Zambia Sugar | AN ILLOVO SUGAR AFRICA COMPANY

# Annual Report 2021

TRANSFORM
ADAPT
SUSTAIN

# Contents



Zambia Sugar
AN ILLOVO SUGAR AFRICA COMPANY

# Chairman's Statement

## Dear Shareholders,

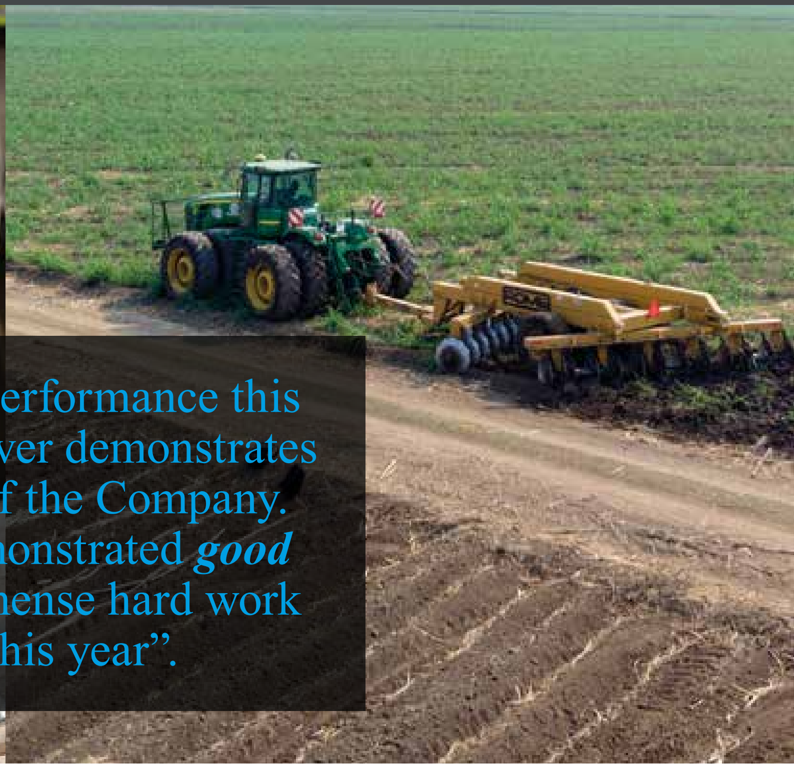
I would like to begin by acknowledging the employees and network of customers who have contributed to making the 2021 financial year a record year in every respect. The resilience of the individual men and women is simply unimaginable. Thank you very much! I am proud to be able to represent this special Company.

**MACROECONOMIC ENVIRONMENT**

I would like to congratulate the President of the Republic of Zambia, Mr. Hakainde Hichilema, on his victory in the 12 August 2021 elections. We look forward to working with the Government as we commit to contributing positively in taking the country forward. The Company will focus on leveraging the business environment that the New Dawn Government promises to introduce which I am convinced will seek to work closely with business, and in particular agriculture and manufacturing, judging by the presentation of the budget speech by the Minister of Finance and National Planning.

The Company experienced successive waves of the COVID-19 pandemic with a third wave which affected individuals at a personal level with almost everyone either losing a loved one as a result of it or suffering from it. The employees once again demonstrated resilience and agility ensuring that their families were protected and they continued to focus on achieving the Company's purpose, subsequently resulting in attainment of several targets. The Company will continue to uphold the Ministry of Health guidelines on COVID-19 and Company standards developed to help control the spread and mitigate its effects on the business.

I am pleased that the country finally introduced a COVID-19 vaccination programme with the support of the UN and donors. A team of private sector participants which included Zambia Sugar also formed a joint committee with Ministry of Health to help Government in the procurement of additional vaccines. Although the vaccination programme is progressing well with continued flow of vaccine doses, vaccine hesitancy



> ”Our financial performance this year more than ever demonstrates the ***resilience*** of the Company. Our people demonstrated ***good judgement,*** immense hard work and care this year”.

remains high countrywide. The Company continues to implore employees and the local community to take the vaccine especially in view of the imminent fourth wave.

**RESULTS**

As I give an update on the financial results, I would like to first of all pay tribute to a lady who has steered this ship to the level we never thought possible. Although Rebecca retired from the Country Managing Director role on 31 August 2021, her legacy will live on far and beyond this date. In the time that I have had the privilege of leading the Board, I experienced her remarkable passion for the Company and customers. Her attention to detail is admirable and her response always swift. The Company has been set on a very firm foundation to continually deliver strong performance for many years to come. On behalf of the Board I would like to thank Rebecca most sincerely for her work, commitment and contribution over the years. Please join me in wishing Rebecca a pleasant retirement and may God bless her and the family as she enters this next phase of her journey.

Consequently, please join me in welcoming Oswald Magwenzi who joined Zambia Sugar as the new Country Managing Director on 1 September 2021. Oswald is no stranger to the sugar industry having spent 20 years in the Eswatini Sugar industry, the last eight years as Managing Director of Ubombo Sugar, the Eswatini subsidiary of Illovo Sugar Africa. He comes with a wealth of experience and knowledge not only from the sector but also from the financial and energy sectors, all of which the Company will begin to draw benefit from as it embarks on its next phase of strategic direction. I wish Oswald, his wife, Senzeni, and their 4 children and grandchild a warm welcome to Zambia Sugar Plc, in particular, and Zambia in general.

The Company recorded a stellar performance in profitability attributed to strong agricultural and factory performance as well as the execution of the Commercial strategy supported by other external factors including effects of kwacha depreciation, COVID-19 restrictions deterring sea freight hire and illegal sugar imports into the country.

The Company’s revenue grew to a record high of K4.989 billion up from K3.335 billion recorded last year. Supported by prudent cost management, the Company’s operating profit grew to K1.615 billion up from prior year performance of K775 million. This ultimately resulted in a profit after tax for the year of K1.086 billion up from K235 million in 2020. The resultant earnings per share for the year are admirable. They went up from 74 ngwee in 2020 to 343 ngwee in 2021.

The Company’s long term commitment entails focus on achieving sustainable operational, commercial and financial results.

**CREATING SHARED VALUE**

The Company continued to work with the local community supporting schools, clinics, the refurbishment of roads and support to the royal establishments in the areas where we operate. The Company continued to work closely with Government in the fight against the COVID-19 pandemic and other diseases including Malaria and Cholera. The Company remains committed to promoting the agenda of local supplier development and it continued to look at new areas where local stakeholders could partner with the Company aimed at attainment of mutuality of benefits.

The Company also enhanced its focus on environmental management in line with the Company’s commitment to the Environmental, Social and Governance (ESG) agenda.

**SHARE PRICE OF ZAMBIA SUGAR PLC**

The share price for the Company at the beginning of the financial year was at K2.51. At the close of the year, the share price moved sharply to K5.00. The share price at year-end represented a market capitalisation of K1.583 billion.

**DIVIDENDS**

Your Board is acutely aware of the importance of paying dividends to shareholders. The Board has given much consideration to the payment of a dividend for this financial year and I am pleased to report that a final dividend of 84.5 ngwee per share for the year ended 31 August 2021 has been proposed. This is compared to a final dividend of 24 ngwee paid last year, an increase of over 359%. We remain committed to the objective of delivering sustainable value to shareholders and will uphold the dividend policy of the Company.

**THE BOARD**

On 18 August 2021, we welcomed Oswald Magwenzi to the board leading to his appointment as Country Managing Director on 1 September 2021. Oswald will continue to build on where Rebecca left off. Join me in wishing Oswald a successful journey at Zambia Sugar and wish him and his family a wonderful stay in Zambia.

I further wish to thank Rebecca for her time on the Board having been appointed in 2002. Rebecca will retire from the Board at the end of November 2021 and I am grateful that she will personally be present to bid farewell to the members at the upcoming 60th Annual General Meeting (AGM). I wish her and family God's blessings as she embarks on the next phase of her journey.

**OUTLOOK**

The Company remains optimistic about the new financial year in spite of the continued uncertainty in the market as a result of the COVID-19 pandemic. The appreciation of the Kwacha, its impact on export sales and domestic markets will if sustained likely increase competition from illegal imports of Sugar and sugar based products while at the same time adversely impacting Industrial sugar sales.

However, the Company is optimistic that volumes of illegally imported sugar will be significantly lower than prior years due to restricted access to sugar from the World market. Reports indicate a significant backlog of freight due to the COVID-19 pandemic which has resulted in a high demand for sea freight. The high demand coupled with limited vessels has driven Sea freight costs up and there is a strong expectation that costs will continue to trend high well into 2023. The Company will continue to optimize operations and manage costs to adjust to the environment and ensure sustainable operations.

The new Government has announced wide ranging measures intended to bolster development of the Agriculture sector in the country. It is broadly expected that the country will continue to record bumper harvests in future. This development coupled with improved commodity prices, enhancement of the farmers' payment system by Government and growing demand for grain in the region is expected to enhance disposable incomes for consumers.

It is expected that inflationary pressures will gradually diminish as the Kwacha steadily appreciates post 2021 on the back of elevated copper prices and increased production. All these factors point towards continued strong demand and therefore growth for Zambia Sugar products.

The promotion of out-grower schemes which is in-line with the Company's Creating Shared Value approach and local supplier development initiatives will continue to see traction in the new year especially with the focus the Government has placed on agriculture, agro-processing and job creation.

Lower gearing has presented opportunities for investment for the Company leading to a review of some projects including agricultural irrigation projects, factory debottlenecking projects, warehousing at Nakambala and the environmentally friendly power self-sufficiency project.

**CONCLUSION**

I would like to thank you all for your continued support and commitment. I wish to assure you of the Board's continued guidance to the Executive team in pursuit of the growth strategy, rooted in strong corporate governance principles. Many thanks to the customers for their loyalty during the financial year under review, employees, suppliers and growers for their resilience, hard work, diligence and commitment. I would also like to thank the Illovo Group and Associated British Foods (ABF) for their continued assistance and guidance, and all the other stakeholders for their continued confidence in Zambia Sugar Plc.

**NORMAN MBAZIMA**
CHAIRMAN

**"I am proud of the resilient business we have built. I am very proud of the relationships I have developed over the years. I feel really privileged to retire at a time when the Company is well positioned for strong growth for the future. Without a doubt, our strategic objectives are set to be achieved sustainably. As I retire, I would like to extend my sincere and heartfelt thanks to all the employees of Zambia Sugar, our shareholders, the Illovo Sugar Africa Group, Associated British Foods and all our local and external stakeholders.**

**During my tenure as Country Managing Director we have recorded a number of transformative accomplishments made possible by the hard work of many people to whom I will always owe a debt of gratitude. "**

# Outgoing Country Managing Director's Statement

## Dear Shareholders,

I am delighted to announce my retirement from the Company effective 31 August 2021 after 24 years of service. I am very grateful to you for the honour and opportunity you gave me to lead this fine company. My sincere thanks go to you all for the invaluable support that you gave to me and the wider Executive Team which made a number of accomplishments possible over the years. I leave the business with great friendships, memories and experiences that I will take away and will always treasure.

**OUR TURNAROUND STORY**

Zambia Sugar has been on an epic journey since the last major expansion in 2014 during which exceptional performance in the business has been evident in production, sales, cost containment and people capability development. During the financial year ended 31 August 2021, sugar production grew to 397 032 tonnes with less cane milled compared to previous years, sales revenue grew to just under K5 billion, operating profit improved to K1.615 billion, gearing reduced from 40% to 9% and the new operating model and new ways of working have been firmly embedded in the business.

This remarkable turnaround has re-established Zambia Sugar's key position in the Illovo Group as one of the top contributors to the group's financial performance. Key focus areas contributing to this transformation include the following:

**PEOPLE**

The journey and the turnaround experienced would not have been possible without the skills and determination of the employees across the business. Evident in the past several years are individual talent and determination as well as the collective self-sacrifice and resilience of the workforce. This competence and commitment resonates with the continuing focus on skills development and talent management programmes aimed at optimising people capability as an imperative for "future-proofing" the business.

**SAFETY FOCUS**

The Company has succeeded in embedding a safety culture across the business through various interventions. The business safety slogan "Safety, my responsibility, our way of life" coined by employees, is manifest in a significant improvement in the overall safety performance.

The Company recently placed the safety responsibility under line management. It goes without saying that safety and business performance go hand in hand and it is noteworthy that Zambia Sugar was awarded the 2020 Safety Award at the 2020/21 Annual Illovo Business Performance Awards ceremony.

**COVID-19**

The COVID-19 pandemic continues to pose a severe risk to the business, society and the economy at large. From as early as March 2020 the Company has observed a COVID-19 containment protocol aligned with Government regulations and WHO guidelines. This protocol aims to safeguard employees and ensure business continuity and for the most part has proved effective. Various preventative and mitigating measures are in place, including an on-site isolation facility equipped with necessary medical supplies, equipment and competent medical personnel.

Other interventions included working from home arrangements supported by the necessary communications technologies and the introduction of contactless payment solutions in collaboration with commercial banks and mobile phone operators to facilitate non-cash settlements by customers.

The proactive approach adopted by the Company has undoubtedly minimised the impact of COVID-19 on the business and associated stakeholders.

In a more recent development, the Company is in the process of procuring COVID-19 vaccines for employees and registered dependants as part of the private sector initiative under the auspices of the Ministry of Health.

**STRATEGY EXECUTION**

The development and implementation of our strategic plans have provided a clear and consistent roadmap to the business over the years and has been an indispensable enabler in every aspect of the improved performance, notwithstanding the many challenges and uncertainties that the Company has had to contend with. These plans provide a reliable reference for key business development and investment decisions, and it is in executing the strategies conceived during the planning process that obstacles became opportunities.

**COST CONTAINMENT**

Operating costs reduced by over K500 million across the business during the past six years through various initiatives; this has been an area of sustained focus under Project Phumelela, Project 400 and more recently Fit-for-Future (F4F) cost saving and revenue optimisation programmes.
This has helped build the resilience necessary to withstand the various headwinds the business has faced and will continue to face in the volatile and competitive environment in which it operates.

**GROWTH THROUGH EXPANSION**

The Product Alignment and Refinery (PAAR) project completed in 2016 at a total cost of K688 million fundamentally repositioned the business for growth. The project was in response to changing market conditions that compelled the refocusing on product quality and mix to satisfy the changing customer needs and to produce 92 000 tonnes of refined sugar to meet growing demand from industrial customers both in the domestic and regional markets.

Another notable investment was the acquisition of the minority interest in Nanga Farms in December 2018 which enabled further consolidation and economies of scale. The acquisition has since presented a number of administrative and operational efficiencies through optimisation.

**COMMERCIAL EVOLUTION**

The Company has experienced strong growth in the domestic market sugar sales over the past several years. This has been achieved through the sustained and proactive application of key commercial imperatives, including product quality, optimised product portfolio to meet customer needs, a well-structured route to consumer network to ensure distribution efficiency, excellence in all aspects of sales execution and supply reliability as a basis for building brand loyalty.
Significant strides have also been made in expanding the business footprint in the Regional export market. Through these initiatives and imperatives, the Company has continued to make sugar available, affordable and accessible.

**DEBT REDUCTION**

Improved operating profit and strong cash generation have resulted in significant reduction in business debt levels from a peak of K1.7 billion after the 2014 Refinery expansion to K403 million at the end of August 2021. Associated interest costs reduced from a peak of K425 million to K176 million as at 31 August 2021. The reduction in both debt and subsequent finance costs have resulted in the strengthening of the business' balance sheet which positions the Company for further growth and investment in the years ahead.

## NEW OPERATING MODEL

The New Operating Model was implemented in April 2020 and was preceded by an intensive review and redesign of the organisational structure to improve productivity through a clearer definition of roles and responsibilities and the streamlining of reporting relationships. This implementation entailed a rigorous workforce transition process that involved engaging with all employees. This process will continue as optimisation opportunities across the business are identified.

Allied to this has been a drive to more effectively partner with key customers and suppliers in areas of mutual interest. This extends to Route to Consumer (RTC) focused on a sustainable customer service, building strong partnerships with distribution channel members, financial capability development for resellers and a supplier development programme to improve reliability and competitiveness around strategic inputs.

## STAKEHOLDER SUPPORT

Progress and performance as a business are fundamentally linked to the integrity and cohesiveness of relationships with key stakeholders. In this respect, the Company has continued to build relationships with a broader spectrum of strategic partners within Zambia and the region. A recent development in this area is the formation of an Association of Sugar Producers and Growers in Zambia (the Sugar Association) to promote the affairs of the Zambian Sugar Industry.

## PROSPECTS

The turnaround of the past several years has placed the Company in a strong position for further investment in areas of opportunity. There are a number of key focus areas as part of the 5-year strategic plan, among others  factory reliability and recoveries optimisation, agriculture sucrose yield improvement and precision farming initiatives, power generation optimisation and process steam efficiency, reliable demand planning, packing hall capacity optimisation, food safety compliance and warehousing distribution efficiency.

People capability development for the new operating model is a priority in order to improve competency and maximize productivity. Engaged Performance Management is embedded at management level and will continue to be rolled out to the rest of the business.

I would like to give special tribute to the Board, the Illovo Sugar Africa Management and the Associated British Foods Management for the support and guidance during the period under review and indeed the entire Zambia Sugar Team for the hard work and commitment which enabled the delivery of such a stellar performance.

I wish to give special gratitude and recognition to you, our shareholders for the support and continued confidence in Zambia Sugar Plc. Finally, I wish my successor all the best as he takes the company to greater heights.

**REBECCA KATOWA**
COUNTRY MANAGING DIRECTOR 2015-2021











# Country Managing Director's Statement

## Dear Shareholders,

I am delighted to be joining Zambia Sugar at this exciting time for the country and the Company. My wife and I as well as our entire family are looking forward to living in Zambia. I would like to thank the Board of Zambia Sugar Plc, the Illovo Sugar Africa Group and Associated British Foods Group for according me this privilege to lead the largest single mill sugar company in Africa. I am grateful to the Zambia Sugar Management and employees as well as the customers for the support the Company continues to enjoy. The record performance in financial year 2021 clearly shows what we as a collective are capable of achieving. I wish to congratulate my predecessor, Rebecca Katowa and all the employees at Zambia Sugar for this great achievement. Building on this solid foundation, I look forward to working with all of our stakeholders including the Board, employees, growers, suppliers, the Group, regulators, resellers and other customer networks.

As I take over the leadership of this special company, I would like to assure you of my commitment to the Board in fully executing the mandate of my office with the support of the management team to ensure effective delivery of the strategic goals of the Company. I will ensure to build on the successes of my predecessor, who continues to be role model for millions across the country and the continent. She has managed to steer the organization into being one of the best performing in the very important area of safety. Zambia Sugar will continue to leverage this achievement and I will ensure that the safety culture is embedded across the organization and among our contractors, suppliers and growers in the short to medium term.

Rebecca has helped to embed the new operating model in the organization with benefits both for the individuals in the new roles as well as the organization which translated, in part, into the financial performance for the year. As Rebecca moves on to enjoy the benefits of her much deserved retirement, I would like to assure her that the legacy she has helped to create will be honoured and enhanced for the benefit of Zambia Sugar Plc, you the members and all our stakeholders. As I reflect on the results for the past financial year I would also like to take the opportunity to share my vision which involves creating a safe and respectful workplace where people can realise their full potential, making Nakambala the best agricultural and manufacturing estate and delivering sustainable results in pursuit of the full potential of Zambia Sugar Plc.

Moving on to the impact of COVID-19, almost every household was impacted by the pandemic, either directly through members of the nuclear family being infected or knew of a close friend or relative who contracted the virus. Sadly some cases led to death contributing to the over 3 600 lives that were lost cumulatively. The men and women in our Company along with the customer networks continued with the work of making sugar and sugar products available to the consumers when they required it, all in the midst of such challenging personal circumstances.

Through the efforts of our people, sugar was made available and accessible at convenient customer locations when required. In addition, the Government's under 5 nutrient supplementation programme was given the much needed support via the readily available sugar that is fortified with vitamin A considering the challenges that the under 5 programme experienced due to the pandemic. This strong collaboration with the Zambia Food and Nutrition Commission and the confidence placed on the Company by the Ministry of Health continues to make the programme a success. The objective to lower infant and maternal mortality due to vitamin A deficiency continues to be one the Company supports using the vitamin A fortification programme at the Company's cost. These initiatives coupled with the many others introduced at the site level including improved testing and treatment have resulted in the disease being contained at the estate.

The Company will make every effort to manage the COVID-19 pandemic with a commitment to limit the impact on the Company.

**FINANCIAL PERFORMANCE**

Zambia Sugar Plc delivered a stellar performance yet again. Revenue grew to a record high of K4.989 billion up from K3.335 billion recorded last year. This was largely on account of external factors including the foreign exchange impact during the course of the year. The local currency depreciated by over 48% compared to the last financial year. The Company's supply chain was also hampered due to poor vessel availability, container shortages and border restrictions which negatively affected costs of some inputs as a result COVID-19 while at the same time deterring sugar imports thus limiting competition from imported world sugar.

The growth in the financial year is a reflection of strong agricultural and factory performance as well as the continued execution of the Commercial strategy including the Route to Consumer initiatives that enabled the Company to leverage the market development and market penetration opportunities. The Company will continue to consolidate its place in not only the domestic market but the export market too.

As a result of the implementation of the strict border controls, strong commercial strategy, good cost containment initiatives as well as strong yields in Agriculture, including the sustained delivery level attributable to the improved factory performance, operating profit grew to K1.615 billion up from prior year performance of K775 million.

This ultimately resulted in a profit after tax for the year of K1.086 billion up from K235 million in 2020. Other major call outs here include an improved product sales mix and a significant paying down of debt resulting in lower interest costs. This resulted in record earnings per share of 343 ngwee up from 74 ngwee.

**OPERATIONS**

I would also like to share my thoughts on the important subject of safety in the workplace. Great achievements have been made thus far, yet more still needs to be done and I draw strength from the strong foundation that has been established in this most important area of the business. Safety performance was exceptional including zero fatality and a Lost Time Injury Frequency Rate of 0.06 for the year against an annual target of 0.09.

The Company's goal in the area of safety is to continue the journey towards "zero harm to employees and contractors" and ensuring that each person goes home in the same condition he or she came to work in. I look forward to the continued implementation of new and existing safety initiatives including Target Zero, People Driven Safety and four steps to safety.

Moving to factory performance, sucrose extraction for the year was 467 956 tonnes with an improved sucrose content that increased from 14.38% to 14.67%. Domestic sales hit a record high of 263 000 tonnes up from 209 000 tonnes the previous year. The new operating model was firmly embedded with new ways of working and accountability lines clearly spelt out leading to an optimized employee base of 6 179 at the close of the year.

The Company is now strongly positioned to review its investment opportunities that will bring more value to its shareholders and other stakeholders. My ambition in achieving this will be to work together with all stakeholders to realise the Company's full potential and be in a position to hand it over to future generations in a better state than we found it.

The Company demonstrated strong cost control in addition to supply chain challenges owing to the COVID-19 restrictions at the borders and the adverse effect of the kwacha depreciation during the year. The Company will continue to focus on cost control initiatives and ensure optimal allocation of resources ensuring costs are managed and results are sustained in the coming years.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

At Zambia Sugar plc good governance is defined by values, policies, behaviours and relationships as much as by processes which guide how we do things. The Company makes every effort to maintain detailed understanding of the risks and opportunities of the business. In all instances the ESG aspects are central to analysis and discussions.

