Director's qualify for a bonus based on the financial performance of the company for the reporting period and on their personal performance related to predetermined objectives. The values indicated relate to performance as at 31 August 2018. The values relating to performance as at 31 August 2019 have yet to be finally determined and have thus been excluded from compensation disclosed above. They will be disclosed in the ensuing reporting period.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange forward contracts measured at fair value through Other Comprehensive Income (OCI) are designated as hedging instruments in cash flow hedges of forecast sales in US dollar. These forecast transactions are highly probable, and they comprise about 67% of the Group's total expected sales in US dollars

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Balance at start of year	**(9 231)**	36 202	**(9 231)**	36 202
Adjustment in respect of cashflow hedges	**36 442**	(50 481)	**36 442**	(50 481)
Tax effect on cashflow hedges	**(3 644)**	5 048	**(3 644)**	5 048
Balance at end of year	**23 567**	(9 231)	**23 567**	(9 231)
Forward exchange contracts - designated as cash flow hedges	**26 184**	(10 258)	**26 184**	(10 258)
Comprising:				
Assets	**26 228**	-	**26 228**	-
Liabilities	**(44)**	(10 258)	**(44)**	(10 258)
	26 184	(10 258)	**26 184**	(10 258)
Due within 6 months	**16 797**	(6 750)	**16 797**	(6 750)
Due between 6 months and 1 year	**9 387**	(3 508)	**9 387**	(3 508)
	26 184	(10 258)	**26 184**	(10 258)

The fair values of derivative instruments are determined using inputs that are observable, either directly (i.e. as prices), or indirectly (i.e. derived from prices), other than quoted prices in an active market and therefore fall into the level 2 fair value category. Additional disclosures concerning the derivative financial instruments used to manage currency risk have been provided in Note 29.3.

Derivative financial instruments - amounts reclassified to profit and loss

The terms of the foreign currency forward contracts did not match the terms of the expected highly probable forecast transactions. As a result, there is hedge ineffectiveness recognised in the statement of profit or loss as shown below.

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Hedging gains	**(49 442)**	(16 858)	**(49 442)**	(16 858)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

26 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Notional amount	Carrying amount	Line item in the statement of financial position
	K'000	K'000	
The impact of hedging instruments on the statement of financial position is as follows:			
As at 31 August 2019			
Foreign exchange forward contracts	400 059	26 184	Other current financial assets
As at 31 August 2018			
Foreign exchange forward contracts	278 108	(10 258)	Other current financial assets

The impact of hedged items on the statement of financial position is, as follows:

	31 August 2019		31 August 2018	
	Cash flow hedge reserve	Cost of hedging reserve	Cash flow hedge reserve	Cost of hedging reserve
	K'000	K'000	K'000	K'000
Highly probable forecast sales	23 567	-	(9 231)	-

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is, as follows:

	Total hedging gain/(loss) recognised in OCI	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
Year ended 31 August 2019	K'000		K'000	
Highly probable forecast sales	13 000	-	(49 442)	Revenue
Year ended 31 August 2018				
Highly probable forecast sales	33 623	-	16 858	-

26 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The amount removed from OCI during the year and included in the carrying amount of the hedged items as a basis adjustment for 2018 is detailed above. The amounts retained in OCI at 31 August 2019 are expected to mature and affect the statement of profit or loss in 2020.

The cash flow hedges of the expected future sales in 2020 were assessed to be effective and a net unrealised gain of K36 million (2018: unleased loss of K51 million), with a deferred tax liability of K4 million (2018: deferred tax asset of K5 million) relating to the hedging instruments, is included in OCI.