The Company ensures that it adheres to the Illovo Group policies and to requirements of a public listed Company. As Zambia Sugar was the second Company to be listed on the Lusaka Securities Exchange, it has been involved with these focus areas long before they were known as ESG. The Company's philosophy is that ESG is a journey not a destination. Therefore, continuous improvement remains pivotal in this journey. In this regard, plans are underway to review the Company's ESG strategy with a focus on aligning with the Government's goals and the Paris Commitments.

Zambia Sugar will continue to comply with the Illovo Group Commitments including the objective of 30% carbon reduction from end to end across the supply chain. The Company will place more focus on managing water scarcity risks as well as averting risks of flooding. Other initiatives include implementation of established energy emissions programmes which are underway at the Estate.

What we sell must first be sown, therefore soil and eco-systems underpin our businesses presenting the continued need to manage biodiversity and ecological risks. The Company remains committed to ESG and will continue to uphold responsibility and ensure accountability for its attainment.

**OUTLOOK**

I am especially proud to be associated with Nakambala Estate. It is a world class asset with so much still to be done to achieve its full potential. My aspiration is to make Nakambala the best estate which translates to creating an estate which we can all be proud of to be our home and a place of work. With respect to operational performance, the goal is to fully utilize the plant capacity of 445 000 tonnes of sugar production per annum. This will require improvement of cane yield per hectare to over 118 tonnes per hectare consistently.

The Company will continue to focus on renewing its social licence to operate not only in Mazabuka but also in all the areas where it operates. Focus will be given to promoting stakeholder relations with all our stakeholders including local communities, Government and Municipal authorities, regulators, traditional leadership and NGOs with the objective

"I will ensure ***to build*** on the successes of my predecessor, who continues to be ***a role model*** for millions across the country and the continent."

**OSWALD MAGWENZI**

of communicating good neighborliness in all Company operations. The Company will leverage its Creating Shared Value Approach which aims to promote thriving communities for all stakeholders.

These aspirations will require support from you the members and the Board, and will ensure that we work together with the factory and agricultural teams together with all other teams to harness the strengths of each and every one of us. I have no doubt that the employees are all motivated to give their absolute best in the years ahead.

The Company is optimistic about the new financial year and anticipates an appreciation of the Kwacha which is likely to adversely impact export sales revenue. However, the Company will continue with its commercial strategy and leverage projected growth in the domestic market.

Rising costs continue to be a major concern in the short to medium term due to supply chain challenges and production lag due to impact of COVID-19 pandemic further creating a risk to production inputs and spares. The Kwacha appreciation will mitigate the escalation of imported input costs which has seen a recent sharp rise. The Company will continue to make every effort to provide for inputs and spares with longer lead times due to shipping delays.

The relatively high rate of inflation will continue to put pressure on the Company's operational costs but there is an expectation that this will gradually reduce towards the levels set as a target by the Government.

The improvement in free cash flow of the Company has created opportunities for prospects of further investment. The identified investment opportunities in irrigation, factory debottlenecking, warehouse at Nakambala and the power self-sufficiency project will be given more focus and will ensure the Company derives the best returns from the investment.

**CONCLUSION**

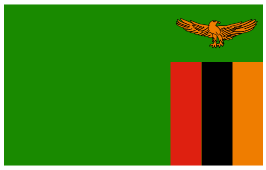
I further wish to assure you, the Board and all our stakeholders that we will base our collaboration on unifying principles which I hold high and strongly believe in including:

- Unwavering commitment to safety above all else
- Commitment to excellence, continuous improvement, teamwork and being the best
- Achievement of results on the offensive – causing the outcomes we want
- Taking responsibility and accountability for results
- Doing our jobs well and quickly (on time and on budget)
- Keeping each other informed through regular communication.

We have the people, capabilities and the resources to meet the challenges ahead of us. I am confident that the future is bright and that the Company will continue to grow from strength to strength.

**OSWALD MAGWENZI**
COUNTRY MANAGING DIRECTOR

# At a glance, Zambia Sugar Plc.



## Zambia Sugar is the country's leading sugar producer with a primary focus on the domestic and regional markets.

## THE COMPANY PRIDES ITSELF IN THE FOLLOWING:

- A **WIDE RANGE** of products under the renowned **WHITESPOON** brand. This includes direct **CONSUMPTION** sugar **ENRICHED** with **VITAMIN A** (refined, brown and household), refined sugar for **INDUSTRIAL** customers, **SYRUP**, **SPECIALITY** sugars as well as **MOLASSES** for both **LOCAL** and **EXPORT MARKETS**.
- World-class consumer-centric **AGRICULTURAL** and **AGRO-PROCESSING BUSINESS**.
- **LARGEST** single mill cane sugar **PRODUCER IN AFRICA**.
- One of **ZAMBIA'S LARGEST EMPLOYERS** and the **LARGEST EMPLOYER** in the Southern Province.
- Leading **CONTRIBUTOR** in Non-Traditional Exports (NTEs).
- Administers **FIVE SCHOOLS** (Primary and Secondary) on the estate.
- Operates **OWN ELECTRICITY PLANT** with a capacity to produce **40MW**.
- Produces power from **BIO-RENEWABLE SOURCES** i.e. cane fibre (bagasse).
- Its roots extend to **1964** when it was **ESTABLISHED**.
- It is listed on the **LUSAKA SECURITIES EXCHANGE** (LuSE) with **25%** held as free float by institutional and private investors. **75%** of the Company's shares are held by the **ILLOVO SUGAR AFRICA GROUP**.
- **ILLOVO SUGAR AFRICA** is **AFRICA'S LARGEST SUGAR PRODUCER** with **AGRICULTURAL** and **PRODUCTION** facilities in **SIX COUNTRIES**. Typical **ANNUAL SUGAR** production is **1.7 MILLION TONNES**.
- **ILLOVO SUGAR AFRICA** is owned **100%** by **ASSOCIATED BRITISH FOODS**.
- **ASSOCIATED BRITISH FOODS** (ABF) is a diversified **INTERNATIONAL** food, ingredients and retail group with **SALES** of £**13 937 MILLION, 133 000 EMPLOYEES** and operations in **53 COUNTRIES** across **EUROPE, AFRICA, THE AMERICAS, ASIA** and **AUSTRALIA**.


*Part of the Whitespoon range.

FOR THE YEAR ENDED 31 AUGUST 2021

# OPERATES ONE OF THE WORLD'S MOST SUCCESSFUL OUTGROWER SCHEMES, WITH 385 SMALLER HOLDER FARMERS AND 23 COMMERCIAL GROWERS SUPPLYING THE MILL

SUGAR PRODUCTION VOLUME
**397 032 tonnes**

**4 774** INDIRECT EMPLOYEES FROM THE COMPANY'S OUTGROWER SCHEME

**6 179**
DIRECT EMPLOYEES

**3.216 million**
TONNES SUGAR CANE CRUSHED PER ANNUM
INCLUDING CANE PRODUCED BY OUR OWN OPERATIONS

POPULATION OF
**400 000**
MAZABUKA RESIDENTS
SUPPLIED BULK RAW WATER

SALES REVENUE
**K4 989 million**

SUGAR SALES VOLUME
**413 142 tonnes**

**28 000**
HECTARES UNDER CULTIVATION

**3 000** HOUSING UNITS HOME TO **16 000** RESIDENTS

**WINNERS**
IN THE **2021 ILLOVO SUGAR AFRICA (ISA)**
**AWARDS**

1. BEST FACTORY PERFORMANCE
2. SAFETY AWARD
3. FINANCIAL MANAGEMENT AWARD
4. BEST COUNTRY PERFORMANCE AWARD

# 2021 Financial Performance Highlights:

*REVENUE*

**K 4 989 MILLION**

2020: K 3 335 million

50%

*OPERATING PROFIT*

**K 1 615 MILLION**

2020: K 775 million

108%

*PROFIT AFTER TAX FOR THE YEAR*

**K 1 086 MILLION**

2020: K 235 million

362%

*EARNINGS PER SHARE*

**K 3.43**

2020: K 0.74

364%

*DIVIDENDS PER SHARE*

**K 0.845**

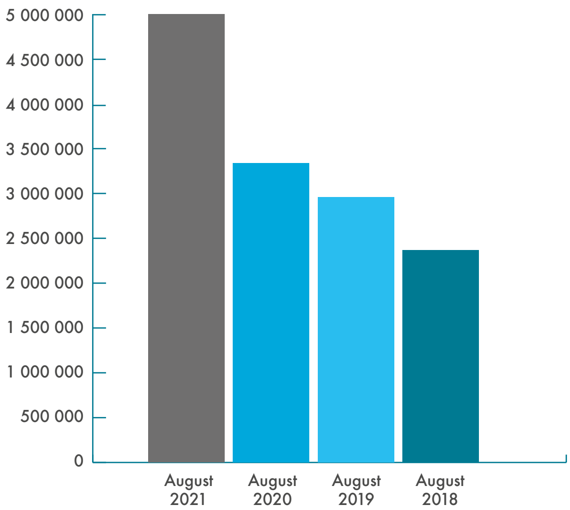
2020: K 0.24

252%

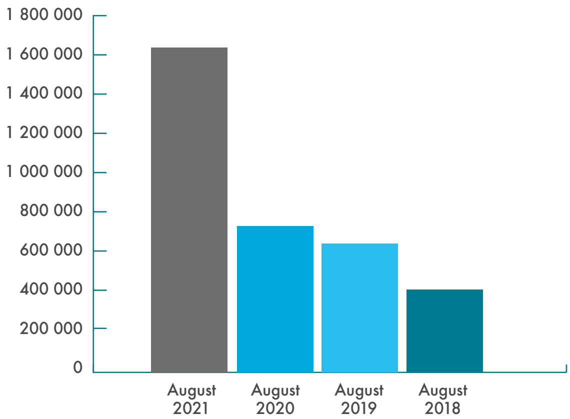
# Key Figures

| | 2021 | 2020 |
|---|---|---|
| Revenue (K'000) | 4 989 980 | 3 334 924 |
| Operating profit (K'000) | 1 614 962 | 774 841 |
| Profit after Tax for the year (K'000) | 1 086 067 | 234 874 |
| Earnings per share (ngwee) | 343 | 74 |
| Dividends per share (ngwee) | 84.5 | 24 |
| Number of shares in issue (000) | 316 571 | 316 571 |

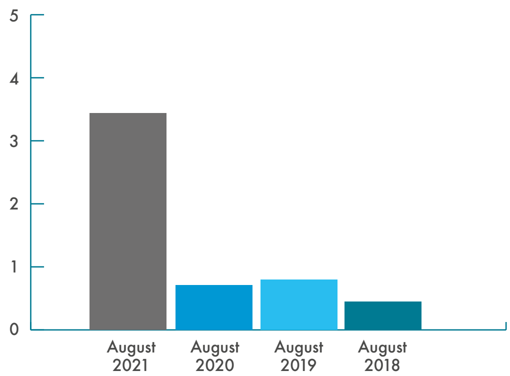
## Revenue (K '000)



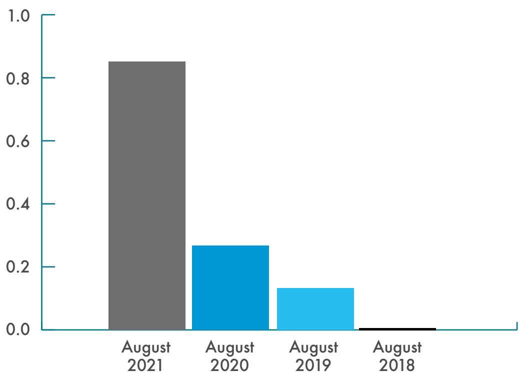

## Operating profit (K '000)




## Earnings per share (K)




## Dividends per share (K)



# About Zambia Sugar Plc

**Zambia Sugar is the country's leading sugar producer with a primary focus on the domestic and regional markets producing a wide range of sugar and sugar products under the renowned Whitespoon brand. This includes direct consumption sugar enriched with Vitamin A (refined, brown and household), refined sugar for industrial customers, syrup, speciality sugars as well as molasses for both local and export markets.**

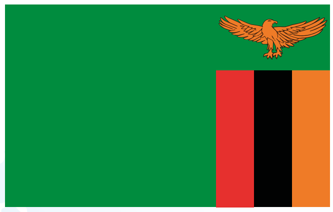
Zambia Sugar aspires to be a world-class consumer-centric agricultural and agro-processing business, currently with sales revenue of K4 989 million, 6 179 employees supported by depots and customer networks across the country and region.

Zambia Sugar is the largest single mill cane sugar producer in Africa. Its roots extend to 1964 when it was established. It is listed on the Lusaka Securities Exchange with 25% held as free float by institutional and private investors. 75% of the Company's shares are held by the Illovo Sugar Africa Group. Illovo Sugar Africa is Africa's largest sugar producer with trading offies in one country and agricultural and production facilities in six countries. Typical annual sugar production is 1.7 million tonnes.

Zambia Sugar's vision is to be a diversified, world-class consumer-centric agricultural business, delivering shareholder value and creating thriving communities.

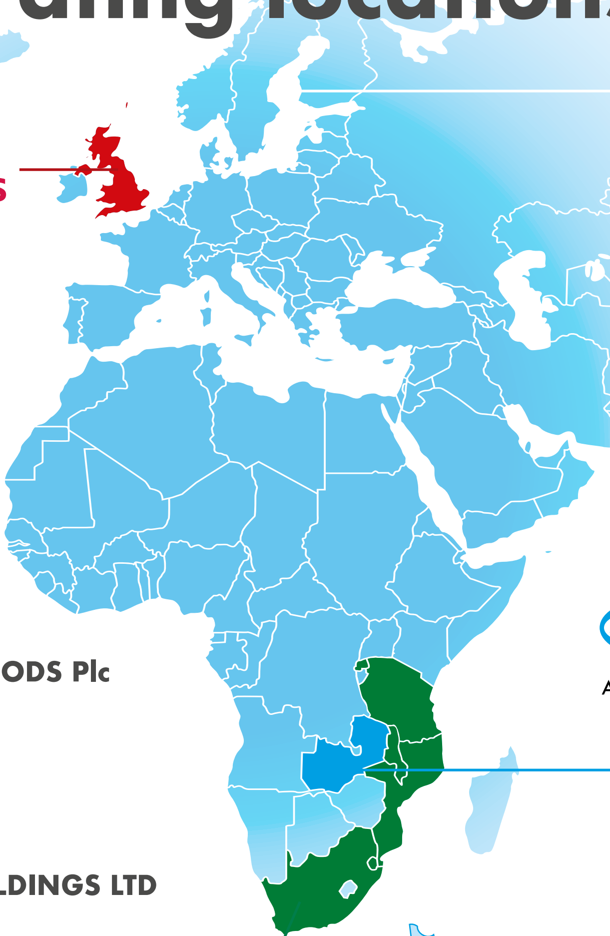
The Company will continue with its purpose, to provide safe, nutritious, affordable sugar and sugar products that are great value for money to its valued consumers.


# Zambia Sugar Plc - ownership structure and operating locations



Associated British Foods plc

ABSugar

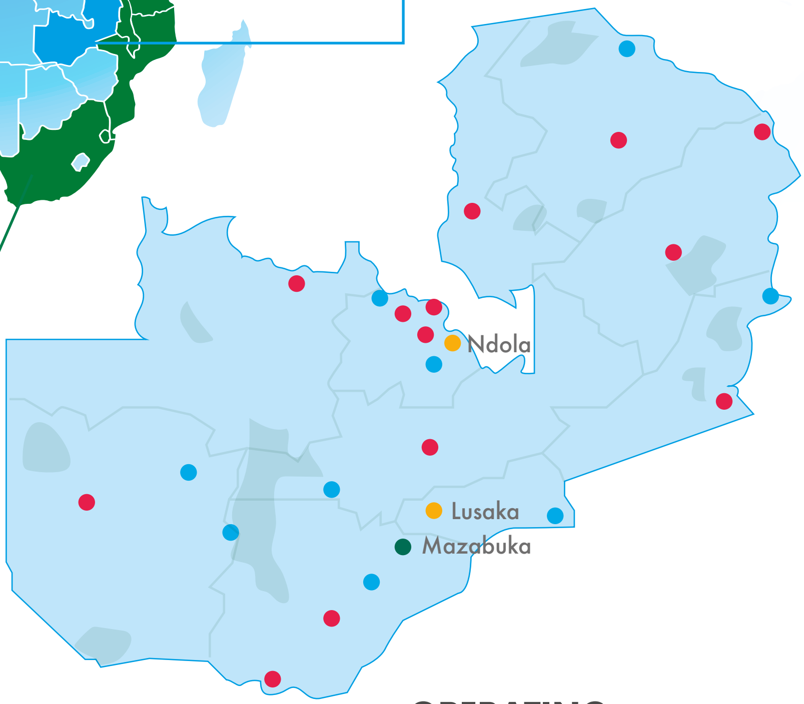


**ASSOCIATED BRITISH FOODS Plc**
**100%**

**ILLOVO SUGAR AFRICA HOLDINGS LTD**
**75%**

**ZAMBIA SUGAR Plc**

Zambia Sugar
AN **ILLOVO SUGAR AFRICA** COMPANY




SUGAR ILLOVO AFRICA
An AB Sugar company

## OPERATING LOCATIONS

- Head Office
- Distribution Centre
- Depot
- Sub-depot

# Associated British Foods

## ABF, which acquired full ownership of Illovo Sugar Africa in 2016, is a diversified international food, ingredients and retail group with sales revenue of £13 937 million and 133 000 employees and operations in 53 countries across Europe, Southern Africa, the Americas, Asia and Australia.

AB Sugar, which manages all of ABF's sugar interests across the globe, including Illovo Sugar Africa, is one of the largest sugar producers in the world. Illovo is the largest cane sugar producer in Africa and British Sugar is the sole processor of the UK sugar beet crop.

# Illovo Sugar Africa Group

As Africa's biggest sugar producer, Illovo has extensive agri-business operations in six African countries, manufacturing raw and refined sugar from cane supplied by our own agricultural operations and independent local growers. It also has a sugar trading office in Rwanda. Illovo Sugar Africa is a wholly-owned subsidiary of Associated British Foods Plc (ABF), a diversified international food, ingredients and retail group operating in 53 countries.

The Company focuses on supplying a diverse range of sugar products to the domestic markets in which it operates and to regional neighbours, with high sea exports of bulk and speciality sugars to long standing international customers. Illovo also produces syrup, together with a range of downstream products including furfural and furfuryl alcohol, natural flavourants, high quality ethyl alcohol and lactulose. Through own internal electricity generating capability, using bio-renewable boiler-feedstock such as the cane fibre residue post the extraction process, Illovo aims to ensure reliable, cost-effective energy supply to all of its own operations and where economically viable, to export power into the national grids of the countries in which it operates.

With enormous pride in its people employed across a range of disciplines in the seven countries of operation, there is a focus on Values-Driven Leadership, talent management, leadership growth and an active learning and development process underscored by the Group's customised Engaged Performance Management Approach which tracks the professional growth and achievement of strategy-aligned personal objectives of every single employee.

The Group-wide safety programme under the brand name of "Illovo Safe", and based on the premise of all employees returning home as they left it before going to work, is focused on creating a safe working environment and is in alignment with the occupational health and safety legislation of our six countries of operation.

As a major private investor in Africa, Illovo operates and markets products in countries which face considerable challenges in the form of poverty, unemployment, inequality and disease. The United Nations (UN) classifies Malawi, Mozambique, Tanzania and Zambia as among the world's least developed countries. The Group has a significant positive impact on the rural communities in the areas where it operates, by creating valuable jobs and economic opportunities, and providing accommodation, health care, educational assistance and basic services to employees.

In addition, where no such facilities exist, the Company provides medical care to communities, assists in education delivery, provides municipal and civic services and access to water and sanitation, and participates in community outreach programmes.

Illovo's continuing ambition is to create an African sugar Company that is anchored on delivering value to customers and consumers, promoting sustainable agricultural and sound manufacturing processes mindful of the impacts on the environment and through the collaborative weight of people, resources and skills, supporting the needs and aspirations of the many communities and stakeholders through the Illovo Thriving African Community purpose.

ILLOVO THRIVING COMMUNITY

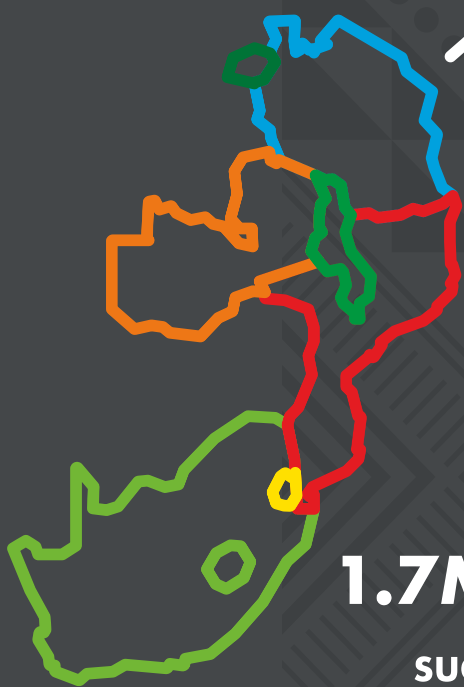
## With operations in 6 countries, ILLOVO SUGAR AFRICA is a Pan-African, consumer centric agri-business with roots in growing and making sugar and related products, sustainably.

# AFRICAN SUGAR FOR AFRICAN MARKETS

**CREATING SHARED VALUE that is sustainable and mutually beneficial to all STAKEHOLDERS**

(Government, Corporate and Community)

- ESWATINI
- MALAWI
- MOZAMBIQUE
- SOUTH AFRICA
- TANZANIA
- ZAMBIA



**1.7MILLION**
**TONNES OF SUGAR PRODUCED ANNUALLY**

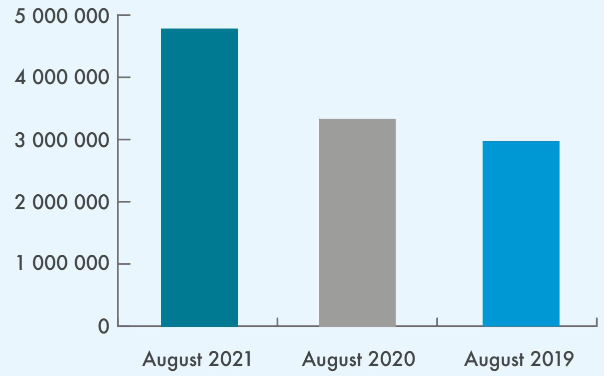
**ILLOVO SUGAR AFRICA EMPLOYEES:**
**30 000**

# Key Performance Indicators

**Zambia Sugar uses Key Performance Indicators (KPIs) to measure progress in the successful execution of the strategy and to monitor performance. The Company develops KPIs relevant to the area of operation.**

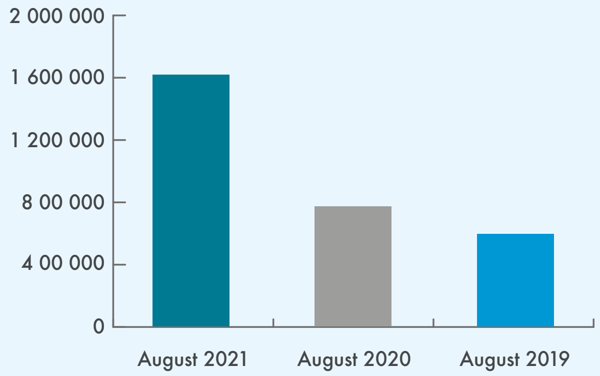
## FINANCIAL

**Revenue (K '000)**




**K 4 989 MILLION**
2020: K 3 335 million

**Operating profit (K '000)**




**K 1 615 MILLION**
2020: K 775 million

*PROFIT AFTER TAX FOR THE YEAR*
**K 1 086 MILLION**
2020: K 235 million
362%

*EARNINGS PER SHARE*
**K 3.43**
2020: K 0.74
364%

*DIVIDENDS PER SHARE*
**K 0.845**
2020: K 0.24
252%

## NON-FINANCIAL

**SUGAR PRODUCED:**
**397 032**
tonnes

**SUCROSE EXTRACTED:**
**467 956**
tonnes

**TONNES OF SUGAR CANE CRUSHED:**
**3.216 MILLION**

**SAFETY/LOST TIME INJURY FREQUENCY RATE (LTIFR):**
**0.06**
(Annual Target: ≤ 0.09)

**SUGAR SALES VOLUME:**
**413 000**
tonnes

**DOMESTIC (tonnes):**
**263 000**

**EXPORT (tonnes):**
**150 000**

**EMPLOYEES DIRECT**
**6 179**

**EMPLOYEES (INDIRECT)**
**4 774**


NAKAMBALA FACTORY

# Strategy

**Zambia Sugar believes that taking a long-term view creates long-term value for shareholders, employees, business partners and the communities in which the Company operates. The Company's strategy is to achieve sustainable growth over the long term and the balance sheet is managed to ensure long term financial stability.**

Zambia Sugar is the country's leading sugar producer and has the vision to be a diversified, world-class consumer-centric agricultural business, delivering shareholder value and creating thriving communities.

Sugar is at the heart of what the Company does. The sugar production process provides opportunities to do more than simply manufacture sugar. The Company is an innovative and advanced manufacturer, producing a wide range of sugar and sugar products.

Additionally, it contributes to power supplied as part of the wider agri-business value chain, making it an important contributor to the economy across the nation.

The Company's success has been built on continued development and innovation to meet the changing needs of consumers, to improve operations and to work with growers to ensure sustainable, efficient, agricultural production.

Zambia Sugar seeks to drive continuous improvement in everything it does and is committed to developing people to build capability and capacity across the Company.

Zambia Sugar closed 2021 with a 26% year on year sales volume growth. Tracking performance during the year was imperative and a couple of key Commercial metrics were tracked. Areas of focus included the following:

- **Call schedule adherence** – With the ambition to forge strategic partnerships with stakeholders in the distribution chain, call schedules were optimized and sales representatives and their managers were required to strictly adhere to them for better results. Despite a sluggish start due to the COVID-19 pandemic, the Company recorded an impressive 107% average call schedules adherence during the year. The Sales Force Automation tool enabled this automated tracking of this KPI.

- **Product availability** –This KPI is calculated by dividing the total number of calls during which the sales representatives found at least one Whitespoon product available during a period by the total number of calls made by sales representatives in that same period. This KPI is important as consumers will only buy what they want and when it is available, failing which, they settle for alternatives. Product availability never measured below 98% during the entire year.

This means at least 98% of the Resellers, Retail chains, Grocers and table tops had at least one of the Whitespoon products each time the sales teams visited during the entire year.

The depreciation of the Kwacha while on one hand underpinning an explosion in exports by the Local industry, also provided a natural hedge against illegal sugar imports and finished sugar products such as alcoholic and non-alcoholic beverages, sweets, biscuits, etc. As a result, demand for locally produced beverages and confectionery products grew exponentially. Local industry responded by expanding production capacities to cope with the growing demand in both the domestic and export markets.

For many years the Company has been advocating against illegal importation of sugars which are either sold as is or repacked in counterfeit Whitespoon packaging for sale. The weak kwacha coupled with high international freight cost provided a hedge against such sugars entering the Zambian market.

Sugar is a highly ranked source of energy for individuals to effectively execute their day to day undertakings. Therefore, Zambia Sugar's aspiration is to provide accessibility of its Whitespoon products to all of its consumer segments. In line with this ambition and that of the Illovo Sugar Africa Group's purpose of building thriving communities, the Company dedicated itself to delivering affordability across all consumer segments. To this end, Zambia Sugar expanded availability across the country and improved supply reliability of its small formats.

The Company believes it is enormously important that each consumer should be afforded an opportunity to choose which Whitespoon product they want depending on their preference and affordability. The business was measured in ensuring reliability of supply for the small formats and implementing price points that are relevant to the respective segments.

While producing high quality products at Nakambala is a given owing to the rigorous quality assurance program in place, ensuring that these products reach the intended consumers at the time they want, in the pack size they prefer and at the price they can afford is just as fundamental. The Company has over the last few years dedicated a significant proportion of its Commercial resources to optimizing the Route to Consumer (RTC) strategy to maximize market penetration and availability of Whitespoon products countrywide.

The Company focused on building sustainability of the RTC using various commercial initiatives. These initiatives have resulted in retention of just under 100% of the resellers; the realization of a 30% year on year growth in tonnage sold per reseller and espoused a 23% year on year growth in pre-pack sales volumes despite the challenging economic environment prevailing in the country.

Zambia Sugar has continued to forge strategic partnerships both up and down the value chain to ensure unmatched service delivery to consumers. The Company launched the Whitespoon Reseller Loyalty Club with an exhilarating ambition of not only lifting the relationship with its Resellers to another level, but also rewarding the best performing resellers using a comprehensive and equitable mechanism with awards which include but not limited to fully paid trips abroad and fully funded activations at their respective stores. The Company has committed to the Resellers that it will continue to invest in the Whitespoon brand to ensure that it remains top of mind for all consumers.


Zambia Sugar launched its Whitespoon new brand visuals under the Stir Up campaign that speak more to the brand's emotional and functional attributes. The visuals epitomize what Whitespoon is all about: Stirring up consumers' best days by providing the much needed energy for a healthy, happy and energetic family to get through their day to day activities successfully. This campaign has led to increased brand visibility across the different trade segments, with the roll out of Point of Sale (POS) elements such as posters, price cards, table mats, supermarket base wraps, buntings, back shelf decals, danglers, trader boxes as well as Billboards in key trade segments both in the first and last mile. All packaging was revised to reflect the "Stir up" and "Energy for Life" themes, with an inclusion of a family on the pack, depicting the energy Whitespoon products provide to the family.

Zambia Sugar embraced the implementation of the Winning Sales Organization (WSO) and pioneered its roll out in the Illovo group in 2019. Since the trial and official launch of the WSO, the Company has enjoyed excellence in performance as evidenced by various Commercial results in the last three years which include exponential growth in sales, product availability consistently above 98%, high reseller retention and above Industry average brand equity.

The Company focused on embedding the WSO principles in all its activities through coaching and rigorous monthly performance reviews. This process was coupled with the continued customization of all sales tools/standards including the Illovo Sales Service Officering (ISSO), the perfect store guides, the Play books and call schedules. The Sales Force Automation (SFA) tool launched in 2019 to automate the management of Sales Teams was in 2021 optimised through customization of some reporting templates to meet existing market conditions. This tool has significantly improved the effectiveness of Sales Teams through provision of comprehensive and timely electronic reports.


The Company conducted its first brand health survey in November 2020. The results revealed an exceptionally high rating, above Industry average brand equity, driven by strong market effects and high brand affinity. Despite these buoyant results, the report also highlighted key areas the Company needed to focus on to improve consumer perception about the Whitespoon brand.

The steep evolution of demand for Whitespoon products throughout 2021 demonstrated how ambiguous and uncertain the Zambian market can get depending on the prevailing conditions. While the sudden swings in demand for Whitespoon products tested the robustness and malleability of Zambia Sugar's RTC, it on the other hand demonstrated how the Company has molded itself into a consumer centric organization. There was close collaboration between key functions and the Company was better placed to anticipate demand. The factory provided the much needed creativity and flexibility to accommodate significant variations in product mix within relatively shorter time frames. For example, the team designed and built a packing machine out of locally available resources when packing capacity of the 10kgs line was outstripped by demand.

The Company maintained an On Time In Full (OTIF) score of not less than 98% all through the year despite the huge volumes that had to move through close collaboration among Commercial, Customer Service Center (CSC) and Logistics.


# Major Milestones

Zambia Sugar

AN **ILLOVO SUGAR AFRICA** COMPANY

## 1955

Local Mazabuka farmer, Tony Dahl, plants sugar cane at his Better Ole Farm (later called Dahlia Sugar Estate). This was later to be taken over by Zambia Sugar Plc.

## 1960

Cane is first planted in Chirundu on the Southern Rhodesia side with the refinery located in Ndola.

## 1966

Tate & Lyle develop, Nakambala Estate.

## 1967

The first commercial cane is planted at Nakambala.

## 1968

Raw sugar is produced at Nakambala and refined at Ndola Refinery.

## 1980

Zambia Sugar Plc and the Common Wealth Development Corporation (CDC) establish an outgrowers' scheme - the Kaleya Small Holders Company Limited (KASCOL).

## 1995

The Company is privatised - Tate & Lyle (50.9%), CDC (31%) & GRZ-ZPTF (18.1%).

## 1996

Zambia Sugar Plc is listed on the Lusaka Securities Exchange, Lusaka Stock Exchange (LuSE).

## 2001

Illovo acquires a 50.9% share in Zambia Sugar Plc, and later increases it to 89.71%.

## 2007/09

Zambia Sugar Plc undergoes the biggest expansion project since its inception, increasing its sugar production capacity from 200 000 tonnes to 450 000 tonnes annually. This expansion of both agriculture and milling capacity is commissioned in 2009. It is the largest single investment outside the Mining sector in Zambia.

## 2015

First woman Managing Director, Rebecca Katowa, appointed to head the biggest simgle mill producer in Africa.

An expansion of sugar refining capacity takes place with the launch of the Product Alignment and Refinery project (PAAR).

## 2016

It increases production capacity of refined sugar from 40 000 tonnes per year to 90 000 tonnes per year. The Commissioning is held in July 2016 by the Head of State, His Excellency President Edgar Lungu.

Zambia Sugar Plc increases free-float to 25% thereby reducing Illovo's shareholding from 89.71% to 75%. ABF acquires a 100% shareholding in Illovo.

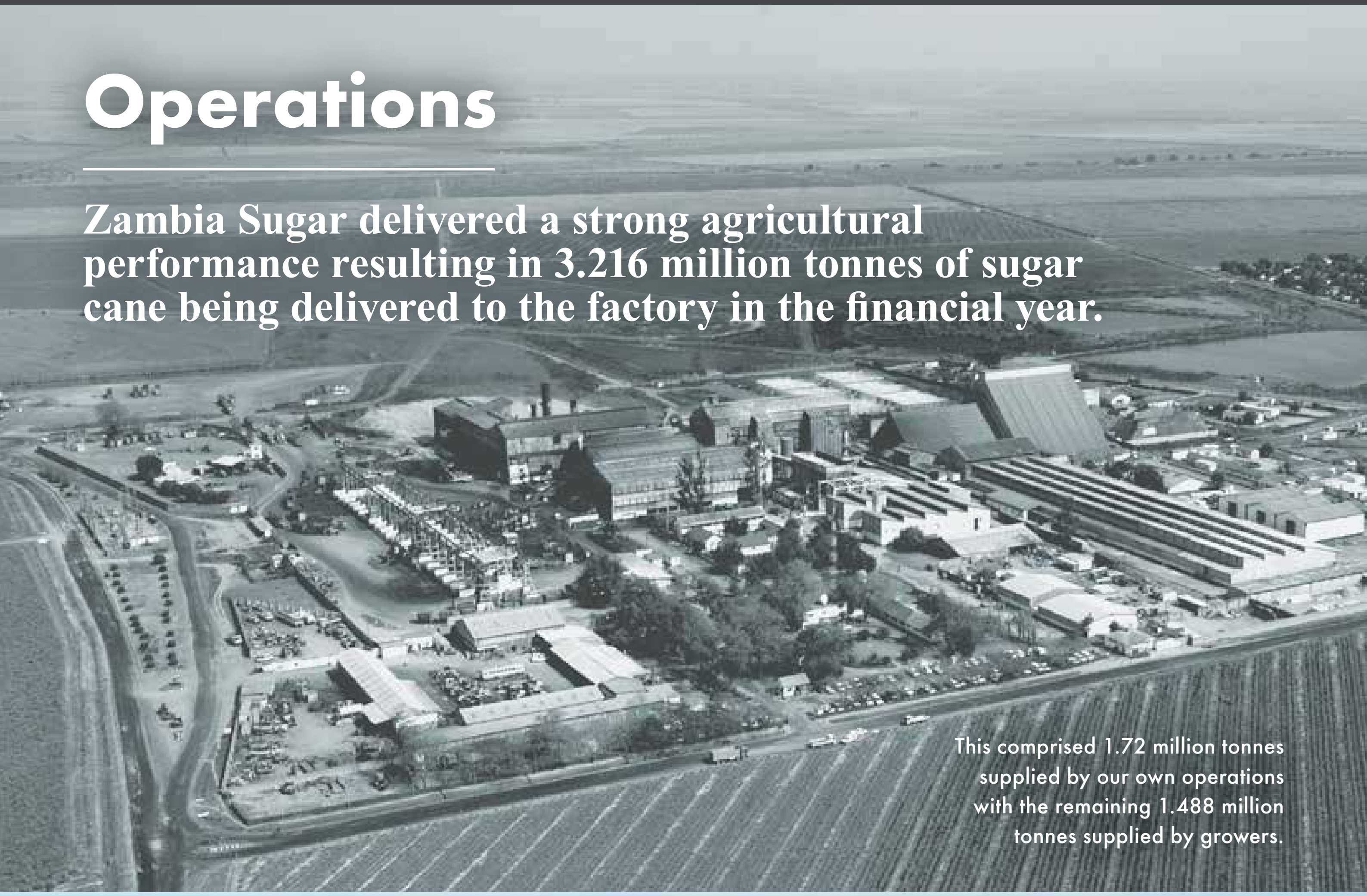
## 2020

Domestic sales of 209 000 tonnes.

## 2021

Record domestic sales of 263 000 tonnes.

After 24 years of service, Rebecca Katowa retires as MD Zambia Sugar Plc. Rebecca is suceeded by Oswald Magwenzi former Managing Director Ubombo Sugar.



# Operations

**Zambia Sugar delivered a strong agricultural performance resulting in 3.216 million tonnes of sugar cane being delivered to the factory in the financial year.**

This comprised 1.72 million tonnes supplied by our own operations with the remaining 1.488 million tonnes supplied by growers.

Year on year production from the estate increased by 3.2% mainly as a result of an increase in area harvested, whilst the production from growers declined by 12.1%. The overall cane yield for the cane supply declined from 117 tonnes cane per hectare to 114 tonnes cane per hectare. The sucrose content for the current financial year improved from 14.38% to 14.67%.

The main challenges impacting agricultural production during the year were as a result of continuous load shedding during the 2020 season and unfavourable growing conditions between December and February of the current season.

Zambia Sugar's sugar milling complex maximises the use of all input materials with very few waste products.

In normal to good conditions, sugar cane contains between 13% and 15% sucrose, which is used in sugar mills to produce household, brown and refined sugar.

Cane fibre or bagasse, the fibrous residue following the sugar extraction process, is used as a bio-renewable fuel source in the factory boilers to produce steam for processing requirements and to generate electricity.

Water contained in sugar cane amounts to between 68% and 72% of total content. During the extraction process, this water is released and recycled for use within the factory, reducing reliance on external water resources.

Organic and non-organic impurities captured in the form of "filtercake" during the manufacturing process are returned to the cane fields for use as a fertiliser.

Sugar cane is a large grass variety which grows well in tropical and sub-tropical climates across the globe, absorbing around 18 tCO2 per hectare per annum.

Harvesting in the southern hemisphere takes place between April and December when the cane is 12 to 24 months old (12 months in Zambia).

Once harvested, the cane commences a new growing cycle from its existing roots; this re-growth is called a "ratoon". Replanting takes place only every seven to 10 years, minimising soil disturbance and exposure to wind and water erosion.

In regions where irrigated cane yields are significantly high such as in Zambia, water for irrigation is sourced from secure and sustainable water resources such as large rivers, lakes and dams within permitted rights of use.

**SUGAR CANE**

1. Sugar cane is a large grass variety which grows well in tropical and sub-tropical climates across the globe, absorbing around 18 tCO2 per hectare per annum.
2. Harvesting in the southern hemisphere takes place between April and December when the cane is 12 to 24 months old (12 months in Zambia).
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4. In regions where irrigated cane yields are significantly high such as in Zambia, water for irrigation is sourced from secure and sustainable water resources such as large rivers, lakes and dams within permitted rights of use.

**INTEGRATED SUGAR CANE PROCESSING**

1. Zambia Sugar's sugar milling complex maximises the use of all input materials with very few waste products.
2. In normal to good conditions, sugar cane contains between 13% and 15% sucrose, which is used in sugar mills to produce household, brown and refined sugar.
3. Cane fibre or bagasse, the fibrous residue following the sugar extraction process, is used as a bio-renewable fuel source in the factory boilers to produce steam for processing requirements and to generate electricity.
4. Water contained in sugar cane amounts to between 68% and 72% of total content. During the extraction process, this water is released and recycled for use within the factory, reducing reliance on external water resources.
5. Organic and non-organic impurities captured in the form of "filtercake" during the manufacturing process are returned to the cane fields for use as a fertiliser.
6. Molasses is a by-product of the sugar manufacturing process. Zambia Sugar sells molasses to farmers to be used as an animal feed supplement and is used as a key ingredient in the manufacture of yeast. It is also used as a dust suppressant on gravel/dirt roads. Molasses is also a rich source of potassium (K) and can be used as a fertilizer and be applied directly to sugar cane fields.

Molasses is a by-product of the sugar manufacturing process. Zambia Sugar sells molasses to farmers to be used as an animal feed supplement and is used as a key ingredient in the manufacture of yeast, ethanol and sanitizer. It is also used as a dust suppressant on gravel/dirt roads. Molasses is also a rich source of potassium (K) and can be used as a fertilizer and be applied directly to sugar cane fields.

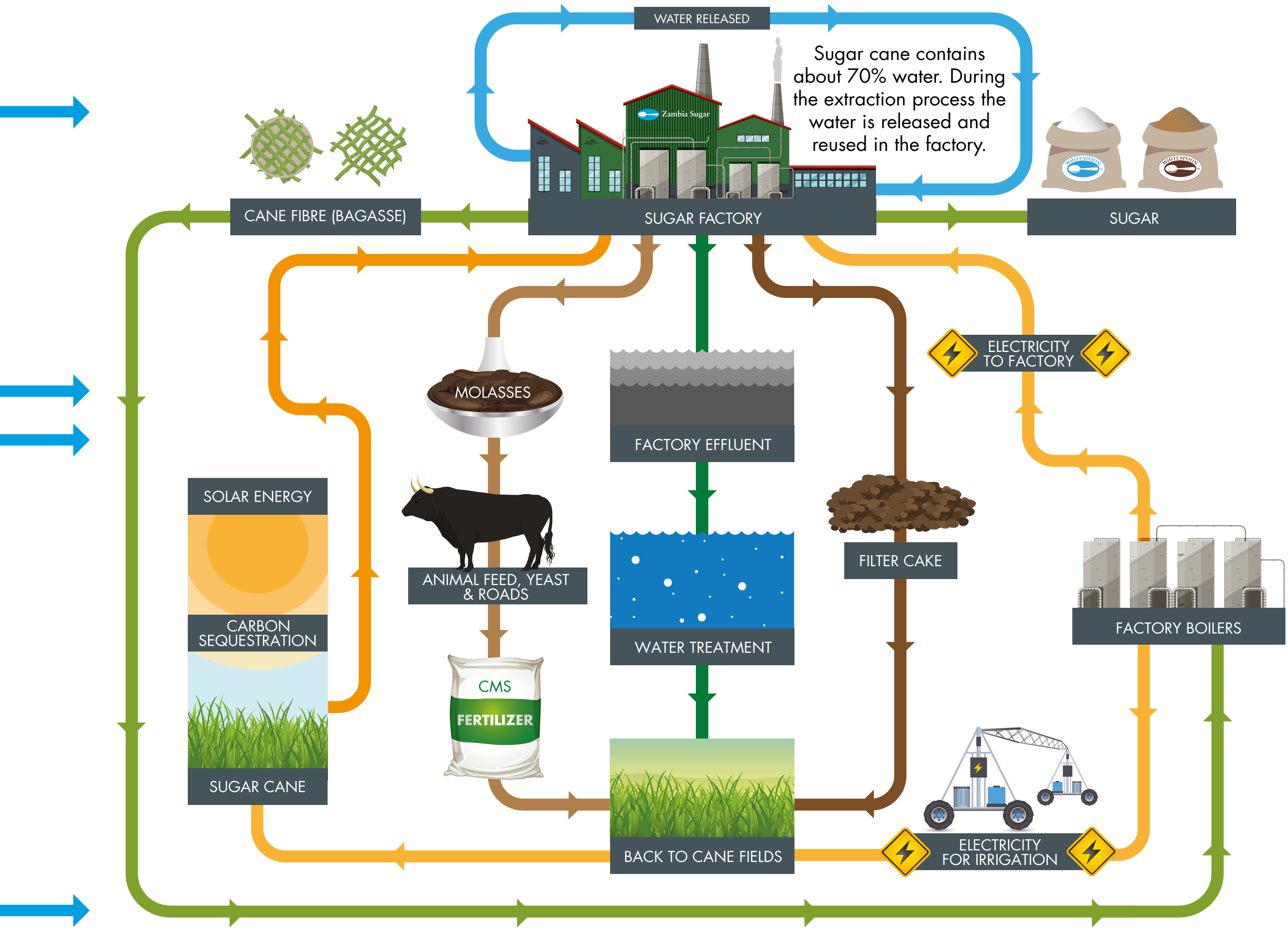
During the 2021 financial year the factory produced 397 032 tonnes of sugar with an improvement in cane quality and the factory overall recovery. The tonnes cane crushed was slightly lower than the previous year largely due to the unusually long wet season.

An unplanned power outage caused by a third party and maintenance reliability challenges also contributed to the lost time availability of the factory.

The factory embarked on a strong drive to improve sugar recoveries through a recoveries project; the key objective was to continuously improve systems, processes and the ways of working thereby ensuring a sustainable recoveries in the future.

The refinery produced a record sugar output last season while the focus on energy efficiencies resulted in a significant reduction in energy consumed in the factory and in agriculture.

The strategic focus and opportunities are the continuous improvements in energy efficiencies, cost reduction initiatives, plant reliability and sugar recoveries. Capability development in processes, systems, people and plant and design remain high on the strategic agenda.


WATER RELEASED
Sugar cane contains about 70% water. During the extraction process the water is released and reused in the factory.
Zambia Sugar
CANE FIBRE (BAGASSE)
SUGAR FACTORY
SUGAR
MOLASSES
FACTORY EFFLUENT
ELECTRICITY TO FACTORY
FILTER CAKE
SOLAR ENERGY
ANIMAL FEED, YEAST & ROADS
CARBON SEQUESTRATION
WATER TREATMENT
FACTORY BOILERS
CMS
FERTILIZER
SUGAR CANE
BACK TO CANE FIELDS
ELECTRICITY FOR IRRIGATION


NAKAMBALA FACTORY

# About Supply Chain

## The procurement of goods and services through a strategic plan of local supplier development continues to be a key focus in line with the Company's Creating Shared Value approach.