27. PROVISIONS

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
At beginning of period	**50 503**	15 720	**50 503**	15 720
Provisions made during the period	**21 209**	50 503	**21 209**	50 503
Utilised during the period	**(50 503)**	(15 720)	**(50 503)**	(15 720)
At end of period	**21 209**	50 503	**21 209**	50 503
Analysed as follows:				
Provision for leave pay	**21 209**	17 558	**21 209**	17 558
Provision for voluntary separation	**-**	32 945	**-**	32 945
	21 209	50 503	**21 209**	50 503

In the prior year, the company recorded a restructuring provision relating to Voluntary separation of some employees. The restructuring plan was drawn up and announced to the employees before year end when the provision was recognised in the financial statements. The restructuring was completed by January 2019. Assumptions used to calculate the provision for voluntary separation program were based on existing pay rates and period of service of respective employees along with a prescribed specific formula.

The provision for annual leave is calculated at current salary and wage rates multiplied by the number of available leave days.

28. CAPITAL COMMITMENTS

Approved but not contracted	**17 267**	40 511	**17 267**	40 511
Contracted	**13 342**	5 416	**13 342**	5 416
	30 609	45 927	**30 609**	45 927

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

29. FINANCIAL RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

29. FINANCIAL RISK MANAGEMENT (Continued)

	Fair value hierarchy:	Group August 2019 K'000	Group August 2018 K'000	Company August 2019 K'000	Company August 2018 K'000
Financial assets					
Loans and receivables	Level 3	**727 517**	455 338	**726 929**	454 641
Derivative financial instruments designated as cash flow hedges	Level 2	**26 228**	-	**26 228**	-
Financial liabilities					-
Derivative financial instruments designated as cash flow hedges	Level 2	**(44)**	(10,258)	**(44)**	(10,258)
Financial liabilities measured at amortised cost	Level 3	**2 136 515**	2 273 677	**2 187 874**	2 323 737
Reconciliation to the statement of financial position:					
Trade and other receivables	Level 3	**387 996**	250 237	**387 849**	250 090
Amounts due from related parties	Level 3	**10 265**	4 435	**10 265**	4 435
Cash and bank balances	Level 2	**329 256**	200 666	**328 815**	200 116
Loans and receivables	Level 3	**727 517**	455 338	**726 929**	454 641
Long-term borrowings	Level 3	**1 399 704**	1381 869	**1 399 704**	1381 869
Short-term borrowings	Level 3	**231 993**	232,318	**231 993**	232 318
Trade and other payables	Level 3	**392 888**	442 876	**371 636**	421 624
Amounts due to related parties	Level 3	**95 691**	189 877	**168 302**	261 189
Bank overdraft	Level 2	**16 239**	26,737	**16 239**	26 737
Financial liabilities measured at amortised cost	Level 3	**2 136 515**	2 273 677	**2 187 874**	2 323 737

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

• The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, and forward rate curves of the underlying commodity.

The derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk.

• The fair values of the Group's interest-bearing borrowings and loans are determined by using the discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 August 2018 was assessed to be insignificant.

29.1 Liquidity risk management

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

29. FINANCIAL RISK MANAGEMENT (Continued)

29.1 Liquidity risk management (Continued)

The Group has access to the following unsecured local banking facilities at year end:	Group August 2019 K'000	Group August 2018 K'000
Unsecured bank overdraft facility, reviewed annually and payable at call:		
- Amount utilised	**16 239**	26 737
- Amount unutilised	**283 761**	261 763
Total local bank overdraft facilities	**300 000**	288 500

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Approximately 14.2% of the Group's debt will mature in less than one year at 31 August 2019 (2018: 14.4%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 August 2019 K'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	-	128 985	388 586	1 930 118	2 447 689
Provisions	21 209	-	-	-	21 209
Trade and other payables	-	394 742	-	-	394 742
Contract liabilities	-	221 272	-	-	221 272
Amounts due to related parties	-	95 691	-	-	95 691
Other financial liabilities	-	16 239	-	-	16 239
Derivatives and embedded derivatives	-	-	44	-	44
	21 209	**856 907**	**388 630**	**1 930 118**	**3 196 864**