Zambia Sugar showed great resilience following disruptions caused by the effects of the COVID-19 on our supply chains locally and abroad.

Sales and Operations Planning continued to add value to the business with the process resulting in alignment between market demand and operational supply. The Company continued to focus on aligning supply to demand to ensure a continuous flow of sugar to all markets throughout the year. The Company continued the development and alignment of the Material Resource Planning and Depot Replenishment Planning processes. This enhanced the accuracy of the Sales and Operational Planning process and improved efficiencies in procurement and logistics.

### BUILDING A RESILIENT SUPPLY CHAIN

Supply chains were significantly impacted by the COVID-19 pandemic in several ways. As a Company, the resilience of staff paid off as the Company did not just manage the risk on the supply chains but were better positioned to deal with—and even gain advantage from the disruption caused by the COVID-19 pandemic.

In March 2020, the landscape in which Zambia Sugar operated changed significantly, as Zambia began entering lockdowns to curb the spread of the Corona Virus. By September 2020, Zambia Sugar was preparing for offcrop activities, with key pieces of equipment and specialist services moving from Zambia to various parts of the World predominantly South Africa. In March 2021, the landscape was such that most of the equipment was olny being moved from various parts of the world to Zambia in preparation for the new crushing season. The start of the new season also marked the launch of the new operating model – a large scale business shift impacting the entire business.

The impact to the supply chain was significant and mainly affected the Company in the following manner:

The restrictions on the movement of raw materials and people posed a threat to sugar supply, asset integrity and performance.

The restrictions on the movement of both finished goods, production inputs and spares cross-border threatened our supply chains.

The variation in short-term demand forecasts created a challenge in maintaining supply reliability.

In developing resilience, the Company focussed on a number of areas including the following, among others:

The Company increased inventory levels and increased the number of suppliers. This is a temporay measure that will be revisited when conditions permit. This was particularly important because lead times for procured goods increased and some suppliers closing business within the supply chains.

The Company allowed for flexibility in the supply chain. Working with the Group procurement teams, the Company standardised processes, introduced dashboards to track respective KPIs and enhanced engagements with respective suppliers.

Through Operating Model re-design, the Company embraced new ways of working including the meetings drumbeat, use of Trello boards, working with online meeting tools and engaging suppliers remotely.

The Procurement team continued to focus on the "buy better and spend better" initiatives with the ultimate objective of identifying and driving value for the Company. This was achieved with significant success.

## WINNING OUTBOUND LOGISTICS ORGANISATION

The logistics sector plays a fundamental role in facilitating trade. Disruption in the logistics sector usually results in interruption in other sectors due to the integral nature that logistics plays in the supply chain of many goods and services.

During the year, both the inbound and out bound logistics were impacted by the effects of COVID - 19 including, but not limited to the following:

- Border closures or stringent procedures at the borders thereby increasing lead times.
- Drivers contracting COVID - 19 in the line of duty thereby creating a driver shortage and subsequently increasing lead times.
- Changes in legislation at short notice by respective Governments in response to COVID - 19 risks. The Company responded to all such risks and ensured compliance.
- Planning for a contingent team of employees to be recruited at short notice in an event that there is increased prevalence of COVID - 19 at logistics to guarantee continued sugar availability across the country.

# About People

## “People are Zambia Sugar’s most valuable resource. We endeavour to hire people with the right personal values, attitude and necessary skills set to help us serve our markets better and operate sustainably. The resilience we observed in our staff throughout the year only goes to confirm that we have the right people and will continue to hire on this basis.”

**JAPHET BANDA**, Human Resources Executive Head

At Zambia Sugar, the management of Human Capital assumes a standpoint that it transforms the Company from comprising knowledgeable individuals to a knowledge-focused organisation that encourages the creation and sharing of knowledge with and across internal business functions that orchestrate the flow of knowhow to and from external organisations.

This approach comprises many threads – people, incentives, technology, processes, and other elements – that need to be woven together carefully in a fashion commensurate with the Company strategy, culture, capabilities and other resources. Human Capital comprises the collective expertise, creative and problem solving capability, leadership, entrepreneurial and managerial skills embodied by the employees of Zambia Sugar.

Zambia Sugar promotes a view point that human capital not only looks at an individual and their ability to perform a particular job function, but views the individual as a dynamic entity who may fit into a variety of jobs over time. It’s the task of an effective manager to ensure that each employee has access to opportunity and mechanisms which enable the employee to achieve their full potential within the organisation.

To that effect, the Company undertook to restructure operations and implemented a new operating model which is intended to embed a new way of operating in line with the Illovo Group strategy. The operating model, has given rise to certain occupational positions being impacted to the extent of being declared redundant. The Workforce Transition (WFT) Project Team whose key tasks was to transition the Company’s workforce from its current state to its desired end-state determined people outcomes, conducted consultations, interviewed and placed employees in roles and facilitated Functional Transition.

The WFT Team started Company-wide consultations with affected employees in January 2020 with the aim of implementing the new model by 1 April 2020. Further, the Business conducted “Skills Gap Assessments” on the identified critical roles in Agriculture, Manufacturing and Human Resources post work force transition.

The objective of the process to a large extent was from a general standpoint that the employee understands to a large extent his/her Skills & knowledge Gaps and encouraging the employee to identify own Gaps which fosters ownership to and personal accountability of subsequent development Action Plans. The general feedback from the employee discussion was good and positive. They commended the organisation for taking an interest in how they were settling into their new roles post WFT and appreciated the consultation in the Skills Gap Analysis (SGA) Process.

The summary of the outcomes of the SGA indicates what competencies need to be developed for which roles, the prioritization and the Individual Development Pans (IDP’s) for each individual to be planned and actioned accordingly. The Business will be developing the Human Resource Development and Learning & Development methodologies. Focus will be on the skills that impact on overall Company performance.

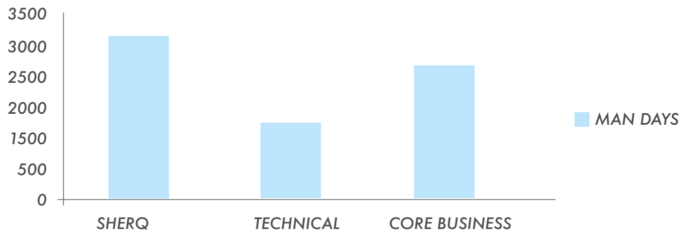
The Company conducted training for many of its employees in the year. These trainings were in the technical fields including SHERQ and the core business.

*A total of 7 007 man days of training were conducted in 2021 and this involved 3 196 employees.*

2020/21

| Category | Participants | Days | Man days |
|---|---|---|---|
| SHERQ | 996 | 30 | 3 056 |
| Technical | 536 | 70 | 1 427 |
| Core Business | 1 664 | 5 | 2 524 |
| Grand Total | 3 196 | 105 | 7 007 |

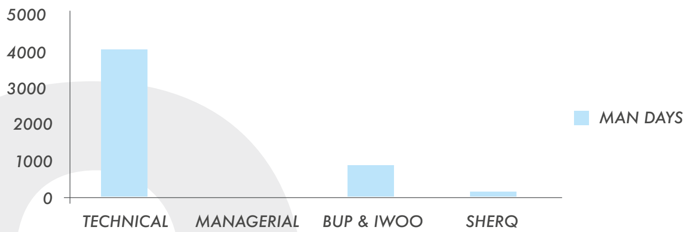
**TRAINING MAN DAYS 2020/21**




2019/20

| Category | Participants | Days | Man days |
|---|---|---|---|
| Technical | 815 | 5 | 4 073 |
| Managerial | 6 | 2 | 12 |
| BUP & IWCO | 898 | 1 | 898 |
| SHERQ | 34 | 2 | 68 |
| Grand Total | 1 752 | 10 | 5 050 |

**TRAINING MAN DAYS 2019/20**




# About SHERQ

## The improvements in overall safety performance continued in line with the targets and plans.

ILLOVO SAFE
SAFETY, MY RESPONSIBILITY, OUR WAY OF LIFE.

**SAFETY**

Safety, food safety and COVID-19 focus continued to be at the forefront of line management across the business, supported by the new Fit4Futiure structure within the SHERQ department.

The entity's Safety, Health, Environment, Risk and Quality (SHERQ) Balanced Scorecard and Safety KPIs Table shown below compare two periods, February 2020 and February 2021:

**SHERQ BALANCED SCORECARDS SHOWING ANNUAL PERFORMANCE**

| Indicator | Closing SHERQ Balanced Scorecard Score | | Lost Time Injury Frequency Rate (LTIFR) | | Total Injury Frequence Rate (TIFR) | |
|---|---|---|---|---|---|---|
| Group Target | ≥ 85% | | ≤0.09 | | ≤1.00 | |
| Period | February 2020 | February 2021 | February 2020 | February 2021 | February 2020 | February 2021 |
| Actual | 89% | 97% | 0.02 | 0.06 | 0.23 | 0.12 |

The overall SHERQ Balanced Scorecard had improved significantly over the two reporting periods from 89% in February 2020 closing at 97% in February 2021. This improved performance was sustained right up to the end of the financial year in August 2021

The strategic initiatives reported in the last season continued to be implemented e.g. the re-launched 4 Steps to COVID-19 Safety with the inclusion of COVID-19 awareness and controls that has been a major success factor in reducing incidents.

To eliminate fatalities to zero and reduce critical injuries, the Illovo Group reviewed the six (6) Cardinal Safety Rules and introduced nine (9) Critical Life Saving Rules. The Company successfully implemented the 9 Critical Life Saving Rules through targeted Toolbox topics and investment in signage in all operational areas at Nakambala, Lusaka and Ndola.

As a result of these interventions, there were no fatalities recorded and there was a further reduction in incidents and reductions in LTIs, with only 3 LTIs recorded in this financial year compared to 7 in the previous financial year.
To strengthen Safety compliance by Contractors, management would continue with the rolling out of mandatory SHERQ Specification compliance with monthly inspections and audits.

In order to embed the newly coined Zambia Sugar slogan which is; "SAFETY, MY RESPONSIBILITY, OUR WAY OF LIFE" and to ensure that everyone participates in safety improvement initiatives, SHERQ suggestion boxes continue to be rolled out in strategic locations. The drive for Safety continues as further improvement opportunities is part of a sustainable safety environment.

All these improvements in safety performance were recognised by the Group and the Company was awarded the 2020/2021 Best in Safety in the Illovo Group. This is the first time that Zambia scooped this award since the introduction of the Illovo Awards.


2020 BEST PERFORMING
COMPANY IN ILLOVO GROUP
Zambia Sugar
2021
SAFETY
AWARD
Zambia Sugar

# Environment

## The Company continued to focus on upholding good environmental management throughout the year.

The environmental performance as per key indicators were within specification on solid waste, waste-water discharged to the aquatic environment through the licensed drains and potable water that was distributed in the networks. Boiler and incinerator emissions were also compliant. The Company continues to put measures in place to ensure adherence to regulatory and Group standards. These include the need to install emission reduction technology.

The Company embarked on three initiatives aimed at building a culture of Environmental Stewardship. The initiatives included:

### A) THE REFINEMENT OF THE ENVIRONMENTAL STRATEGY WHICH INCORPORATES THE FOLLOWING THEMES:

**Building Environmental Leadership and Culture**

1. Water Sensitivity - Reducing water footprint by becoming water efficient and improving the quality of waste water that is returned to the water bodies.
2. Waste Sensitivity - Throwing away less waste and doing more with what is thrown away.
3. Energy and Greenhouse Gases sensitivity - Reducing GHG foot print through efficient use of energy and tightly managing all other processes that contribute to GHG.
4. Plastic Sensitivity - Reducing plastic environmental footprint through effective segregation and recycling also focus on making packaging materials biodegradable.
5. Ecosystem and Biodiversity restoration - Taking necessary steps to conserve the ecosystems that are still intact as well as contribute to recovery of those that are degraded.
6. Hazardous Substance Sensitivity - Developing and maintaining sound environmental management standards around hazardous substances and related waste at all stages from use, phase out and disposal.

### B) ZAMBIA SUGAR'S ACCEPTANCE TO ALLIANCE WATER STEWARDSHIP BOARD

Zambia Sugar was accepted to the Alliance Water Stewardship (AWS) Board and commenced the implementation of the AWS Standard, becoming the second organisation in Zambia to rise to this standard.

Zambia Sugar also entered into partnership with WWF on the implementation of the AWS standard by signing a memorandum of understanding. The AWS standard is a global framework that addresses local and shared catchment water challenges. **It focuses on:**

7. Understanding water dependencies and impacts.
8. Mitigating operational and supply chain water risks.
9. Ensuring that responsible water procedures are in place.
10. Building relationships with local water-related stakeholders.
11. Addressing challenges shared with others in the catchment.

### C) COMMEMORATION OF WORLD ENVIRONMENT DAY

Zambia Sugar commemorated World Environment Day on 5 June 2021 by launching two environmental initiatives:

**1. Ecosystem restoration**

This initiative involved tree planting in various selected areas to start up woodlots and orchards.  The sites included Supply Chain Sugar storage area (15 Trees), Nakambala Private School (15 Trees), Nanga Special School (40 Fruit Trees) and Eight (8) other schools within Mazabuka (160 fruit trees) working closely with the local athorities.

**2. Commissioning of Waste Segregation Initiative**

The Company increased its focus on the need to properly manage waste by throwing away less waste and doing more with what is thrown away. In line with this initiative, 54 Refuse Bay Stations were constructed to support waste segregation campaign.  The Country Managing Director officially commissioned this initiative on 14 June 2021.


WWF
Zambia Sugar
Isabel M.


REFUSE BAY STATION
ECOSYSTEM Theme RESTORATION

# Quality & Food Safety

## The business continues to perform extremely well with regards to Quality and Food Safety certification and protecting its license to operate.

The entity successfully passed all internal and external assurance, accreditation, customer and other important audits.

**Summary of key Quality and Food Safety Audits during the year:**

There were a total of twenty six (26) customer complaints recorded during the period under review. The increase in number of complaints does not in any way signify a decline in food quality and safety but was attributed to the improvement in capturing customer complaints since the introduction of the customer service centre that is a centralised single point for receiving and handling of customer complaints.

All customer complaints were investigated; corrective actions put in place, closed out and outcomes communicated to the customers.

There were no Product Recalls or Litigations as a result of quality or food safety related complaints.

| ASSURANCE BODY | OBJECTIVES | FINDINGS | | OUTCOME |
|---|---|---|---|---|
| | | 2020 | 2021 | |
| South African Bureau of Standards | FSSC 22000 Certification | 3 minor findings | Unannounced audit to be conducted | FSSC Permit maintained - Valid until March 2022 |
| Zambia Compulsory Standards Agency (ZCSA) | Permit to Supply Certification – Local and Export Market | Minor (3) | Nil | Permit to Supply granted for another year |
| KOSHER | Kashrut Certification essential for trading | No findings 100% compliant | Valid until November 2021 | Kosher certification successfully defended and extended for another year |
| Kenya Bureau of Standards | Diamond Mark of Quality | Application submitted | Valid for 3 years | Diamond Mark granted for another 3 years |
| Zambian Halaal Certifiers | Halaal Certification | No Audits due to COVID-19 | Unannounced audit pending | Halaal Certification granted for another year |
| Pepsi | Customer Audit | Exempted | | New date yet to be announced in 2021 |
| Supplier Guiding Principles (SGP) | Customer audit conducted by Partner Africa for Coca Cola Accreditation. A Green Status is required to maintain supplier accreditation | Exempted | No finding | Green Status maintained |

# Our Vision

**To be a diversified, consumer-centric, world class sugar and sugar related business, delivering shareholder value and creating Thriving Community.**

## INTEGRITY | UPHOLDING OUR VALUES

We consistently live our values, treat all individuals in a fair and consistent manner, as well as act in accordance with ethical guidelines and statutory requirements. We are welcomed by the communities in which we operate, are trusted by investors, and our employees are proud to work for us.

## ACCOUNTABILITY | DELIVERY FOCUSED

We find ways to break through resistance and obstacles, and strive to seek new methods in order to continuously improve. We align our day-to-day work with the Illovo vision and strategic intent, and our objectives, action plans and commitments are delivery focused. We also engage in celebrating our achievements.

## EMPOWERMENT | EMPOWERING OUR PEOPLE

We are committed to the development of our people through the continued acquisition of new knowledge and skills. We use various methodologies to enhance the learning experience and the transfer of skills. We earn each other's trust, provide constructive feedback and hold ourselves and others accountable for performance development.

## INCLUSIVENESS | EMBRACING DIVERSITY

We leverage on our diversity in order to maximise performance by actively supporting transformation initiatives. Because we value innovation, creativity and inclusion, we respect each other's opinions and perspectives, treat people with dignity and respect, and build culturally diverse teams.

## COMMITMENT | WORKING COLLABORATIVELY

We are committed to the success of the whole and together look for ways to co-operate and support each other, even when the immediate benefit is one-way. We value strong networks and working relationships that are underpinned by teamwork, open communication, trust and respect. We invest time and other resources to build and nurture high-performing teams.

# Community Services

MALARIA FREE ZAMBIA
MALARIA ENDS WITH ME.
END MALARIA COUNCIL


**MALARIA AND OTHER DISEASES CONTROL**

The Company continued the implementation of the Integrated Vector Management plan resulting in the achievement of Malaria incidents of less than one per thousand for the 5th consecutive year.

The Company successfully hosted the 2021 National World Malaria Day Commemoration at Chuula Clinic with representation from the Ministry of Health – Headquarters, Southern Provincial Health Office, Mazabuka DHO, End Malaria Council, African Leaders Malaria Alliance and other stakeholders in the Malaria Elimination Program.

Zambia Sugar and Chuula Clinic were awarded a National Award (Certificate of Recognition) for the role the organisation and the facility are playing to end Malaria. Chuula Clinic was further awarded and recognised as the only facility in the country that has recorded zero Malaria cases in the past three years consecutively.

Four company employees – the Public Health Officer, Environmental Health Technologist, Vector Control Supervisor and the Nurse in Charge at Chuula Clinic were also awarded National Awards for their outstanding performance and contribution towards Malaria Elimination in the country.

Two community members from Chuula were awarded a National Award as community leaders in the role they are playing to end community malaria transmission.

**DISEASE SURVEILLANCE, PEST CONTROL, WATER & SANITATION**

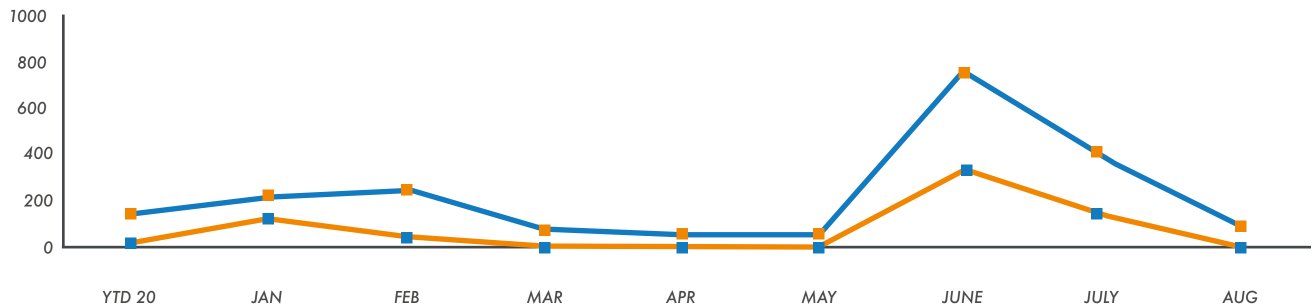
No notifiable diseases were recorded on the estate apart from COVID-19. Malaria surveillance remained active for both local and imported cases. The Company's Public Health worked closely with Mazabuka Municipal council in the dog registration, vaccination and culling exercise, an effort towards preventing the outbreak and spread of rabies in the local community.

In line with the Quality and Food Safety requirements, contracted services for pest control were rolled out to all the depots in the country to enhance the pest control program.

To prevent potable water supply interruption to 1 900 residents of Kaleya Township after the water storage tank roof collapsed, a new metallic roof was installed for the 100 000L storage tank for the Kaleya Community water supply.

Unlike the first 2 waves, the 3rd wave affected all departments. The table below shows positive cases versus tests conducted in a period for 2020 and respective months for 2021:

**COVID - 19 MONTHLY TRENDS 2020 - 2021**



To improve sewer liquid waste management for the stabilization ponds, the ponds efficiency and effectiveness and to reduce on the frequency of maintenance which ultimately is a cost saving to the business, rehabilitation with full compliance and alignment to NWASCO standards commenced with Five Waste Stabilization sewer Ponds on the estate targeted.

**COVID-19 CONTROL**

The Company continued upholding all COVID-19 control measures including testing for COVID-19 infections. The testing was mainly for symptomatic individuals. The month of June 2021 recorded the highest number of positive cases and marked the start of the third wave of the pandemic. After recording 24 positive cases in the first wave which was in 2020, 164 positive cases were recorded in wave 2. The month of June 2021 alone recorded 342 new COVID-19 cases which represented 63% of all positive cases reported from the beginning of the pandemic.

Other COVID-19 protocols and controls included movement restrictions within the estates translating into closure of all bars and sports facilities on the estate. Communication to employees and communities on the pandemic was enhanced. In addition to creating a company designated site for isolations, a portion of the cane cutters' accommodation was prepared and used as an additional isolation facility for cane cutters to reduce possibility of infection spread. Proper physical separation was created including construction of barricading of facilities to ensure enforcement of restrictions.

Mist blowers were procured to improve the disinfection process and soap was distributed to 11 487 people on the estate.

Regrettably three employees died due to COVID-19 infections. After the June peak, the number of positive cases begun to decline until zero cases were recorded in the month of August 2021.

# Security Governance

**ABF SECURITY MINIMUM STANDARDS COMPLIANCE**

Annual security compliance reviews were conducted by Associated British Foods (ABF) against the six minimum ABF Security standards and there were no major findings. An action plan was drawn to help close identified gaps against the minimum standards. Crisis Management Training was conducted for the Executive Team by ABF Security.

**CRIME PREVENTION**

The year recorded relatively higher numbers of cane theft with a peak, the highest on the crime trends recorded on the Nakambala estate. However, intervention measures such as joint operations with armed State Police, stakeholder engagements with community leaders, traditional, civic and political leaders as well as the use of mass media have helped reduce the scourge.

# About Our Communities

## WATER SUPPLY

Zambia Sugar supplies bulk raw water to the Southern Water and Sanitation Company (SWSC) vital in the supply of treated water to the District of Mazabuka. The Company supplies a total of 8 000 000 litres per day to SWSC in order to meet the growing water demand in the district. The Company is continually on hand to assist the utility company with a wide range of support in the course of its operations for the benefit of the local community. The Company also provides potable water to the 16 000 population that resides on the estate.

## HEALTH AND WELLNESS PROGRAMMES

The Company continues to uphold health and safety as priority. Zambia Sugar continues to promote responsible consumption of its products through promoting healthy diets and lifestyles. The Company endeavours to do this through education. Several campaigns that provide the general public with accurate information about aspects of their diet like fibre and sugar continue to be promoted. The Company partnered with a group of local Doctors called Teledoctors in radio and television programmes which aim to promote health care across the country. Teledoctors offers a range of public health services aimed at making access to health services easy. In these radio and TV programmes the Company aims to raise awareness on several health issues affecting people including Non-Communicable Diseases (NCDs).

In addition, the Company operates a "Making Sense of Sugar" page which is available on the Zambia Sugar website which helps give relevant information to visitors to the site.

The Company is committed to promoting good health and support to sports development in the district and across the country. The wellness programmes run by the Company cater for the 16 000 people that are resident on the Nakambala Estate as well as members of the local community by providing them with a range of social amenities.

At national level, the Company contributes towards the development of sport through support to national associations that run development programmes and host sporting events. During the year the Company provided support to cycling, soccer, golf, tennis and athletic activities.

## PRIMARY AND SECONDARY EDUCATION SUPPORT

The Company provides various forms of support to community and Government-run schools in the area, sourrounding communities and across the country. The Company also administers Nakambala Private School one of the schools situated at the estate and prides itself of excellent pupil performance.

## OTHER SUPPORT TO COMMUNITIES

Zambia Sugar supports the local community in the provision of social services ranging from housing to related services including lighting of townships, sanitation, refuse collection, road maintenance and water reticulation. The Company provided support to associations of women in the area which supplied masks to the Company which were donated to the local community and the Municipal Council.

The Company has robust HIV/AIDS programmes as well as programmes in the prevention against Malaria which continue to have positive results including Malaria being virtually eradicated from the estate. The Company provides sharing of best practices in the area of Malaria control and does so using various channels including its privileged board position on the End Malaria Council (EMC) chaired by the Minister of Health. The End Malaria Council was established following the launch of the "Malaria Ends with Me" Campaign of the RBM Partnership to end Malaria, by the President of the Republic of Zambia, His Excellency Dr Edgar Chagwa Lungu in 2018.

# Sugar Fortification

Zambia Sugar Plc continues to support the country's supplementation programme to aid the lowering of the nutrient deficiency gap in the children population. The programme helps to reduce infant and maternal mortality caused by Vitamin A deficiency.  This runs in conjunction with Government's nutrient supplementation programme targeted at children under 5-years. Zambia Sugar actively participates in this programme with its Whitespoon products being fortified with Vitamin A.

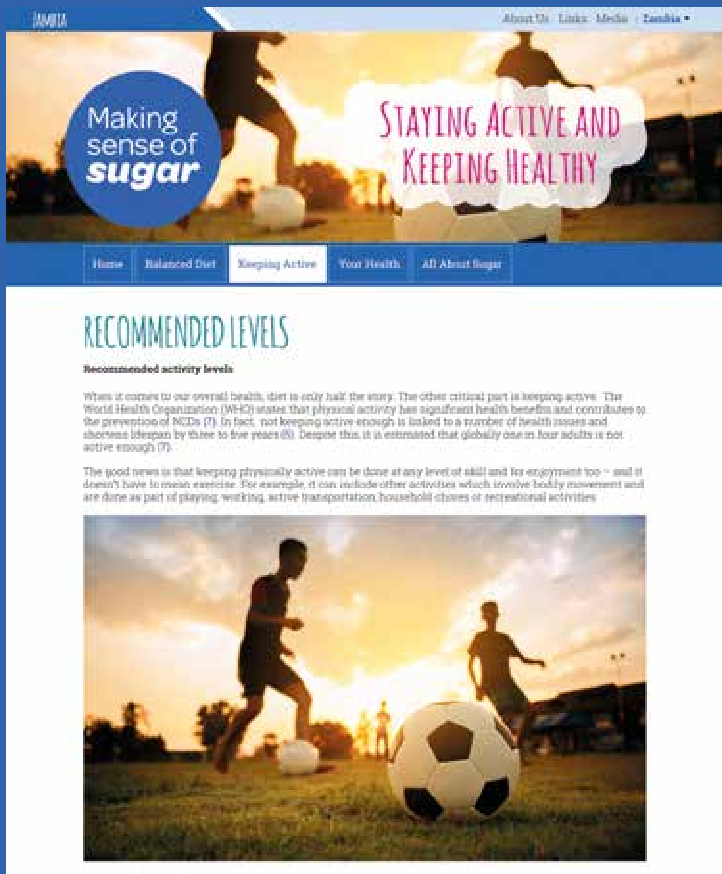
Due to the incidence of COVID-19, the country experienced challenges in continuing with this programme resulting in a heavy reliance on sugar fortification. To this end, Government designated the Company as an essential goods supplier during the COVID-19 pandemic.


# Making sense of *sugar*

As a responsible business, the Company is actively contributing to the debate around the role sugar can play in one's diet through the Making Sense of Sugar campaign, developed by AB Sugar which manages all of ABF's global sugar interests, including the Illovo Sugar Africa Group. The campaign, initiated in 2014, is committed to provide access to objective scientific advice on sugar, diet and health to over 25 million people around the world by 2030. The campaign has since been expanded to reach a global audience. In December 2019, Zambia Sugar joined sugar-producing companies in countries like Malawi and Tanzania in this effort to reach the African audience and offer content adapted to the Zambian reality.

Making Sense of Sugar helps inform and educate people about sugar and the role it can play as part of a healthy, balanced diet. The aim of this campaign is to provide factual information based on robust science for everyone so that they can make their own informed choices about what they choose to consume. For more information on Making Sense of Sugar in Zambia, visit:

**https://makingsenseofsugar.com/zm/**

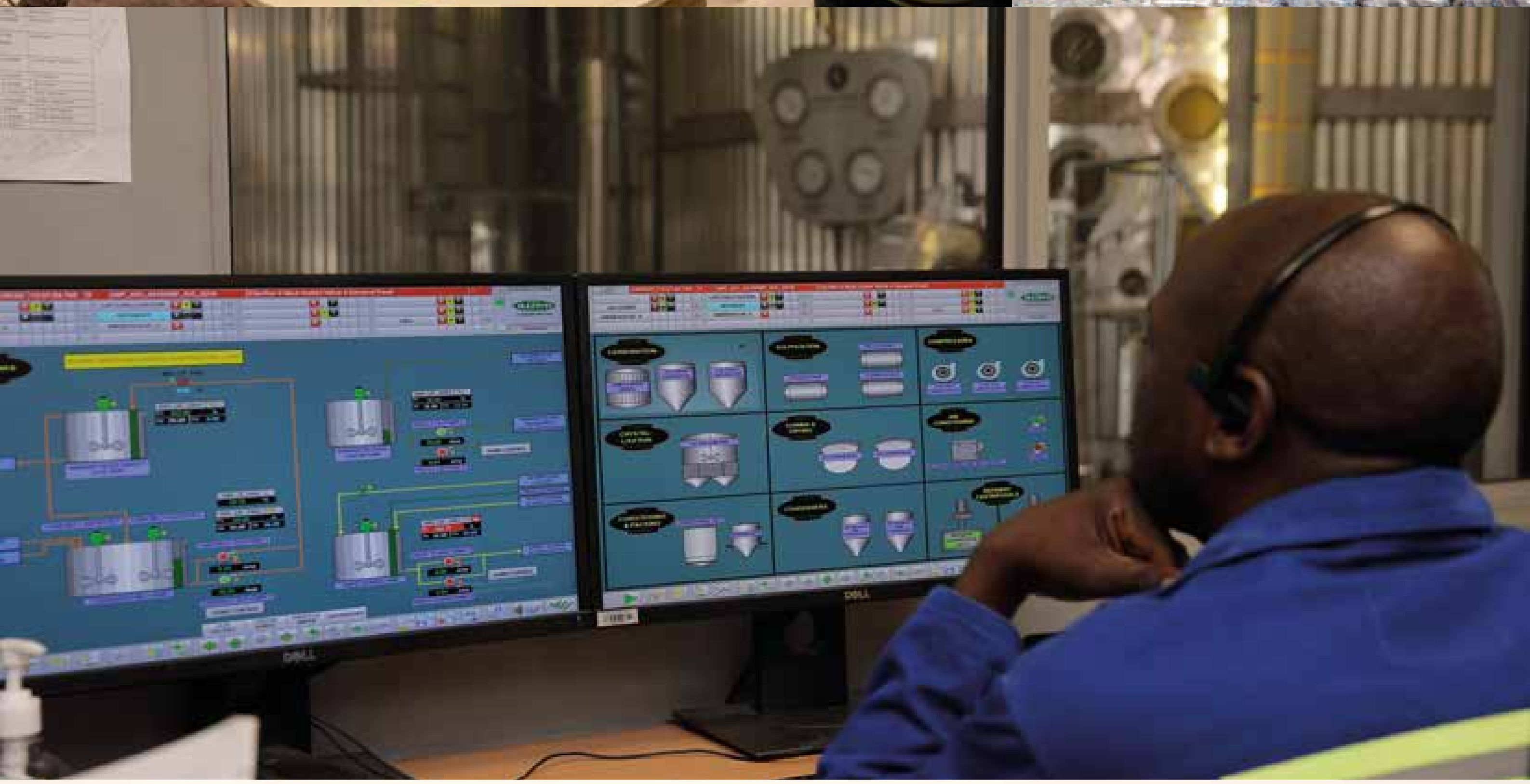


# Value Added Statement

## 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, K2 312 million (August 2020: K1 375 million) was created. Of this amount, K1 068 million (August 2020: K935 million) was distributed to employees, providers of capital and to government. Of the wealth created, 25% (August 2020: 39%) was paid to employees.

| | Group | | Company | |
|---|---|---|---|---|
| | **August 2021 K '000** | August 2020 K '000 | **August 2021 K '000** | August 2020 K '000 |
| **Wealth created** | | | | |
| Revenue | **4 988 980** | 3 334 924 | **4 988 980** | 3 334 924 |
| Dividend income | **-** | - | **41 744** | 29 875 |
| Paid to growers for cane purchases | **(1 179 239)** | (822 616) | **(1 431 772)** | (1 010 739) |
| Manufacturing and distribution costs | **(1 583 944)** | (1 137 102) | **(1 509 807)** | (1 050 374) |
| | **2 225 797** | 1 375 206 | **2 089 145** | 1 303 686 |
| **Wealth distributed** | | | | |
| To employees as salaries, wages and other benefits | **586 261** | 539 752 | **555 156** | 512 274 |
| To lenders of capital as interest | **176 826** | 325 891 | **176 741** | 326 127 |
| To government as corporate taxation | **206 920** | 69 447 | **195 072** | 64 030 |
| | **970 007** | 935 090 | **926 969** | 902 431 |
| **Wealth reinvested** | | | | |
| Retained profits | **1 086 067** | 234 874 | **1 006 130** | 206 779 |
| Depreciation | **111 073** | 107 064 | **99 735** | 97 834 |
| Deferred taxation | **58 650** | 98 177 | **56 311** | 96 642 |
| | **2 225 797** | 1 375 206 | **2 089 145** | 1 303 686 |
| **Amounts paid to government for taxation excludes the following:** | | | | |
| Employees tax deducted from remuneration | **116 949** | 106 118 | **115 663** | 104 959 |
| Net VAT amount paid to government | **73 934** | 52 158 | **63 840** | 52 158 |
| Customs and excise duties | **70 553** | 13 046 | **70 553** | 13 046 |
| Withholding taxes and Withholding VAT collected on behalf of government | **423 899** | 316 737 | **416 003** | 315 722 |
| | **685 335** | 488 059 | **666 059** | 485 885 |



# Board of Directors

## Zambia Sugar Plc.

**Board Committee Key**
RN - Remuneration & Nominations Committee
R - Committee
RC - Risk Committee
A - Audit Committee

**NORMAN MBAZIMA (62) FCCA, FZICA**
*Chairman {RN}*

Mr Mbazima is the Independent Non-Executive Chairman of the Board of Zambia Sugar Plc. He is a Zambian National and was appointed to the Board on 26 February 2018. Mr Mbazima is a Chartered Accountant with extensive experience in the Anglo American Group, which he joined in 2001. He served on the Board of Anglo American's Kumba Iron Ore, from September 2012 to September 2016. He joined the Board of Anglo American South Africa as the Deputy Chairman in June 2015 and is a member of the Group Management Committee.

He has also served as CEO of Thermal Coal and during this time, oversaw the business unit's record operating profit in 2011 combined with an improved safety performance. He began his career in accounting roles at Zambia Consolidated Copper Mines, before spending 17 years with Deloitte & Touche, Zambia. His former roles include; CEO of Scaw Metals, Finance Director and Acting CEO of the Platinum business unit as well as CFO of the former Anglo Coal business unit and CFO of Konkola Copper Mines.

Mr Mbazima has had extensive experience in the mining industry including managing operations, capital raising and managing finances, negotiating transactions, and interfacing with stakeholders including labour, communities, Government departments, and a wide variety of investors.

### EXECUTIVE DIRECTORS

**REBECCA M. L. KATOWA (61) BA, MBA, DipM, MCIM, FZIM**
*Executive Director of the Board {RC}*

Mrs Katowa is a Zambian National and was appointed to the Board in 2002. She joined the Company in 1996 as the Marketing Services Manager and in 2001, became Company Marketing Director. She was appointed Country Managing Director in 2015 until her retirement in 2021

She has served as a Member of the Board of several companies and institutions in Zambia. She holds a Bachelor of Arts degree with a double major in Economics, Geography and Library Science from the University of Zambia (UNZA), a postgraduate diploma in Marketing from the Chartered Institute of Marketing (UK) as well as a Masters in Business Administration (MBA) from the Copperbelt University.

**RAPHAEL CHIPOMA (47) MBA, FCCA, FZICA**
*Executive Director of the Board*

Mr Chipoma, a Zambia national, was appointed to the Board as Finance Director on 1 December 2019. He is responsible for providing leadership and coordination in financial strategy, planning, control and reporting, treasury, legal, IT and taxation. He has over 23 years of diverse senior finance leadership experience in oil marketing, commodity trading, logistics, healthcare and manufacturing having held Finance Director roles in BP Africa, Impala Terminals, Stryker South Africa and Lafarge across a number of countries in Sub-Saharan Africa. Raphael holds a Master of Business Administration from Oxford Brookes University and is a fellow of the ZICA and ACCA.

**MARC POUSSON (55) NHD ElecEng, GCC (Elec)**
*Executive Director of the Board*

Mr. Pousson is an Executive Director of the Board. He is a South African National and was appointed to the Board in June 2020. Mr Pousson was appointed as Factory Head of the Company in April 2020. Prior to this he served as General Manager of Nchalo Sugar Estate for 3 years and as a Director of Illovo Sugar(Malawi)Plc.

He has over 25 years' sugar milling experience and has held a number of leadership positions within the Illovo Sugar Group. Mr Pousson is responsible for factory operations and manufacturing at Nakambala Sugar Estate. He holds a Higher National Diploma from Durban University of Technology and a Government Certificate of Competency in Electrical Engineering.

**OSWALD MAGWENZI (53)**
*Executive Director of the Board {RC}*

Mr Magwenzi was appointed to the Board on 18 August 2021. He is a Zimbabwean National and is former Managing Director of Ubombo Sugar Limited a position he held for 8 years. He was appointed Zambia Sugar Plc Managing Director on 1 st September 2021. Mr Magwenzi spearheaded an industry-wide effort to improve water use efficiency in the Eswatini sugar industry. He played an instrumental role in the development, financing and implementation of the Lower Usuthu Smallholder Irrigation Project (LUSIP) and the Komati Downstream Development Project, vital to the country's growth.

Mr Magwenzi has had an exemplary career spanning over 29 years in the sugar, irrigation and international finance sectors, working first for the Illovo Sugar Africa Group, then leaving to spend three years with the World Bank's International Finance Corporation focusing on agribusiness investments in Eastern and Southern Africa before returning to Illovo in 2012 and in 2013 took up the role of Managing Director at Ubombo Sugar in Eswatini. There, he focused on driving value creation in the existing business and developing new opportunities through a dedicated diversification strategy that included power generation.

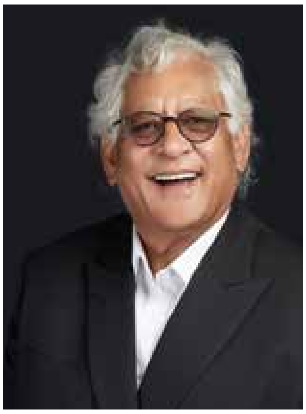
Mr Magwenzi holds a BSc Agriculture Honours degree from the University of Zimbabwe, a Diploma in Marketing from the London Chamber of Commerce and Industry, an MSc in Irrigation Engineering and Post-graduate Certificate in Civil Engineering from the University of Southampton in the UK and an MBA (Finance)from the University of Southern Queensland in Australia.

In his spare time he is an avid reader, sports fan and takes walks exploring nature with his family. Oswald is married to Senzeni and they have one grandchild and four children, Blessing, Shyleen, Ryan and Adrian

ctors

## NON-EXECUTIVE INDEPENDENT DIRECTORS

**Board Committee Key**
RN - Remuneration & Nominations Committee
R - Committee
RC - Risk Committee
A - Audit Committee



**DIPAK K. A. PATEL (68)**
*Independent Non-Executive Director*

Mr Patel is a Zambian National and was appointed to the Board on 8 December 2006. He is a businessman and chairman of various companies. He previously served as a Member of Parliament for Lusaka Central Constituency for 15 years and also held ministerial positions during this time including Minister of Trade and Industry.

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

**ROSETA CHABALA (41) BA Ed, MSc**
*Independent Non-Executive Director {RN} {A} {C}*

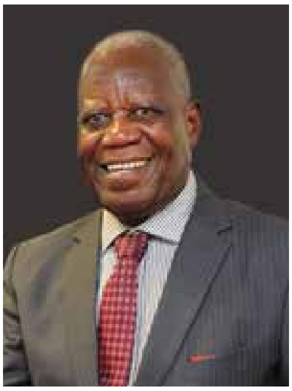
Mrs Chabala is a Zambian National and was appointed to the Board on 1 February 2020. She is Chair of the Remunerations and Nominations Committee. Mrs Chabala was Chief Executive Officer of Zambia Association of Manufacturers (ZAM) for four years. She later joined Metal Fabricators of Zambia as Managing Director, a role she has held until July 2021. She comes with a wealth of experience and expertise in lobbying and advocacy, capacity building and business linkages both local and regional for the manufacturing industry. Her contribution in promoting the manufacturing industry and development of the private sector has been recognised by both the private sector and Government. She holds a Master of Science degree in International Trade Policy and Trade Law.

**FIDELIS M. BANDA (70) ACIS, FCMA, CGMA, FZICA**
*Independent Non-Executive Director {A} {C}*

Mr Banda is a Zambian National and was appointed to the Board on 17 May 2001.

He is a seasoned Accountant whose association with Zambia Sugar Plc began 46 years ago when he was appointed as a management trainee. He rose through the ranks to eventually become Finance Director/Company Secretary in 1995. He held this position until his retirement in 2002. He is also a member of the Board of several other companies within the country.

## NON-EXECUTIVE DIRECTORS



**AMI R. MPUNGWE (70) BA(Hons)**
*Non-Executive Director {RN} {A} {RC}*

Mr Mpungwe is a Tanzanian National and was appointed to the Board on 27 October 2006. He brings a wealth of experience as a Non-Executive Director of two Illovo subsidiaries, namely Illovo Sugar (Malawi) Limited and Kilombero Sugar Company Limited in Tanzania. Mr Mpungwe also serves as 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 to1985.

**GAVIN B. DALGLEISH (55) MSc Chem Eng**
*Non-Executive Director of the Board {RN} {RC}*

Mr Gavin Dalgleish is a South African National and was appointed to the Board on 29 August 2012. He is Managing Director of Illovo Sugar Africa (Pty) Ltd, a role he has held since September 2013. He joined Illovo in 1988 and has since held a number of technical, business development, operational and general management positions within the Illovo Group. He also 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. He was appointed Operations Director for Illovo Sugar Limited (ISL) (now Illovo Sugar Africa (Pty) Ltd) in 2012 before assuming his current role. He holds a Master's degree in Chemical Engineering.

**DOUG KASAMBALA (51) BSc, MBA, ACMA**
*Non-Executive Director of the Board {A} {RC} {RN}*

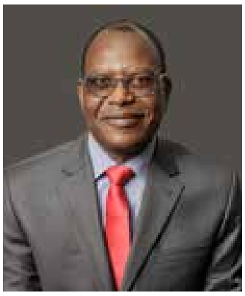
Mr Kasambala is a Malawian National and was appointed to the Board on 1 February 2020. He is CIMA-qualified and held the role of Director in KPMG UK Corporates where he led the manufacturing finance capability. Prior to joining the consultancy group, he was a Finance Transformation Consultant with IBM for three years. He has led large complex finance and management information transformation projects at large blue-chip FTSE-25 multinational corporations including BP, Glaxo SmithKline, AstraZeneca and Associated British Foods group. He holds a Bachelor of Science degree in Computer Science from the University of Malawi, and an MBA in Finance from the University of Nottingham.

**DR NELIS SAAYMAN (51) PhD ChemEng**
*Non-Executive Director of the Board {RC} {C}*

Dr Saayman is a South African National and was appointed to the Board on 1 May 2018. He is a qualified Chemical Engineer and previously served as Senior Vice President of Group Planning and Optimisation for the Sasol Group. He has many years of varied technical, operational and business experience in various roles including roles at top management level.

He is currently the Operations Director at Illovo Sugar Africa. He holds a PhD in Chemical Engineering from Stellenbosch University (1996), a Master's degree in Business Leadership from the University of South Africa and BEng (Chemical) degree (cum laude) from Stellenbosch University.

# Executive Management Committee



**OSWALD MAGWENZI**
*Country Managing Director*

*Refer to Profile under Board of Directors*

**RAPHAEL CHIPOMA**
*Finance Head*

*Refer to Profile under Board of Directors*

**MARC POUSSON**
*Factory Head*

*Refer to Profile under Board of Directors*

**CHEMBE KABANDAMA**
*Commercial Head*

Mr Kabandama joined the Executive Management Team as the Marketing Director on 1 September 2015. Mr Kabandama is a Zambian National with more than 22 years' experience covering the petroleum, manufacturing, construction and sugar sectors. He has held leadership roles at Agip Petroleum, Kobil Petroleum and Lafarge Zambia Plc before joining Zambia Sugar Plc. Mr Kabandama holds a Bachelor of Engineering degree from the University of Zambia and is a Chartered Management Accountant from the Chartered Institute of Management Accountants (CIMA). He also holds a Master of Business Administration degree from the Eastern and Southern African Management Institute. He is responsible for sales and marketing operations in respect of domestic markets and new market opportunities.

**RUMBANI MWANDIRA**
*Estate Support Services Head*

Mr Mwandira was appointed Estate Support Services Head of Zambia Sugar Plc in April 2020. He is a Zambian National and has extensive business experience, including in-depth knowledge of the beverage industry, mining and energy industry. He joined on 1 November 2017 in the role of Factory Manager. He holds a Bachelor's degree in Mechanical Engineering as well as an MBA. He also has over 25 years' experience in leading firms such as ZCCM, Zamox and SABMiller, both in Zambia and Ghana. He is responsible for Safety & Health, Environment, Enterprise Risks, Quality and Food Safety, Capital projects Community Services, Security and Emergency Response Management.