Year ended 31 August 2018 K'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years > 5 years	Total
Interest-bearing loans and borrowings	-	114 522	330 679	1 914 827	2 360 028
Provisions	50 503	-	-	-	50 503
Trade and other payables	-	443 269	-	-	443 269
Contract liabilities	-	-	-	-	-
Amounts due to related parties	-	189 877	-	-	189 877
Other financial liabilities	-	26 737	-	-	26 737
Derivatives and embedded derivatives	-		10 258	-	10 258
	50 503	**774 405**	**340 937**	**1 914 827**	**3 080 672**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

29. FINANCIAL RISK MANAGEMENT (Continued)

29.2 Interest rate risk management

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

The interest rate profile at 31 August 2019 is as follows:

	Floating rate		
	Less than one year	Greater than one year	Total borrowings
Borrowings (K'million)	248	1 400	1 648
% total borrowings	15%	85%	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	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
If interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax for the period would decrease/increase by:	**6 593**	(7 201)	**6 596**	(7 204)

29.3 Currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of forecasted sales and purchases.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

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

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL RISK MANAGEMENT (Continued)

29.3 Currency risk management (Continued)

	Assets		Liabilities	
Group	**August 2019 K'000**	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
US Dollars	**(77 956)**	(93 287)	**(78 835)**	47 371
SA Rands	**83 737**	10 644	**(45 952)**	143 113
Euros	**(150)**	(47)	**-**	3 607
Company				
US Dollars	**(77 956)**	(93 287)	**(43 562)**	42 629
SA Rands	**83 737**	10 644	**(45 952)**	142 709
Euros	**(150)**	(47)	**-**	3 607

Foreign currency sensitivity

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

10% foreign currency sensitivity

All figures in K'000

	US Dollar		SA Rand		Euro	
	August 2019	August 2018	**August 2019**	August 2018	**August 2019**	August 2018
Group						
Monetary assets	**8 815**	9 329	**8 374**	(1 064)	**15**	5
Monetary liabilities	**(7 883)**	4 737	**(4 595)**	14 311	**-**	361
	932	14 066	**3 779**	13 247	**15**	366
Company						
Monetary assets	**7 796**	9 329	**8 374**	(1 064)	**15**	5
Monetary liabilities	**(4 356)**	4 263	**(4 595)**	14 271	**-**	361
	3 440	13 592	**3 779**	13 207	**15**	366

The following tables demonstrate the sensitivity to a reasonably possible change in USD, SA Rand and Euro exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.3 Currency risk management (Continued)

	Change in rate	US DOLLAR Effect on profit before tax K'000	US DOLLAR Effect on pre-tax equity K'000	EURO Effect on profit before tax K'000	EURO Effect on pre-tax equity K'000	SA RAND Effect on profit before tax K'000	SA RAND Effect on pre-tax equity K'000
2019	-/+ 10%	932	2 952	15	15	3 779	3 779
2018	-/+ 10%	14 066	13 040	366	366	13 247	13 247

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

	Average for year August 2019	Average for year August 2018	Average for year August 2019	Average for year August 2018
Kwacha/Rand	**0.86**	0.70	**0.86**	0.76
Kwacha/US dollar	**13.08**	10.24	**12.25**	9.85
Kwacha/Euro	**14.45**	11.93	**13.82**	11.76

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 2020 financial year.

	Group August 2019 Foreign currency million	Group August 2019 Average rate	Group August 2019 Amount in K'million	Group August 2018 Foreign currency million	Group August 2018 Average rate	Group August 2018 Amount in K'million
Foreign currency sold						
US Dollar	**30.9**	**14.94**	**461.5**	59.8	10.09	603.4

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

29.4 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables comprise a widespread customer base, and the Group undertakes ongoing credit evaluations of the financial condition of their customers. Despite the increase in trade receivables overdue in excess of 120 days, at 31 August 2018, the Group does not consider there to be any material credit risk that has not been insured or adequately provided for. Subsequent to the year end, management interventions have resulted in a significant reduction in the overdue receivables balance.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