**JAPHET BANDA**
*Human Resources Head*

Mr Banda was appointed Human Resource Head of Zambia Sugar Plc in 2018. He is a Zambian National and joined as the Corporate Affairs Manager in 2015. He has over 25 years' experience in the manufacturing, construction, sugar, journalism and publishing sectors. He has held leadership roles at Zambian Breweries, International Labour Organisation (ILO) and Chilanga Cement Ltd, now Lafarge Zambia. He holds a Master of Commerce degree in Management, a postgraduate diploma in Management and a diploma in Journalism. Mr Banda is responsible for human resources policies, staffing and talent management, human resource development and training, industrial relations, retirement funding, compensation and benefits, human resource administration, payrolls and employee welfare.

**STUART S. FORBES**
*Business Improvement Head*

Mr Forbes joined the Company in September 2014 as the Supply Chain Manager. Before his appointment, he was the Continuous Improvement Manager and Group Operations Systems Manager for Illovo Sugar Group. He has 18 years of cross-functional experience, having worked in operations and supply chain, international human resources development, and continuous improvement. He previously worked for Toyota (South Africa) and had his own consultancy with a key focus on continuous improvement processes within operations and many businesses. He holds a Bachelor degree of Technology (Management) and a ABP - Advanced Business Programme. He is currently the Business Improvement Head, which drives the delivery of strategy execution and strategic projects to enhance revenue and reduce costs, ensuring that organisational effectiveness is achieved through systemic integration, capability development and key business analytics.

**JOHN NKONJELA**
*Supply Chain Head*

Mr Nkonjela was appointed as Supply Chain Head in November 2019. He was previously employed as Finance Manager-Operations from September 2013 when he joined Zambia Sugar Plc. Mr Nkonjela has extensive financial, operational, general management and commercial experience, gained through executing various senior roles in the Finance Department. He is a fellow of both the Chartered Association of Certified Accountants (FCCA-UK) and the Zambia Institute of Chartered Accountants (ZICA). He is also an associate member of the Zambia Institute of Purchasing and Supply. Mr Nkonjela holds a Bachelor of Arts degree in Accountancy obtained from the Copperbelt University. He also has an MBA obtained from Herriot Watt University (UK). Mr Nkonjela is responsible for procurement, inventory, inbound and outbound logistics, warehousing and customer service.

**ANTHONY H. DOMLEO**
*Agriculture Head*

Mr Domleo was appointed Agriculture Head of Zambia Sugar Plc on 1 April 2020. He is a South African National and joined the Company as the Agricultural Manager on 1 May 2012 having been transferred from Ubombo Sugar Ltd in Eswatini where he had served as Agricultural Manager since 2005. He began his career with Illovo Sugar Ltd (CG Smith Sugar Ltd at the time) in 1983 at the Sezela Mill where he held positions as Farm Manager and Field Manager for Small Grower Development. He holds a Bachelor of Commerce degree as well as a diploma in Agriculture. He is responsible for agricultural operations and smallholder development.

**EUGENE CHUNGU**
*Corporate Affairs Head*

Mr Chungu was appointed Corporate Affairs Head of Zambia Sugar Plc on 1 December 2019. He is a Zambian National with more than 20 years' experience covering the manufacturing, construction, telecommunications and mining sectors. He previously held leadership roles at Konkola Copper Mines Plc, Lafarge Zambia and Lafarge South East Africa as well as Telecel, what is MTN today. Mr. Chungu holds a Bachelor's degree in Agricultural Economics from the University of Zambia and a postgraduate diploma in Marketing from the Chartered Institute of Marketing (CIM). He also holds an MBA from Oxford Brookes University. He is responsible for advocacy, stakeholder management, internal and external communications including media relations.

# Corporate Governance

- Corporate Governance
- Directors Report
- State of Directors' responsibilities
- Independent Auditor's report

**The Company considers compliance to be its highest priority, based on its vision:**

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

The Company is committed to the strengthening and improvement of corporate governance as an ongoing priority for management with the aim of continuing sustainable growth and corporate citizenship by adhering to the relevant codes of governance, principles of fairness, accountability, responsibility, transparency and integrity.

The Company believes that a corporate culture of compliance with applicable laws, regulations, internal policies and procedures is a core component of good Corporate Governance. Consequently the Company adheres to the laws applicable to it, to include among others, the Companies Act, Employment Code Act, 2019 and Factories Act etc. The Company draws guidance from the Lusaka Securities Exchange (LuSE) Governance Code. The Company continues to enforce and foster the Declaration of Gifts and Ethics policies which are in place. In addition to compliance with regulatory requirements, Zambia Sugar endeavors to ensure that standards of ethical and responsible conduct are met throughout the organisation.

### 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 12 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 date of this report, the Board comprised the following Directors:

| Director | Title | Appointment Date |
|---|---|---|
| Norman Mbazima | Non- Executive Independent Director (Chairman) | 26 February 2019 |
| Fidelis Banda | Non-Executive Independent Director | 17 May 2001 |
| Roseta Chabala | Non-Executive Independent Director | 1 February 2020 |
| Dipak Patel | Non-Executive Independent Director | 8 December 2006 |
| Ami Mpungwe | Non-Executive Director | 27 October 2006 |
| Gavin Dalgleish | Non-Executive Director | 29 August 2012 |
| Doug Kasambala | Non-Executive Director | 1 February 2020 |
| Nelis Saayman | Non-Executive Director | 1 May 2018 |
| Rebecca Katowa | Non-Executive Director | 5 April 2001 |
| Raphael Chipoma | Executive Director | 1 December 2019 |
| Marc Pousson | Executive Director | 1 June 2020 |
| Oswald Magwenzi | Executive Director (Managing Director) | 18 August 2021 |

Brief curricula vitae of the Directors appear on page 48 - 51 of this report. The Board is satisfied that all of the Directors have sufficient time to devote to their roles and that it is not placing undue reliance on key individuals.

## 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 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 2020/21 and attendance was as shown by table below;

| Director | 260TH BOARD MEETING (26/11/2020) | 261ST BOARD MEETING (28/02/2021) | 262ND BOARD MEETING (12/05/2021) | 263RD BOARD MEETING (18/08/2021) | Total Meetings Attended | Total Meetings Held |
|---|---|---|---|---|---|---|
| Norman Mbazima | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Fidelis Banda | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Roseta Chabala | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Ami Mpungwe | ✓ | x | ✓ | ✓ | 3 | 4 |
| Dipak Patel | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Gavin Dalgleish | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Douglas Kasambala | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Nelis Saayman | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Rebecca Katowa | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Raphael Chipoma | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Marc Pousson | ✓ | ✓ | ✓ | ✓ | 4 | 4 |
| Oswald Magwenzi | BA | BA | BA | BA | | |

**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 Management Committee;
- the Remuneration and Nominations Committee.

The Board committees operate under approved mandates and terms of reference, which define their functions and responsibilities. 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. 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.

## 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 four members, all of whom are independent of management.

The head of the Internal Audit function reports at the Audit committee meetings and has unrestricted access to the chairperson of the Audit committee. The department has a robust and continuing training program.
As a consequence of the foregoing, the Board has satisfied itself of the effectiveness of the Audit Committees input to the business and therefore deems appropriate the composition of the Audit committee.

### Audit Committee Attendance Schedule

| Name | Category | 15 October 2020 Meeting | 12 May 2021 Meeting |
|---|---|---|---|
| F Banda | Chairman | ✓ | ✓ |
| A Mpungwe | Member | ✓ | ✓ |
| D Kasambala | Member | ✓ | ✓ |
| R Chabala | Member | ✓ | ✓ |

**KEY:** ✓ = Attended **x** = Absent **BA** = Before Appointment **RS** = Resigned

## RISK MANAGEMENT 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

| Name | Category | 26 November 2020 | 12 May 2021 |
|---|---|---|---|
| N Saayman | Chairman | ✓ | ✓ |
| A Mpungwe | Member | ✓ | ✓ |
| G Dalgleish | Member | ✓ | ✓ |
| D Kasambala | Member | ✓ | ✓ |
| R Katowa | Member | ✓ | ✓ |
| O Magwenzi | Member | BA | BA |

**KEY:** ✓ = Attended **x** = Absent **BA** = Before Appointment **RS** = Resigned

## REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nomination Committee provided oversight over the remuneration and compensation for senior management so as to retain and motivate employees to perform at the level of the quality required. The Committee is chaired by an Independent Non-Executive Director.

### Remuneration and Nominations Committee Attendance Schedule

| Name | Category | 26 November 2020 | 25 February 2020 | 18 August 2021 |
|---|---|---|---|---|
| R Chabala | Chairman | ✓ | ✓ | ✓ |
| A Mpungwe | Member | ✓ | x | ✓ |
| G Dalgleish | Member | ✓ | ✓ | ✓ |
| D Kasambala | Member | ✓ | ✓ | ✓ |
| N Mbazima | Member | ✓ | ✓ | ✓ |
| O Magwenzi | Attendee | BA | BA | BA |

**KEY:** ✓ = Attended **x** = Absent **BA** = Before Appointment **RS** = Resigned

**Retirement and Election of Directors**
The Company's Articles of Association require that new Directors are subject to confirmation by shareholders at the first opportunity following their appointment. All Directors, excluding the Executive Directors are subject to retirement and re-election on a rotational basis with one-third of the board being re-elected annualy.

**Performance Evaluation of the Board**
The Board will continue to implement necessary changes to enhance its performance.

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

**Company Secretary**
The Company Secretary is responsible for implementing and sustaining high levels of corporate governance and keeps abreast of legislation, regulations and corporate governance developments which may impact on the business. All Directors have direct access to the Company Secretary.

## STAFF DEVELOPMENT, TRAINING AND INFORMATION TECHNOLOGY

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

## STAKEHOLDER RELATIONS

Zambia Sugar 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 on the Zambia Sugar Website as well as LuSE website 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. The Company communicates actively ensuring that strategy is fully understood and the various functions are implementing their various actions in line with the attainment of this strategy. Any update is communicated from the Management to the employees and feedback from employees is received by Management using the various internal communications channels. Similarly the Company communicates with external stakeholders for the benefit of enhancing its image among the various stakeholders and attaining its Company objectives.

## 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 also encouraged to declare all the gifts received in the course of employment by way of a gift register.

## INTERNAL CONTROL

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

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

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

## ETHICS

The Company's fundamental policy is to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards.

The Company has a Code of Conduct and Business Practices, determining the minimum standards required of all staff, which is disseminated throughout the Company and reviewed annually by senior management, and is also available on the group website: www.illovosugar.com. All managers are required to give written assent to this Code.

In any instance where ethical standards are called into question, the circumstances are investigated and resolved by the appropriate executive.

## FRAUD CONTROL

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

## ANTI BRIBERY AND CORRUPTION

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

## LEGAL COMPLIANCE AND COMPETITION

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

## INSIDER TRADING

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

## SHARE DEALING

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

## MARKET DISCLOSURE

The Company prepares interim and final results as required by Lusaka Securities Exchange (LuSE) 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.


AN ILLOVO SUGAR AFRICA COMPANY
AN ILLOVO SUGAR AFRICA COMPANY
Zambia Sugar

# Annual Financial Statements

## 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 2021.

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

**Business Address**
Plot No. 118a, Livingstone/ Lubombo Road, Nakambala Estate, Mazabuka, Zambia

**Postal Address**
P.O. Box 670240, Mazabuka, Zambia

### 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.

### AGRICULTURE

Total sugar cane delivered to the factory in the two growing seasons was 3.216 million tonnes (August 2020 3.367 million tonnes), with our operations supplying 1.727 million tonnes (August 2020: 1.673million tonnes) and growers supplying a total of 1.489 million tonnes (August 2020: 1.694 million tonnes). The sustained delivery level is attributable to the improved factory performance in the financial year. Cane yields at the close of the financial year were maintained at 108tch for the estate and dropped to 122tch (August 2020:127tch) for the growers.

Cane quality has been trending below average for the April 21 to March 2022 season to date mainly due to climatic factors. Cane supply has improved as the area expansion comes into production. The sucrose content for the current financial year was 14.67% (August 2020:14.38%).

### PRODUCTION

Sugar production during the financial year was 397 032 tonnes (August 2020: 398 331 tonnes). Refined sugar production for the year was 80 320 tonnes (August 2020: 81 251 tonnes).

Major challenges impacting sugar production in the year included cane quality and cane availability at the start of the April 20 to March 2021 season. The Company is committed to maximising production and is focusing on continuous improvement, cost optimisation, quality, and plant reliability.

### COMMERCIAL

Total revenue for the year was K4 989 million (2020:K3 335 million) as a result of a relatively strong performance from both the domestic and regional markets driven by different factors.

Demand in the domestic market continued to be strong with a 26% growth in the financial year. This was assumed to be driven by reduction of inflow of foreign sugar brands and illicit trade as a result of closure of borders due to the COVID-19 pandemic. The Group also continued with its marketing strategy of an optimised portfolio that focusses on low income consumer segments.

The Foreign market was however negatively impacted by the border closure in the regional markets and export restrictions in the wake of COVID-19. The Group had a 11% reduction in its performance compared to the last financial year. This was slightly offset by the weakening local currency. Commercial readiness ensured the business capitalised on all opportunities that arose in regional markets.

## REPORT OF THE DIRECTORS (continued)

### SUPPLY CHAIN

The procurement of goods and services was key focus area through respective Fit-4-Future external spend projects (previously Project 400). Through best in class sourcing methodologies, a customer centric and collaborative approach to procurement, the business procured goods and services in a timely manner while maintaining the Company's financial health.

The Sales and Operations planning process has improved the internal engagements and decision making thus impacting positively on our revenues during the financial year.

The wining outbound logistics organisation (WOLO) team continued to deliver what our customers want, when they want it, in the most cost effective manner possible while ensuring employee safety, product quality and customer service. The business continued to comply with applicable statutory requirements including moving at least 30% of our sugar by rail.

### HUMAN RESOURCES

The company continued to be a significant provider of employment, with an average workforce of 5 049 (2020: 5 324) during the year with numbers peaking at 6 179 (2020: 6 865).

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 2021** | **6 130** | **6 119** | **4 952** | **5 108** | **3 674** | **3 384** | **3 409** | **5 429** | **5 318** | **5 407** | **5 481** | **6 179** |
| August 2020 | 6 107 | 5 892 | 5 911 | 5 895 | 4 843 | 3 017 | 2 865 | 3 372 | 5 430 | 6 826 | 6 864 | 6 865 |

The total remuneration paid in respect of the above employees was **K586 million** (2020: K540 million).

### PROSPECTS

The Company expects to face challenges in the new financial year due to economic uncertainties mainly as a result of a continuing instability of the local currency and the effects of the Corona Virus pandemic. The indications of positive economic growth following the peaceful transition of government however presents opportunities that would mitigate some of this uncertainty. The Company will continue to focus on ensuring the reliability of the plant through essential maintenance securing the cane crop.

The appreciation of the kwacha at the end of the financial year presents an opportunity to see some reset of some costs which had escalated with high inflation in the past financial year. This coupled with a sharpened focus on cost control and further embedding of pandemic driven cost control measures will help the Company sustain the profitability of the operation.

Sugar production for the April 2021 - March 2022 season is expected to be slightly lower than the April 2021 - March 2021 season by 6% as per the current seasonal estimations.

Domestic sales are forecast to decline with reduced demand from customers in the local market. Export sales are forecast to grow due to a stable world sugar price and the expected gradual return to normalcy in global trade.

### FINANCIAL RESULTS

The Group's results are as follows:

| Group | Note | August 2021 | August 2020 |
|---|---|---|---|
| | | **K' 000** | K' 000 |
| Revenue | 4 | **4 989 980** | 3 334 924 |
| Operating profit | 5 | **1 614 962** | 774 841 |
| Exchange movements on leases | | **11 251** | - |
| Net financing costs | 6 | **(274 767)** | (325 891) |
| Profit before taxation | | **1 351 452** | 448 950 |
| Taxation charge | 7 | **(265 385)** | (214 076) |
| Profit for the year | | **1 086 067** | 234 873 |
| **Profit attributable to:** | | | |
| Shareholders of Zambia Sugar Plc | | **1 086 067** | 234 873 |
| Earnings per share (ngwee per share) | 8 | **343** | 74 |

### DIVIDENDS

A dividend of 84.5 ngwee per share is being proposed for the year ended 31 August 2021.

## REPORT OF THE DIRECTORS (continued)

### DIRECTORATE AND SECRETARY

The names of the Directors and the Company Secretary in office at the date of this report are reflected below:

| | |
|---|---|
| Norman Mbazima | Chairman |
| Fidelis Banda | Non-Executive Independent Director |
| Roseta Chabala | Non-Executive Independent Director |
| Dipak Patel | Non-Executive Independent Director |
| Ami Mpungwe | Non-Executive Director |
| Gavin Dalgleish | Non-Executive Director |
| Doug Kasambala | Non-Executive Director |
| Nelis Saayman | Non-Executive Director |
| Rebecca Katowa | Non-Executive Director |
| Oswald Magwenzi | Executive Director (Managing Director) |
| Raphael Chipoma | Executive Director |
| Marc Pousson | Executive Director |
| Harriet Kapekele-Katongo | Company Secretary |

**Appointments and Resignations**

During the year under review, the following changes were made:

- Mrs Mwansa Mutimushi resigned as Company Secretary effective 30 September 2020
- Mrs Harriet Kapekele-Katongo was appointed as Company Secretary effective 5 May 2021
- Mrs Rebecca Katowa retired as Country Managing Director effective 31 August 2021
- Mr Oswald Magwenzi was appointed as Country Managing Director effective 1 September 2021

**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 2021 were as follows:

| | **August 2021** | August 2020 |
|---|---:|---:|
| | **No. of shares** | No. of shares |
| Fidelis Banda | **7 176** | 7 176 |
| Norman 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:

| | **2021** | 2020 |
|---|---:|---:|
| | **K'000** | K'000 |
| Opening Capital Work in Progress | **35 758** | 18 943 |
| Additions to Capital Work in Progress | **50 137** | 49 944 |
| | **85 895** | 68 887 |
| Items Capitalised during the year | | |
| - Buildings | **(728)** | (1 594) |
| - Plant & equipment | **(54 646)** | (27 497) |
| - Motor vehicles | **(4 833)** | (3 337) |
| - Furniture & fittings | **(184)** | (711) |
| - Core roots | **(15)** | |
| | **(60 391)** | (33 129) |
| Closing Capital work in progress | **25 489** | 35 758 |

During the year, expenditure valued at K50.1 million (2020: K49.9 million) were added to property, plant and equipment as capital work in progress while K60 million (2020: K33 million) was completed and transferred to the relevant category of assets. During the year K15 million (2020: K44 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 | 2 379 | 839 553 | 0.3 |
| 1001 - 5 000 | 570 | 1 237 634 | 0.4 |
| 5 001 - 10 000 | 112 | 792 275 | 0.3 |
| 10 001 - 100 000 | 93 | 2 869 581 | 0.9 |
| 100 001 - 1 000 000 | 18 | 6 475 327 | 2.0 |
| 1 000 001 - 100 000 000 | 6 | 66 928 476 | 21.1 |
| > 100 000 001 | 1 | 237 428 539 | 75.0 |
| **Totals** | **3 179** | **316 571 385** | **100.0** |

| Classification | Number of holders | Number of shares | % |
|---|---|---|---|
| Illovo Group Holdings Limited | 1 | 237 428 539 | 75.0 |
| Pension Funds | 61 | 57 033 510 | 18.0 |
| Local Companies | 65 | 1 168 263 | 0.4 |
| Local Individuals | 2 749 | 3 484 380 | 1.1 |
| Foreign Individuals | 276 | 413 741 | 0.1 |
| Foreign Companies | 27 | 17 042 952 | 5.4 |
| **Totals** | **3 179** | **316 571 385** | **100.0** |

### SIGNIFICANT SHAREHOLDING

As at 31 August 2021, 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 | 16 911 458 | 5.34 |

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

### EXPORTS

The value of products exported by the Group during the year was K1 636 million (2020:K1 255 million).

### DONATIONS

The Group made donations to the value of K1 183 560 (2020: K365 200) 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.

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 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.

### COVID-19 PANDEMIC

The COVID-19 pandemic has had an impact both at the employee level as well as at a corporate level for the Group. This initiated the  building of scenarios and strategies to respond to this disease outbreak for the Group. This led to the development of guidelines and policies in line with the World Health Organisation and the Government of the Republic of Zambia. In addtion, the Group aided the local community through donations done via its Corporate Affairs Department. The details of these are disclosed on Note 31.

## REPORT OF THE DIRECTORS (continued)

### 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 the monitoring and performance mechanisms and 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 underlying environment philosophy is to continually investigate means to reduce the impact of our operations 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 satisfactory. The Company successfully retained its permits 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 be impressive with continuous improvement consolidation on the main systems' enhancers. These were reflected into effective customer complaint closures, enhanced internal incidence management, as well as good performance of the 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 K2.8 million (2020: K2.2 million). There were no non-audit fees paid to the Auditors.

### AUDITORS

In accordance with the provisions of section 171(3) of the Zambian Companies Act, 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,

**Norman Mbazima**
Chairman

**Oswald Magwenzi**
Country Managing Director

# Statement of Directors' Responsibilities

## The Zambia Companies Act requires the Directors to prepare financial statements for each financial year that present fairly the state of the financial affairs of the Company as at the end of the financial year and of its profit or loss.