29. FINANCIAL RISK MANAGEMENT (Continued)

29.4 Credit risk management (Continued)

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables comprise a widespread customer base, and the Group undertakes ongoing credit evaluations of the financial condition of their customers. Trade receivables overdue in excess of 120 days has decreased since the prior year. The Group does not consider there to be any material credit risk that has not been insured or adequately provided for.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The forward looking information used included Gross Domestic Products (GDP), and inflation. Generally, trade receivables are written-off if past due for more than one year and there are no amounts written off that are subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 18. The Group holds collateral as security for certain credit customers and this is considered in the calculation of future estimated credit losses.

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

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Not past due	**207 630**	64 704	**207 630**	64 704
Past due by 30 days	**33 470**	6 079	**33 470**	6 079
Past due by 60 days	**11 428**	8 439	**11 428**	8 439
Past due by 90 days	**5 085**	21 647	**5 085**	21 647
Past due over 120 days	**58 114**	124 661	**58 114**	124 661
	315 727	225 530	**315 727**	225 530
less : allowance for doubtful debts	**(22 604)**	(6 824)	**(22 604)**	(6 824)
Total trade receivables	**293 123**	218 706	**293 123**	218 706

31 August 2019

Trade receivables

Days past due

	Not past due	**Past due by 30 days**	**Past due by 60 days**	**Past due by 90 days**	**Past due by 120 days**	**Past due by 365 days**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	
Estimated total gross carrying amount	**207 630**	**33 470**	**11 428**	**5 085**	**35 510**	**22 604**	**315 727**
Expected credit loss rate	**-**	**-**	**-**	**-**	**-**	**22 604**	**22 604**

1 September 2018

Trade receivables

Days past due

	Not past due	Past due by 30 days	Past due by 60 days	Past due by 90 days	Past due by 120 days	Past due by 365 days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	100%	
Estimated total gross carrying amount	64 704	6 079	8 439	21 647	100 016	24 645	225 530
Expected credit loss rate	-	-	-	-	-	24 645	24 645

29. FINANCIAL RISK MANAGEMENT (Continued)

29.4 Credit risk management (Continued)

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

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group did not invest any surplus funds for extended periods during the year.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 August 2019 and 2018 is the carrying amounts as illustrated in Note 29.7 except for derivative financial instruments. The Group's maximum exposure relating to financial derivative instruments is noted in the liquidity table in note 29.1.

29.5 Capital risk management

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

The capital structure of the Group consists of equity and debt, which includes borrowings net of cash and bank balances.

Gearing ratio

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

	Group		Company	
	August 2019 K'000	August 2018 K'000	**August 2019 K'000**	August 2018 K'000
Debt (see note i)	**1 631 697**	1 651 764	**1 631 697**	1 651 764
Bank overdraft	**16 239**	26 737	**16 239**	26 737
Cash and bank balances	**(329 256)**	(200 666)	**(328 815)**	(200 116)
Net Borrowings	**1 318 680**	1 477 835	**1 319 121**	1 478 385
Equity (see note ii)	**1 412 679**	1 154 617	**1 283 863**	1 023 760
Net debt to equity ratio	**93.3%**	128.0%	**102.7%**	144.4%

(i) Debt is defined as long and short-term borrowings as described in note 21
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current or previous year.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

29. FINANCIAL RISK MANAGEMENT (Continued)

29.6 Fair Values

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

	2019		2018	
	Carrying Amount K'000	Fair Value K'000	Carrying Amount K'000	Fair Value K'000
Financial Assets				
Trade and other receivables	**387 996**	387 996	**250 237**	250 237
Forward exchange contracts	**26 228**	26,228	**-**	-
Amounts due from related parties	**10 265**	10 265	**4 435**	4 435
Total	**424 489**	424 489	**254 672**	254 672
Financial Liabilities				
Long term borrowings	**1399 704**	988 422	**1 381 869**	974 276
Short term borrowings	**231 993**	194 952	**232 318**	197 072
Trade and other payables	**392 888**	392 888	**442 876**	442 876
Forward exchange contracts	**44**	44	**10 258**	10 258
Amounts due to related parties	**95 691**	95 691	**189 877**	189 877
Total	**2 120 320**	1 671 997	**2 257 198**	1 814 359