It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Zambia Companies Act of 2017. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Company and of its profit or (loss) in accordance with International Financial Reporting Standards and the requirements of the Zambia Companies Act of 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

**Approval of the financial statements**

The financial statements of the Company as indicated above, were approved by the Directors on 2 November 2021 and are signed on its behalf by:

**Norman Mbazima**
Chairman

**Oswald Magwenzi**
Country Managing Director

EY Zambia
EY Place
Plot No. 354437
PO Box 35483
Alick Nkhata Road
Lusaka 10101, Zambia

Tel: +260 211 378300/1/3/4
Fax: +260 211 378302
Email: info@zm.ey.com

# 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 72 to 122, which comprise the consolidated and company statement of financial position as at 31 August 2021, 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 consolidated and company 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 2021, 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 Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits in Zambia. 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 KAM was addressed in the audit |
|---|---|
| ***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. As at 31 August 2021, the fair value of growing cane was estimated at K506 million.<br><br>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.<br><br>The Company's disclosures about significant judgements and estimates related to fair value of growing crane are included in Note 16 which details the assumptions and key inputs used by management. | Our procedures included, among others:<br>• Evaluating the sucrose price per ton, the direct costs (Haulage and harvest (crop removal costs) per ton against the approved 2021/2022 budget and to the industry norms.<br>• Evaluating the production inputs utilised in the calculation of the fair value such as estimated sucrose content to the signed factory production report at the beginning of November 2020.<br>• Performing a retrospective review of the inputs above by assessing the August 2020 forecast to the actual results and investigating of any material difference.<br>• 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.<br>• Assessing the accuracy of management's valuation by re-performing the mechanics of the valuation calculation.<br>• For area under cane, we obtained the field maps and then used google earth to recalculate the size of the area under cane and comparing this to management's position and for any differences determined whether this was reasonable.<br>• Performing the profit adjustment calculation which is based on the inputs from the August 2022 Valuation.<br>• Obtained an understanding of the competence and expertise of management's expert involved in the budgeting of the growing cane inputs.<br>• We reviewed the financial statements pertaining to the growing cane and ensured that disclosures relating to growing cane were properly and adequately disclosed in line with IAS 41 |

## Other information

The Directors are responsible for the other information. The other information comprises the Directorate and corporate information, Value Added Statement, five year review, the Chairman's Statement, Report of the Directors and the Director's Responsibility Statement, 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 Directors 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the 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** **2 November 2021**
**Partner - Practicing certificate number: AUD/F000397** **Lusaka**

# Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income

for the year ended 31 August 2021

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **August 2021 K'000** | August 2020 K'000 | **August 2021 K'000** | August 2020 K'000 |
| **Revenue** | 4 | **4 988 980** | 3 334 924 | **4 988 980** | 3 334 924 |
| Cost of sales of goods | | **(2 426 649)** | (1 755 301) | **(2 572 588)** | (1 830 182) |
| **Gross profit** | | **2 562 331** | 1 579 623 | **2 416 392** | 1 504 742 |
| Profit on disposal of plant and equipment | | **2 887** | 6 260 | **3 057** | 6 260 |
| Distribution expenses | | **(516 168)** | (347 350) | **(424 087)** | (347 350) |
| Administration expenses | | **(432 912)** | (462 653) | **(514 992)** | (452 458) |
| Expected credit loss expense on financial assets | 17 | **(1 176)** | (1 039) | **(1 176)** | (1 039) |
| **Operating profit** | 5 | **1 614 962** | 774 841 | **1 479 194** | 710 155 |
| Dividend income | | **-** | - | **41 744** | 29 875 |
| Lease liability foreign exchange gain | | **11 251** | - | **11 251** | - |
| Net finance costs | 6 | **(274 761)** | (325 891) | **(274 676)** | (326 127) |
| Finance Costs | | **(275 162)** | (326 832) | **(275 049)** | (327 047) |
| Finance Income from an effective interest rate | | **401** | 940 | **373** | 920 |
| **Profit before taxation** | 5 | **1 351 452** | 448 950 | **1 257 513** | 413 903 |
| Taxation expense | 7 | **(265 385)** | (214 076) | **(251 383)** | (207 124) |
| **Profit/(loss) for the year** | | **1 086 067** | 234 873 | **1 006 130** | 206 779 |
| | | | | | |
| **Items that may be reclassified to profit or loss in subsequent years:** | | | | | |
| Adjustments in respect of cash flow hedges | 25 | **-** | (26 185) | **-** | (26 185) |
| Taxation effect of cash flow hedges | 25 | **-** | 2 618 | **-** | 2 618 |
| **Other comprehensive income for the year, net of income tax** | | **-** | (23 567) | **-** | (23 567) |
| **Total comprehensive income for the year** | | **1 086 067** | 211 306 | **1 006 130** | 183 212 |
| | | | | | |
| **Profit for the year attributable to:** | | | | | |
| Equity holders of the parent | | **1 086 067** | 234 873 | **1 086 067** | 206 779 |
| | | **1 086 067** | 234 873 | **1 086 067** | 206 779 |
| **Total comprehensive income for the year attributable to:** | | | | | |
| Equity holders of the parent | | **1 086 067** | 211 306 | **1 006 130** | 183 212 |
| | | **1 086 067** | 211 306 | **1 006 130** | 183 212 |
| Basic and diluted earnings per share (ngwee per share) | 8 | **343.1** | 74.2 | **317.8** | 65.3 |

# Consolidated and Separate Statement of Financial Position

as at 31 August 2021

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **August 2021 K'000** | August 2020 K'000 | **August 2021 K'000** | August 2020 K'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | **1 988 905** | 2 001 594 | **1 956 413** | 1 978 344 |
| Property, plant and equipment | 11 | **1 864 665** | 1 891 307 | **1 722 912** | 1 758 796 |
| Intangible asset | 13 | **67 902** | 67 902 | **-** | - |
| Right-of-use assets | 30 | **56 338** | 42 385 | **56 338** | 42 385 |
| Investment in subsidiary | 14 | **-** | - | **177 163** | 177 163 |
| **Current assets** | | **2 591 987** | 1 892 984 | **2 443 135** | 1 786 442 |
| Inventories | 15 | **1 122 883** | 940 388 | **1 089 174** | 923 591 |
| Growing cane | 16 | **506 258** | 384 444 | **426 703** | 318 495 |
| Trade and other receivables | 17 | **579 181** | 487 741 | **545 866** | 468 400 |
| Amounts due from related parties | 24 | **378** | 3 256 | **378** | 3 256 |
| Cash and bank balances | 18 | **383 287** | 77 155 | **381 014** | 72 700 |
| Assets classified as held for sale | 12 | **2 864** | 3 851 | **2 864** | 3 851 |
| **Total assets** | | **4 583 756** | 3 898 429 | **4 402 412** | 3 768 637 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to shareholders of Zambia Sugar Plc** | | **2 577 814** | 1 567 724 | **2 338 976** | 1 408 823 |
| Share capital and premium | 19 | **247 338** | 247 338 | **247 338** | 247 338 |
| Capital redemption reserve | | **40** | 40 | **40** | 40 |
| Retained earnings | | **2 330 436** | 1 320 346 | **2 091 598** | 1 161 445 |
| **Total equity** | | **2 577 814** | 1 567 724 | **2 338 976** | 1 408 823 |
| **Non-current liabilities** | | **757 225** | 1 343 825 | **730 128** | 1 318 881 |
| Long-term borrowings | 20 | **403 000** | 1 048 460 | **403 000** | 1 048 460 |
| Lease Liabilities | 30 | **66 425** | 65 933 | **66 425** | 65 933 |
| Deferred tax liability | 21 | **287 800** | 229 432 | **260 703** | 204 488 |
| **Current liabilities** | | **1 248 717** | 986 880 | **1 333 380** | 1 040 933 |
| Trade and other payables | 22 | **631 293** | 492 103 | **600 021** | 468 779 |
| Lease Liabilities | 30 | **25 052** | 28 967 | **25 052** | 28 967 |
| Contract Liabilities | 23 | **219 765** | 281 663 | **219 765** | 281 663 |
| Short-term borrowings | 20 | **14 069** | 85 562 | **14 069** | 85 562 |
| Amounts due to related parties | 24 | **21 717** | 35 851 | **142 878** | 116 133 |
| Current tax liability | 7 | **109 093** | 45 085 | **103 817** | 42 180 |
| Bank overdraft | 18 | **207 568** | 2 010 | **207 546** | 2 010 |
| Provisions | 26 | **20 160** | 15 639 | **20 160** | 15 639 |
| **Total liabilities** | | **2 005 942** | 2 330 705 | **2 063 436** | 2 359 814 |
| **Total equity and liabilities** | | **4 583 756** | 3 898 429 | **4 402 412** | 3 768 637 |

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 67.
The financial statements on pages 72 to 122 were approved and authorised for issue by the Board of Directors on 2 November 2021 and were signed on its behalf by:

**Norman Mbazima**
Chairman

**Oswald Magwenzi**
Country Managing Director

# Consolidated and Separate Statement of Changes in Equity

for the year ended 31 August 2021

| | Notes | 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 2019** | | **247 338** | **40** | **23 567** | **1 141 734** | **1 412 679** | **-** | **1 412 679** |
| Effect of adoption of IFRS 16 Leases | | - | - | - | (50 747) | (50 747) | - | **(50 747)** |
| Prior year balance adjustment* | | - | - | - | 1 990 | 1 990 | - | **1 990** |
| **Balance at 01 September 2019 adjusted** | | **247 338** | **40** | **23 567** | **1 092 977** | **1 363 922** | **-** | **1 363 922** |
| Total comprehensive income for the year | | - | - | (23 567) | 252 695 | 229 128 | - | **229 128** |
| Profit for the year | | - | - | - | 234 874 | 234 874 | - | **234 874** |
| Unwinding of ECL IFRS 9 provision | 17 | - | - | - | 17 821 | 17 821 | - | **17 821** |
| Cash flow hedges | 25 | - | - | (23 567) | - | (23 567) | - | **(23 567)** |
| *Dividends paid* | 9 | - | - | - | (25 326) | (25 326) | - | **(25 326)** |
| **Balance at 31 August 2020** | | **247 338** | **40** | **-** | **1 320 346** | **1 567 724** | **-** | **1 567 724** |
| | | | | | | | | |
| **Balance at 01 September 2020** | | **247 338** | **40** | **-** | **1 320 346** | **1 567 724** | **-** | **1 567 724** |
| Total comprehensive income for the year | | **-** | **-** | **-** | **1 086 067** | **1 086 067** | **-** | **1 086 067** |
| Dividends paid | 9 | - | - | - | (75 977) | (75 977) | - | **(75 977)** |
| **Balance at 31 August 2021** | | **247 338** | **40** | **-** | **2 330 436** | **2 577 814** | **-** | **2 577 814** |

** Prior year balance adjustment relate to amounts incorrectly presented for FY2019 closing balances on retained earnings on the consolidation of Nanga.*

| | Notes | 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 |
|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | |
| **Balance at 1 September 2019** | | **247 338** | **40** | **23 567** | **1 012 918** | **1 283 863** | **-** | **1 283 863** |
| Effect of adoption of IFRS 16 Leases | | | | | (50 747) | (50 747) | | **(50 747)** |
| **Balance at 01 September 2019 adjusted** | | **247 338** | **40** | **23 567** | **962 171** | **1 233 116** | **-** | **1 233 116** |
| Total comprehensive income for the year | | - | - | (23 567) | 224 600 | 201 033 | - | **201 033** |
| Profit for the year | | - | - | - | 206 779 | 206 779 | - | **206 779** |
| Unwinding of ECL IFRS 9 provision | 17 | - | - | - | 17 821 | 17 821 | - | **17 821** |
| Cash flow hedges | 25 | - | - | (23 567) | - | (23 567) | - | **(23 567)** |
| Dividends paid | 9 | - | - | - | (25 326) | (25 326) | - | **(25 326)** |
| **Balance at 31 August 2020** | | **247 338** | **40** | **-** | **1 161 445** | **1 408 823** | **-** | **1 408 823** |
| | | | | | | | | |
| **Balance at 01 September 2020** | | **247 338** | **40** | **-** | **1 161 445** | **1 408 823** | **-** | **1 408 823** |
| Total comprehensive income for the year | | - | - | - | 1006 130 | 1006 130 | - | **1006 130** |
| Dividends paid | 9 | - | - | - | (75 977) | (75 977) | - | **(75 977)** |
| **Balance at 31 August 2021** | | **247 338** | **40** | **-** | **2 091 598** | **2 338 976** | **-** | **2 338 976** |

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 matured in the prior financial year.

Dividends worth K75.977 million were paid during the year ended 31 August 2021 (August 2020: K25.326 million) and therefore the dividend per share, calculated on a cash basis, was 24 ngwee per share (August 2020: 8 ngwee).

# Consolidated and Separate Statements of Cash Flows

as at 31 August 2021

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **August 2021 K'000** | August 2020 K'000 | **August 2021 K'000** | August 2020 K'000 |
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | **1 351 452** | 448 950 | **1 257 513** | 413 903 |
| **Adjustments to reconcile profit before tax to net cash flows:** | | | | | |
| Depreciation of property, plant & equipment | 11 | **88 308** | 88 640 | **77 208** | 79 410 |
| Depreciation of right-of-use asset | 30 | **19 395** | 18 211 | **19 395** | 18 211 |
| Depreciation of cane roots | 16 | **22 765** | 18 424 | **22 527** | 18 424 |
| Net impairment (gains)/losses on financial assets | 17 | **5 514** | 10 965 | **5 514** | 10 965 |
| Finance Income | 6 | **(401)** | (940) | **(373)** | (920) |
| Finance Costs | 6 | **275 162** | 326 831 | **275 049** | 327 047 |
| Dividend income | | **-** | - | **(41 744)** | (29 875) |
| Assets classified as held for sale expensed | 12 | **987** | (1 642) | **987** | (1 642) |
| Change in fair value of biological assets | | **(124 912)** | (48 128) | **(108 208)** | (35 081) |
| Lease liability foreign exchange | | **(11 251)** | - | **(11 251)** | - |
| Provisions raised during the period | 26 | **20 160** | 15 639 | **20 160** | 15 639 |
| Provisions utilised during the period | 26 | **(15 639)** | (21 209) | **(15 639)** | (21 209) |
| Profit on disposal of property and equipment | | **(2 887)** | (7 059) | **(3 057)** | (6 260) |
| **Cash operating profit** | | **1 628 653** | 848 682 | **1 498 081** | 788 612 |
| **Working capital movements** | | **(204 803)** | (100 052) | **(149 838)** | (92 916) |
| Increase in inventories | | **(179 358)** | (252 467) | **(165 583)** | (248 845) |
| Decrease in amounts due to related parties | | **(14 134)** | (105 172) | **26 745** | (97 501) |
| Decrease in amounts due from related parties | | **2 878** | 7 009 | **(2 878)** | 7 009 |
| Decrease/(increase) in trade and other receivables | 17 | **(91 441)** | 92 888 | **(77 466)** | 94 752 |
| Increase in trade and other payables | 22 | **139 191** | 97 401 | **131 242** | 91 278 |
| Decrease/(increase) in contract liabilities | 23 | **(61 898)** | 60 391 | **(61 898)** | 60 391 |
| **Cash generated from operations** | | **1 423 850** | 748 630 | **1 348 243** | 695 696 |
| Finance Income | 6 | **401** | 940 | **373** | 920 |
| Finance Costs | 6 | **(239 502)** | (302 653) | **(239 389)** | (302 869) |
| Payment of interest portion of lease liabilities | 30 | **(20 018)** | (13 660) | **(20 018)** | (13 660) |
| Taxation paid | 7 | **(143 003)** | (83 330) | **(133 526)** | (80 766) |
| **Net cash outflows from operating activities** | | **1 021 728** | 349 927 | **955 683** | 299 321 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 11 | **(107 969)** | (98 758) | **(87 390)** | (82 041) |
| Dividends received | | **-** | - | **41 744** | 29 875 |
| Proceeds from disposal of Assets held for sale | | **-** | 1 774 | **-** | 1 774 |
| Proceeds from disposal of plant and equipment | | **28 633** | 10 064 | **28 465** | 10 064 |
| Cashflow hedges movement | | **-** | 1 | **-** | 1 |
| **Net cash outflows from investing activities** | | **(79 336)** | (86 919) | **(17 181)** | (40 327) |
| **Net cash inflows before financing activities** | | **942 392** | 263 008 | **938 502** | 258 994 |
| **Cash flows from financing activities** | | | | | |
| Dividends paid to shareholders of Zambia Sugar Plc | 9 | **(75 977)** | (25 326) | **(75 977)** | (25 326) |
| Repayment of borrowings | 20 | **(716 953)** | (452 343) | **(716 953)** | (452 343) |
| Payment of principal portion of lease liabilities | 30 | **(40 707)** | (33 561) | **(40 707)** | (33 561) |
| **Net cash outflows from financing activities** | | **(833 637)** | (511 230) | **(833 637)** | (511 230) |
| **Net increase/decrease in cash and cash equivalents** | | **108 755** | (248 222) | **104 865** | (252 236) |
| Net cash and cash equivalents at beginning of period | | **75 145** | 313 017 | **70 690** | 312 576 |
| Net foreign exchange differences | | **(8 180)** | 10 350 | **(2 087)** | 10 350 |
| **Net cash and cash equivalents at end of period** | | **175 719** | 75 145 | **173 468** | 70 690 |
| Bank and cash balances | | **175 719** | 75 145 | **173 468** | 70 690 |
| Comprising of: | | | | | |
| Cash and bank balances | 18 | **383 287** | 77 155 | **381 014** | 72 700 |
| Bank overdraft | 18 | **(207 568)** | (2 010) | **(207 546)** | (2 010) |

Dividends have been reclassified from operating activities to financing activities to depict the nature of the transaction more accurately.

# Notes to the Annual Financial Statements

## 1. GENERAL INFORMATION

Zambia Sugar Plc is a public limited Company incorporated in Zambia. Its parent Company is Illovo Sugar Africa Holdings Limited and its ultimate holding Company is Associated British Foods Plc. The addresses of its registered office and principal place of the business are disclosed under corporate information on page 62 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 2.3. 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 at the time of their acquisition.

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.

These financial statements are presented in Zambian Kwacha ("K") in units of Thousands. The principal accounting policies 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 Limited (its subsidiary).The investment in the subsidiary is held at cost in the Company financial statements. Control is achieved where the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

All 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1. Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities,non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. The Group did not have any such transaction during the  financial year under review.

### 2.2.1 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.The Group classifies all other liabilities as non-current.Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.2.2. Fair value measurement

The The Group measures financial instruments and non-financial assets at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability
In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.3 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. 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.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

**(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 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).

- **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 volume rebates. The amounts are determined by the respective contractual terms the Group has with the customer.

- **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**

**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.

### 2.2.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.4 Leases (continued)

#### (i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of initial measurement of the lease liabilities, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land leases 17 years
- Warehouse leases 1 year
- IT leases 4 years

#### (ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in the IFRS 16 disclosure note (see Note 30).

#### (iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

***Group as a lessor***

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

### 2.2.5 Foreign currencies

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.6 Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Additional disclosures are provided in Note 12.

### 2.2.7 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.

### 2.2.8 Employee benefits

**(i) 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.

**(ii) Short -term employee benefits**

Short -term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. Examples include wages,salaries,bonuses and non-monetary benefits paid to current employees.

The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognised in the profit and loss (Note 5). The expected cost of short-term compensated absences is recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts an entity expects to pay as a result of unused entitlements and the end of the period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.9 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 provided using the liability method on temporary difference between the tax bases of the assets and liabilities and their carrying amounts for the financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with the investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investment in subsidaires,deferred tax assets are recognised only to the extent it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

### 2.2.10 Property, plant and equipment

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised accumulated 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.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost of assets (other than 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.10 Property, plant and equipment (continued)

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 |

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. The IFRS 16 standard does not differentiate between an operating lease and a finance lease for the lessee. The standard requires that for any lease a right of use and lease liability be recognised unless the Group deems the lease as short-term lease or of low value. The Group considers the amounts paid for Ground rates as a "Low Value" short-term 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 land preparation costs, seed cane costs and other costs related to establishing new area under cane. Depreciation of bearer plants commences when they are ready for their intended use and capitalisation to recognise the cane roots has occurred. Crop establishment costs are recognised in the Statement of Profit and Loss, at the end of each reporting month the amounts are reallocated to capital work in progress. At the end of the planting season the entire amount in capital work in progress is 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 straightline 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.

### 2.2.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually at the cash-generating unit level.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

### 2.2.12 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.12 Impairment of non-financial assets (continued)

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on most recent budgets and forecast calculations. Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

### 2.2.13 Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term bank overdrafts on which interest is charged. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at hand and bank, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

### 2.2.14 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.

### 2.2.15 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 tonnes 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.

### 2.2.16 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.

### 2.2.17 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)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.17 Inventories (continued)

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

### 2.2.18 Segmental analysis

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

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

The group is comprised of the following business segments:

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

### 2.2.19 Financial instruments – initial recognition and subsequent measurement

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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. 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 2.2.3 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.

**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)**

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.19 Financial instruments – initial recognition and subsequent measurement (continued)

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 and other receivables.

**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**

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 such as inflation, growth in gross domestic product and interest rates.

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.

The default classification of 365 days is made on the following basis:

- Customers at times exceed their payments terms for various reasons. Often, debt falls into 120 days due to reconciling issues/ WHVAT related issues/misallocations/disputes over commissions being applied. It takes extensive engagement and reconciling to resolve some of these issues. The recoverability in most instances is not in question.
- In certain circumstances, customers go through temporary cash flow challenges, but they are fully committed to settling the debts. In these instances, payment plans are entered into. In certain instances, these payment plans can extend even beyond 12months.
- The default classification of 365 days gives management a strong indication that the debt is potentially irrecoverable. Debt that falls into the category of 120-365 days old provides management with an indication of potential irrecoverability.
- This should always be considered against the backdrop of agreed upon payment plans with customers, or other relevant information specific to that customer. If there are payment plans which are being met, then management may make specific adjustments to expected default.

**b) Financial liabilities**

**Initial recognition and measurement**

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.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

**2.2.19 Financial instruments – initial recognition and subsequent measurement (continued)**

**b) Financial liabilities (continued)**

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

**Financial Liabilities at amortised cost (Trade and other payables, Loans and borrowings)**

This 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 20 and Note 22.

**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.

**2.2.20 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

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.
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:

- 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 as follows:

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of significant accounting policies (continued)

### 2.2.20 Derivative financial instruments and hedge accounting (continued)

**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 28 for more details.

The Group designated all of the forward contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were 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.

### 2.3 Changes in accounting policies and disclosures

**New and amended standard and interpretations**

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 and amendments applicable to the Group:

### 2.3.1 Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Changes in accounting policies and disclosures (continued)

#### 2.3.2 Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "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, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

#### 2.3.3 Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

#### 2.3.4 Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group.

#### 2.3.5 Definition of a Business - Amendments to IFRS 3

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. The amendments narrowed the definition of outputs to focus on goods or services provided to customers, investment income (such as dividends or interest) or other income from ordinary activities.

The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

### 2.4 International Financial Reporting Standards in issue, but not yet effective

#### 2.4.1 Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments must be applied to transactions within the annual reporting periods beginning on or after 1 January 2022.

These amendments had no impact on the consolidated financial statements of the Group as disposal proceeds are recognised directly to profit and loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.4 International Financial Reporting Standards in issue, but not yet effective

### 2.4.2 Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts

The amendments published are effective for annual periods beginning on or after 1 January 2022.

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.

### 2.4.3 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments published are effective for annual periods beginning on or after 1 January 2023.

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.

### 2.4.4 Reference to the Conceptual Framework (Amendments to IFRS 3)

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination;
- and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022 and are expected to have no impact on the consolidated financial statements of the Group.

### 2.4.5 Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2

The amendments are effective for annual periods beginning on or after 1 January 2023 and are expected to have an impact on the consolidated financial statements of the Group.

### 2.4.6 Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual periods beginning on or after 1 January 2023 and are expected to have an impact on the consolidated financial statements of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 International Financial Reporting Standards in issue, but not yet effective (continued)

### 2.4.7 IFRS 1 First-time Adoption of International Financial Reporting Standards

**Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments are expected to have no impact on the consolidated financial statements of the Group as the Company and subsidiary report in the same currency.

### 2.4.8 IFRS 9 Financial Instruments

***Fees in the '10 per cent' test for derecognition of financial liabilities***

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022.

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.

### 2.4.9 IAS 41 Agriculture

***Taxation in fair value measurements***

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

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.

## 3. 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.

### 3.1 Critical judgments in applying accounting policies

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

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### 3.1 Critical judgments in applying accounting policies (continued)

#### 3.1.1 Impairment of non-financial assets

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.

#### 3.1.2 Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables. 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 17.

#### 3.1.3 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 28 for further disclosures.

#### 3.1.4 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group is reasonably certain that the renewal option will be exercised for all its lease contracts and therefore factors this into its lease asset and liability amounts. See Note 30.

#### 3.1.5 Leases-estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates and inflation rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### 3.1.6 Assets held for sale

The Group has assets classified as held for sale in the current financial period. Some of the assets were reclassified during the financial year. Unfortunately due to the restrictions in movement and public gathering as a result of the COVID-19 pandemic, Management could not actively seek buyers to finalise the sale of all items by 31 August 2021. Management are  still committed to have the items sold. For more details on the asset classified as held for sale, refer to Note 12.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### 3.2 Key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following key assumptions concerning the future and other key sources of uncertainty at the reporting date that have the most significant effect on the amounts recognised in the financial statements. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 3.2.1 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 11 to the financial statements.