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

The fair values of the Group's financial assets are derived from quoted market prices in active markets.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. Some derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk. As at 31 August 2019, the marked-to market value of other derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 August 2019 was assessed to be insignificant.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2019

29. FINANCIAL RISK MANAGEMENT (Continued)

29.7 Changes in liabilities arising from financing activities

	1 September 2018	Cash flows	Exchange rate	Interest capitalised	Other	31 August 2019
Current interest bearing loans and borrowings	232 318	(140 594)	-	158 104	140 269	**231 993**
Non current interest bearing loans and borrowings	1 381 869	-	-		(140 269)	**1 399 704**
Total liabilities from financing activities	1 614 187	(140 594)	-	158 104	-	**1 631 697**

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time. The Group classifies interest paid as cash flows from operating activities.

30 RETIREMENT BENEFITS

Defined contribution pension scheme

Zambia Sugar Plc provides retirement benefits for its employees through a defined contribution pension scheme which was established on 1 May 2002. The employer's contribution is recognised as an expense in the year in which the related services are rendered by the employees. The Group expensed an amount of K19.2 million (2018: K20.4 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 K18.0 million (2017: K17.1 million) during the year in respect of this scheme.

31 CONTINGENT LIABILITIES

There is a contingent liability estimated at K1.422 million (2017: K1.692 million) in respect of local industrial relations actions currently before the courts.

The company currently has a matter pending with the Zambia Revenue Authority (ZRA) regarding Value Added Tax (VAT). Due to the current dispute, the ZRA has withheld input VAT claims amounting to K220 Million as at 31 August 2019 (August 2018:K184 Million). There has been ongoing engagement with the ZRA on this matter from 2014 to date. In view of the fact that the matter has not yet been resolved and there are still processes to follow prior to resolution, management has thought it prudent to disclose a contingent liability for this potential exposure. Due to the complexity of the matter, a definitive value has not been established for the purposes of the recoverability of the input VAT from the ZRA.

On 11th October 2017, following a 4 year investigation, the Competition and Consumer Protection Commission (CCPC) announced that it was imposing a fine of ZMK76m on Zambia Sugar PLC for alleged abuse of its dominant market position in the pricing of its products. In view of the uncertainty surrounding this matter, and on the basis of legal advice obtained, and the fact that an economic outflow of funds is neither probable nor likely at this stage, management have concluded that no provision is required in the financial statements as at 31 August 2019.

32 EVENTS AFTER THE REPORTING DATE

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

NOTICE OF MEETING

Annual General Meeting

Notice is hereby given that the 58th annual general meeting of the members of the company will be held at the Radisson Blu Hotel, Lusaka, Zambia on Thursday 28 November 2019 at 14h00 to transact the following business:

1. Minutes of the previous meeting
To receive and note the minutes of the 57th Annual General Meeting held on 22 November 2018 duly approved by the Chairman in accordance with the Companies Act.

2. Financial statements
To table the annual financial statements for the year ended 31 August 2019.

3. Ordinary Resolutions
To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions;

3.1 Ordinary resolution number 1 – Confirmation of appointment of directors – Norman B Mbazima and Craig Taylor
To confirm the appointment of Mr Norman Mbazima, who was appointed by the board as a director with effect from 26 February 2019 and Mr Craig Taylor who was appointed by the board as director with effect from 1 August 2019.

3.2 Ordinary resolution number 2 – Re-election of directors retiring by rotation
To re-elect each of Messrs GB Dalgleish, DK Patel and Dr Saayman who retire by rotation in terms of Companies Act, and who, being eligible, offer themselves for re-election.

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

3.3 Ordinary resolution number 3 – Approval of directors' fees
That the directors be authorised to review the fees payable to the independent directors at not more than %10 of the current fees for the year ending 31 August 2020.

3.4 Ordinary resolution number 4 – Appointment of the independent auditor
Pursuant to the requirements of sections 1)257) of the Companies Act No. 10 of 2017, and as nominated by the company's Audit Committee, to resolve that EY be re-appointed as the company's independent registered auditor for the financial year ending 31 August 2020 and to authorise the directors to determine their remuneration.

4. Special Resolution
To consider and if deemed fit, approve the special resolution for the amendment of the Articles of Association in line with Companies Act No. 10 of 2017.

5. Declaration of final dividend
The directors recommend that a final dividend of K0.08 per share, for the year ended 31 August 2019, be declared to all shareholders registered in the books of the company, at close of business on 18 December 2019 and payable on 23 December 2019.

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

Corpserve Transfer Agents Limited
6 Mwaleshi Road, Olympia Park, Lusaka, Zambia
Telephone: +260 (211) 70/256969
Facsimile: +260 (211) 256975
Email: corpservezambia@corpserve.com.zm

By order of the Board

Mwansa Mulumba Mutimushi
COMPANY SECRETARY

CORPORATE INFORMATION

ZAMBIA SUGAR PLC

Secretary:	Mwansa M Mutimushi
Business address and Registered office:	Nakambala Estate, Mazabuka, Zambia
Postal address:	P O Box 670240, Mazabuka, Zambia
Telephone:	+260 21 3 231 106
Fax:	+260 21 3 230 385
Email address:	mmutimushi@zamsugar.zm
Website address:	www.illovosugar.co.za
Transfer secretaries:	Corpserve Transfer Agents Ltd 2760, Lubu Road, Long Acres, Lusaka, Zambia P.O. Box 37522, Lusaka, Zambia Telephone: +260 21 1 256 969, 256 970 Fax: +260 21 1 256 975 E-mail address: corpservezambia@corpservezambia.com.zm
Auditors:	Ernst & Young
Bankers:	Barclays Bank of Zambia, Citibank Zambia, FNB Zambia, Stanbic Bank Zambia, Standard Chartered Bank Zambia, Zambia National Commercial Bank, Ecobank, Finance Bank.

Notes

PROXY FORM

ZAMBIA SUGAR PLC

Number of votes

1 Share = 1 Vote

I/We ____

(Name/s in block letters)_

of ____ (address)

being a member/ members of the above named Company hereby appoint

1. __________________________ of ______________________ or in his absence

2. __________________________ of ______________________ or in his absence

3. the chairman of the meeting

As my/our proxy to vote for me/us on my/our behalf at the annual meeting of the company to be held at the Radisson Blu Hotel, Lusaka, Zambia on Thursday 28 November 2019 at 14h00 and at any adjournment thereof as follows:

Resolution No.	Agenda Item	Mark with X where applicable		
		In Favour	Against	Abstain
1.	Confirmation of Appointment of Directors:-			
	i) Norman Mbazima			
	ii) Craig Taylor			
2.	Re-election of directors			
	i) Gavin Dalgleish			
	ii) Dipak Patel			
	iii) Dr. Nelis Saaymana			
3.	To authorise the Directors to determine the fees payable to the independent Directors for the year ending 31 August 2020.			
4.	Pursuant to Section 257 of the Companies Act: To reappoint EY as the independent auditors and authorise the Directors to determine the Auditors fees			
5.	To consider and if deemed fit, approve the special resolution for the amendment of the Articles of Association in line with Companies Act No. 10 of 2017.			

Unless otherwise instructed, the proxy will vote as he thinks fit.

Signed at ______________________________ on this __________ day of ______________ 2019

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 before the Annual General Meeting.
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.

Zambia Sugar