**Cane roots valuation**

The escalated average costs of planting cane roots are adjusted for the remaining expected life. This requires an estimation by management of the average number of ratoons expected from the crop. The carrying value of cane roots is disclosed in note 11 to the financial statements.

### 3.2.2 Growing cane valuation

Growing cane is valued at the estimated sucrose content valued at the estimated sucrose price for the following season, less estimated costs for harvesting and transport.  The value of growing cane is further adjusted for the estimated cane growth percentage, the costs necessarily incurred to farm the sugar cane until the commencement of the following season and the expected profit margin on the cane growing activity. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. In assessing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and assess the domestic and export prices as well as related foreign currency exchange rates. In addition, management prepares detailed costs 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 16 to the financial statements.

### 3.2.3 Income taxes

At the time of preparing the annual financial statements, estimates are used to determine the income tax charge for the year. When the income tax computation is finalised and submitted to the Zambia Revenue Authority, any differences to the estimate will be recognised in profit or loss in the period in which such determination is made. See Note 7

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.

### 3.2.4 Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract 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).

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. 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 and contract assets is disclosed in Note 17.

## 4. REVENUE

### 4.1 Disaggregated revenue information

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | 2021 K'000 | 2020 K'000 | 2021 K'000 | 2020 K'000 |
| From secondary business segments as follows: | | | | |
| Local market | 3 353 437 | 2 079 482 | 3 353 437 | 2 079 482 |
| Export market | 1 635 543 | 1 255 442 | 1 635 543 | 1 255 442 |
| Total revenue | 4 988 980 | 3 334 924 | 4 988 980 | 3 334 924 |
| From geographical business segments as follows: | | | | |
| Zambia | 3 353 437 | 2 079 482 | 3 353 437 | 2 079 482 |
| Democratic Republic of Congo | 847 044 | 791 478 | 847 044 | 791 478 |
| Kenya | 331 903 | 164 294 | 331 903 | 164 294 |
| Rest of Africa | 259 401 | 125 315 | 259 401 | 125 315 |
| South Africa | 197 056 | 173 843 | 197 056 | 173 843 |
| Europe | 139 | 512 | 139 | 512 |
| Total revenue | 4 988 980 | 3 334 924 | 4 988 980 | 3 334 924 |

The Group recognised rebates on its revenue amounting to K74.1 million for the year ended 31 August 2021(2020: K46.6 million).

### 4.2 Contract balances

| | | | | |
|---|---|---|---|---|
| Contract liabilities (Note 23) | 219 765 | 281 663 | 219 765 | 281 663 |

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 22).

## 5. OPERATING PROFIT

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | 2021 K'000 | 2020 K'000 | 2021 K'000 | 2020 K'000 |
| Operating profit has been determined after charging/(crediting) the following: | | | | |
| Employees remuneration expenses | 545 221 | 500 745 | 515 967 | 474 803 |
| Exchange loss/(gain) (trading balances) | 28 692 | 23 450 | 25 734 | 22 363 |
| Depreciation expense (see note 11) | 111 073 | 107 064 | 99 735 | 97 834 |
| Factory overhaul costs expensed (see note 15.1) | 141 761 | 98 731 | 141 761 | 98 731 |
| Employer contributions to pension funds (see note 29) | 41 040 | 39 007 | 39 189 | 37 471 |
| Operational support fees (see note 24) | 74 296 | 52 748 | 74 296 | 52 748 |
| Lease expenses (see note 30) | 29 236 | 67 873 | 29 236 | 67 873 |
| - Depreciation expense of right-of-use assets | 19 395 | 18 211 | 19 395 | 18 211 |
| - Interest expense on lease liabilities | 15 188 | 24 313 | 15 188 | 24 313 |
| - Foreign exchange gain/(loss) | (11 251) | 21 859 | (11 251) | 21 859 |
| Short-term lease Charges | 5 904 | 3 490 | 5 904 | 3 490 |
| Directors' emoluments for services as directors | 1 221 | 1 219 | 1 205 | 1 165 |
| Auditors' remuneration | 2 936 | 2 365 | 2 429 | 1 966 |
| - Audit fees | 2 895 | 2 203 | 2 425 | 1 807 |
| - Other expenses | 41 | 162 | 4 | 159 |
| Profit on disposal of plant and equipment | (2 887) | (6 260) | (3 057) | (6 260) |
| Charitable donations | 1 184 | 320 | 1 019 | 319 |
| Fair value adjustments | | | | |
| - growing cane (see note 16) | 121 814 | 47 699 | 108 208 | 35 081 |

## 6. NET FINANCING COSTS

### Financing costs

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | 2021 K'000 | 2020 K'000 | 2021 K'000 | 2020 K'000 |
| Interest charged on: | | | | |
| Long-term borrowings | - | 21 901 | - | 21 901 |
| Related party borrowings (see note 24) | 157 017 | 280 695 | 156 904 | 280 911 |
| Bank overdraft and short-term facilities | 20 210 | 10 092 | 20 210 | 10 092 |
| Other | 97 935 | 14 143 | 97 935 | 14 143 |
| Total Interest charged | 275 162 | 326 831 | 275 049 | 327 047 |

Other finance costs comprise foreign gains and losses on bank transactions and leases.

### Finance Income

| | | | | |
|---|---|---|---|---|
| Finance Income from an effective interest rate on cash and bank | (401) | (940) | (373) | (920) |
| | 274 761 | 325 891 | 274 676 | 326 127 |

## 7. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Current Tax | | | | |
| - current year charge | **183 667** | 69 447 | **171 819** | 64 030 |
| - prior year charge | **23 253** | 46 452 | **23 253** | 46 452 |
| Deferred taxation (see note 21) | | | | |
| - current year charge | **65 676** | 98 177 | **63 337** | 96 642 |
| - over provision in prior year | **(7 026)** | - | **(7 026)** | - |
| Total taxation charge/(credit) | **265 570** | 214 076 | **251 383** | 207 124 |
| | | | | |
| Included under current liablilities | | | | |
| Taxation (payable)/receivable at beginning of period | **(45 085)** | (17 885) | **(42 180)** | (11 230) |
| Current year charge | **(183 667)** | (69 447) | **(171 819)** | (64 030) |
| Prior year charge | **(23 253)** | (46 452) | **(23 253)** | (46 452) |
| (Over)/under provision in current tax liability | **(91)** | 5 339 | **(91)** | (1 234) |
| | **(252 096)** | (128 415) | **(237 343)** | (122 946) |
| | | | | |
| **Paid during the year** | **143 003** | 83 330 | **133 526** | 80 766 |
| Taxation (payable)/receivable at the end of period | **(109 093)** | (45 085) | **(103 817)** | (42 180) |
| **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 | **2.0** | 9.7 | **2.0** | 11.2 |
| - Expenses disallowed for tax purposes | **3.8** | 2.0 | **3.5** | 1.4 |
| - Tax rate differential on non-farming income | **5.0** | 5.7 | **5.0** | 6.6 |
| - Other - Blended rate adjustment - Timing differences | **0.5** | 18.7 | **0.5** | 21.7 |
| - Other adjustments | **(1.0)** | (0.5) | **(1.0)** | (0.5) |
| Effective rate of taxation | **20.2** | 45.5 | **19.9** | 50.4 |

The Company's effective tax rate for the year is 20% (August 2020: 50%) as a result of tax effect of the tax rate change for the tax years 2013 to 2019. Taxable business profits are currently split and taxed as follows:

a) Agriculture - 10%;
b) Non-traditional exports - 15%; and
c) Manufacturing - 35%.

The under/over provisions in taxation liabilities arises on account of differences in the financial year end, which is set at 31 August, and the taxation year end set at 30 June.

### Aging of Disallowed Interest

Effective 1 January 2019 deductible interest expense shall be restricted to 30% of EBITDA as provided under section 29 of the Zambia Income Tax Act (as amended). The Group and Company had no disallowed interest as at August 2021 (August 2020: K228 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.

| | | | | |
|---|---|---|---|---|
| August 2019 disallowed interest available until August 2024 | - | 104 950 | - | 104 950 |
| August 2017 tax losses available until 2022 | - | 2 830 | - | 2 830 |
| August 2019 Prior year adjustment | - | 120 269 | - | 120 269 |
| | - | 228 049 | - | 228 049 |

## 8. 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 (after adjusting for interest on the convertible preference shares) 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 | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Earnings per share (ngwee per share) | 343.1 | 74.2 | 317.8 | 65.3 |
| Headline earnings per share (ngwee per share) | 342.3 | 72.4 | 317.0 | 63.5 |
| | **SHARES** | SHARES | **SHARES** | SHARES |
| **Number of shares** | **'000** | '000 | **'000** | '000 |
| Weighted average number of ordinary shares for the purposes of basic earnings, diluted earnings and headline earnings per share | **316 571** | 316 571 | **316 571** | 316 571 |
| **Reconciliation of earnings** | **K'000** | K'000 | **K'000** | K'000 |
| Profit attributable to shareholders of Zambia Sugar Plc | **1 086 067** | 234 873 | **1 006 130** | 206 779 |
| **Earnings for the purposes of earnings per share** | **1 086 067** | 234 873 | **1 006 130** | 206 779 |
| **Reconciliation of headline earnings** | | | | |
| Profit attributable to shareholders of Zambia Sugar Plc | **1 086 067** | 234 873 | **1 006 130** | 206 779 |
| Gain on sale of property, plant and equipment | **(2 887)** | (6 260) | **(3 057)** | (6 260) |
| Tax effect of adjustments | **289** | 626 | **306** | 626 |
| Headline earnings for the year | **1 083 469** | 229 239 | **1 003 379** | 201 145 |

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.

There are no transactions that gave rise to Diluted Earnings per share.

## 9. DIVIDENDS PAID

Dividends of K75.997 million were paid in the current year (2020: K25.326 million)

| | | | | |
|---|---|---|---|---|
| Dividends proposed per share - final 2021 to be proposed at AGM (ngwee) | **84.5** | 24 | **84.5** | 24 |
| Number of ordinary shares in issue ('000) | **316 571** | 316 571 | **316 571** | 316 571 |

## 10. SEGMENTAL ANALYSIS

The Group's inter segmental revenue generated from cane sales is eliminated on consolidation of segments

| Year ended 31 August 2021 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Sugar production | Cane growing | TOTAL | Sugar production | Cane growing | TOTAL |
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| External customers | 4 988 980 | - | 4 988 980 | 4 988 980 | - | 4 988 980 |
| Inter Segment | (1 504 909) | 1 504 909 | - | (1 238 749) | 1 238 749 | - |
| **Revenue** | 3 484 071 | 1 504 909 | 4 988 980 | 3 750 231 | 1 238 749 | 4 988 980 |
| **Material items of expense** | | | | | | |
| Employee Costs | (169 472) | (207 977) | (377 449) | (169 472) | (177 543) | (347 015) |
| Electricity and Fuel | 15 021 | (131 002) | (115 981) | 15 021 | (122 390) | (107 369) |
| Operating Costs | (599 025) | (507 353) | (1 106 378) | (599 025) | (445 480) | (1 044 505) |
| Refining, Packing & Storage | (185 351) | - | (185 351) | (185 351) | - | (185 351) |
| Cane Haulage | - | (125 538) | (125 538) | - | (96 065) | (96 065) |
| **Operating profit** | 1 081 852 | 533 110 | 1 614 962 | 1 081 855 | 397 339 | 1 479 197 |
| **Property, plant and equipment** | 1 395 189 | 469 476 | 1 864 665 | 1 386 381 | 336 531 | 1 722 912 |
| Balance at beginning of period | 1 427 191 | 464 116 | 1 891 307 | 1 418 383 | 340 413 | 1 758 796 |
| Additions at cost | 33 045 | 62 442 | 95 487 | 33 045 | 41 695 | 74 740 |
| Depreciation charge for the period | (60 950) | (50 123) | (111 073) | (60 950) | (38 785) | (99 735) |
| Net book value of disposals | (4 097) | (6 959) | (11 056) | (4 907) | (6 792) | (10 889) |
| **Intangible assets** | - | 67 902 | 67 902 | - | - | - |
| **Investment in subsidiary** | - | - | - | - | 177 163 | 177 163 |
| **Right-of-use assets** | 56 338 | - | 56 338 | 56 338 | - | 56 338 |
| **Current assets** | 1 912 722 | 682 129 | 2 594 851 | 1 912 722 | 533 277 | 2 445 999 |
| Inventories | 998 184 | 124 699 | 1 122 883 | 998 184 | 90 990 | 1 089 174 |
| Growing cane | - | 506 258 | 506 258 | - | 426 703 | 426 703 |
| Trade and other receivables | 530 282 | 48 899 | 579 181 | 530 282 | 15 584 | 545 866 |
| Amounts due from related parties | 378 | - | 378 | 378 | - | 378 |
| Assets classified as held for sale | 2 864 | - | 2 864 | 2 864 | - | 2 864 |
| Cash and cash equivalents | 381 014 | 2 273 | 383 287 | 381 014 | - | 381 014 |
| **Current liabilities** | 1 082 177 | 166 540 | 1 248 717 | 1 203 338 | 129 970 | 1 333 308 |
| Trade and other payables | 480 017 | 151 276 | 631 293 | 480 017 | 120 004 | 600 021 |
| Lease Liabilities | 25 052 | - | 25 052 | 25 052 | - | 25 052 |
| Contract Liabilities | 219 765 | - | 219 765 | 219 765 | - | 219 765 |
| Short-term borrowings | 9 145 | 4 924 | 14 069 | 9 145 | 4 924 | 14 069 |
| Amounts due to related parties | 21 717 | - | 21 717 | 142 878 | - | 142 878 |
| Current tax liability | 103 817 | 5 276 | 109 093 | 103 817 | - | 103 817 |
| Bank overdrafts | 207 546 | 22 | 207 568 | 207 546 | - | 207 546 |
| Provisions | 15 119 | 5 041 | 20 160 | 15 119 | 5 041 | 20 160 |
| **Non-current liabilities** | 589 078 | 168 147 | 757 225 | 589 078 | 141 050 | 730 128 |
| Long-term borrowings | 261 950 | 141 050 | 403 000 | 261 950 | 141 050 | 403 000 |
| Lease Liabilities | 66 425 | - | 66 425 | 66 425 | - | 66 425 |
| Deferred tax liability | 260 703 | 27 097 | 287 800 | 260 703 | - | 260 703 |
| **Net asset value** | **1 692 993** | **884 821** | **2 577 814** | **1 563 024** | **775 952** | **2 338 976** |

The Group's business operating units are segmented up to operation profit stage.

## 10. SEGMENTAL ANALYSIS

The Group's inter segmental revenue generated from cane sales is eliminated on consolidation of segments

| YEAR ENDED 31 AUGUST 2020 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Sugar production | Cane growing | TOTAL | Sugar production | Cane growing | TOTAL |
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| External customers | 3 334 924 | - | 3 334 924 | 3 334 924 | - | 3 334 924 |
| Inter Segment | (929 983) | 929 983 | - | (754 903) | 754 903 | - |
| **Revenue** | 2 404 941 | 929 983 | 3 334 924 | 2 580 021 | 754 903 | 3 334 924 |
| **Material items of expense** | | | | | | |
| Employee Costs | (156 980) | (194 616) | (351 596) | (156 980) | (171 232) | (328 212) |
| Electricity and Fuel | 28 857 | (85 274) | (56 417) | 28 857 | (77 147) | (48 290) |
| Operating Costs | (61 773) | (222 589) | (284 362) | (61 773) | (179 400) | (241 173) |
| Refining, Packing & Storage | (136 414) | - | (136 414) | (136 414) | - | (136 414) |
| Cane Haulage | - | (94 502) | (94 502) | - | (69 488) | (69 488) |
| **Operating profit** | 619 432 | 155 409 | 774 841 | 619 446 | 90 709 | 710 155 |
| **Property, plant and equipment** | | | | | | |
| Balance at beginning of period | 1 427 191 | 464 116 | 1 891 307 | 1 418 383 | 340 413 | 1 758 796 |
| Additions at cost | 1 432 164 | 469 711 | 1 901 875 | 1 419 371 | 357 480 | 1 776 851 |
| Assets transfers | 82 041 | 16 717 | 98 758 | 82 041 | - | 82 041 |
| Depreciation charge for the period | (84 752) | (22 312) | (107 064) | (80 767) | (17 067) | (97 934) |
| Net book value of disposals | (2 262) | - | (2 262) | (2 262) | - | (2 262) |
| **Intangible assets** | - | 67 902 | 67 902 | - | - | - |
| **Investment in subsidiary** | - | - | - | - | 177 163 | 177 163 |
| **Right-of-use assets** | 42 385 | - | 42 385 | 42 385 | - | 42 385 |
| **Current assets** | 1 381 269 | 515 566 | 1 896 835 | 1 381 269 | 409 024 | 1 790 293 |
| Inventories | 846 434 | 93 954 | 940 388 | 846 434 | 77 157 | 923 591 |
| Growing cane | - | 384 444 | 384 444 | - | 318 495 | 318 495 |
| Trade and other receivables | 455 028 | 32 713 | 487 741 | 455 028 | 13 372 | 468 400 |
| Amounts due from related parties | 3 256 | - | 3 256 | 3 256 | - | 3 256 |
| Assets classified as held for sale | 3 851 | - | 3 851 | 3 851 | - | 3 851 |
| Cash and cash equivalents | 72 700 | 4 455 | 77 155 | 72 700 | - | 72 700 |
| **Current liabilities** | 833 037 | 153 843 | 986 880 | 913 319 | 127 614 | 1 040 933 |
| Trade and other payables | 375 023 | 117 080 | 492 103 | 375 023 | 93 756 | 468 779 |
| Lease Liabilities | 28 967 | - | 28 967 | 28 967 | - | 28 967 |
| Contract Liabilities | 281 663 | - | 281 663 | 281 663 | - | 281 663 |
| Short-term borrowings | 55 615 | 29 947 | 85 562 | 55 615 | 29 947 | 85 562 |
| Amounts due to related parties | 35 851 | - | 35 851 | 116 133 | - | 116 133 |
| Current tax liability | 42 180 | 2 905 | 45 085 | 42 180 | - | 42 180 |
| Bank overdrafts | 2 010 | - | 2 010 | 2 010 | - | 2 010 |
| Provisions | 11 728 | 3 911 | 15 639 | 11 728 | 3 911 | 15 639 |
| **Non-current liabilities** | 951 920 | 391 905 | 1 343 825 | 951 920 | 366 961 | 1 318 881 |
| Long-term borrowings | 681 499 | 366 961 | 1 048 460 | 681 499 | 366 961 | 1 048 460 |
| Lease Liabilities | 65 933 | - | 65 933 | 65 933 | - | 65 933 |
| Deferred tax liability | 204 488 | 24 944 | 229 432 | 204 488 | - | 204 488 |
| **Net asset value** | **1 065 888** | **501 836** | **1 567 724** | **976 798** | **432 025** | **1 408 823** |

The Group's business operating units are segmented up to operation profit stage.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings | Plant and machinery | Motor Vehicles | Furniture and fittings | Cane Roots | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| **GROUP** | | | | | | | |
| **Cost** | | | | | | | |
| Balance at 1 September 2019 | 750 613 | 1 582 593 | 112 975 | 26 030 | 288 343 | 18 943 | 2 779 497 |
| Additions | 4 319 | 530 | - | - | 43 965 | 49 944 | 98 758 |
| Transfers | 1 594 | 27 487 | 3 337 | 711 | - | (33 129) | - |
| Disposals | - | (1 780) | (13 692) | - | - | - | (15 472) |
| **Balance at 31 August 2020** | **756 526** | **1 608 830** | **102 620** | **26 741** | **332 308** | **35 758** | **2 862 783** |
| Additions | - | 6 123 | - | 659 | 38 568 | 50 137 | 95 487 |
| Transfers | 728 | 54 646 | 4 833 | 184 | 15 | (60 406) | - |
| Disposals | - | (20 553) | (3 256) | (344) | (75 193) | - | (99 346) |
| **Balance at 31 August 2021** | **757 254** | **1 649 046** | **104 197** | **27 240** | **295 698** | **25 489** | **2 858 924** |
| **Accumulated depreciation** | | | | | | | |
| Balance at 1 September 2019 | 131 455 | 502 062 | 71 573 | 19 532 | 153 000 | - | 877 622 |
| Charge for period | 12 674 | 59 844 | 8 896 | 1 790 | 23 860 | - | 107 064 |
| Disposals | - | (1 648) | (11 562) | - | - | - | (13 210) |
| **Balance at 31 August 2020** | **144 129** | **560 258** | **68 907** | **21 322** | **176 860** | - | **971 476** |
| Charge for year | 13 006 | 65 637 | 7 834 | 1 831 | 22 765 | - | 111 073 |
| Disposals | - | (10 017) | (2 903) | (177) | (75 193) | - | (88 290) |
| **Balance at 31 August 2021** | **157 135** | **615 878** | **73 838** | **22 976** | **124 432** | - | **994 259** |
| **Net carrying amount** | | | | | | | |
| **Balance at 31 August 2021** | **600 119** | **1 033 168** | **30 359** | **4 264** | **171 266** | **25 489** | **1 864 665** |
| Balance at 31 August 2020 | 612 397 | 1 048 572 | 33 713 | 5 419 | 155 448 | 35 758 | 1 891 307 |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings | Plant and machinery | Motor Vechiles | Furniture and fittings | Cane Roots | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| **COMPANY** | | | | | | | |
| **Cost** | | | | | | | |
| Balance at 1 September 2019 | 664 058 | 1 538 295 | 110 113 | 25 264 | 235 314 | 13 311 | 2 586 355 |
| Additions | 3 427 | (814) | - | - | 40 976 | 38 452 | 82 041 |
| Transfers | 1 594 | 22 284 | 2 909 | 711 | - | (27 498) | - |
| Disposals | - | (1 780) | (13 692) | - | - | - | (15 472) |
| **Balance at 31 August 2020** | **669 079** | **1 557 985** | **99 330** | **25 975** | **276 290** | **24 265** | **2 639 613** |
| Additions | | | | - | 38 568 | 36 172 | 74 740 |
| Transfers | 728 | 47 732 | 362 | - | - | (48 822) | - |
| Disposals | - | (20 553) | (3 256) | - | (75 193) | - | (99 002) |
| **Balance at 31 August 2021** | **669 807** | **1 585 164** | **96 436** | **25 975** | **239 665** | **11 615** | **2 628 662** |
| **Accumulated depreciation** | | | | | | | |
| Balance at 1 September 2019 | 129 891 | 467 777 | 69 812 | 19 025 | 122 999 | - | 809 504 |
| Charge for year | 12 550 | 55 021 | 8 603 | 1 785 | 19 875 | - | 97 834 |
| Disposals | - | (1 648) | (11 562) | - | - | - | (13 210) |
| **Balance at 31 August 2020** | **142 441** | **521 150** | **66 853** | **20 810** | **142 874** | - | **894 128** |
| Charge for period | 12 633 | 58 888 | 4 322 | 1 365 | 22 527 | - | 99 735 |
| Disposals | - | (10 017) | (2 903) | - | (75 193) | - | (88 113) |
| **Balance at 31 August 2021** | **155 074** | **570 021** | **68 272** | **22 175** | **90 208** | **-** | **905 750** |
| **Net carrying amount** | | | | | | | |
| **Balance at 31 August 2021** | **514 733** | **1 015 143** | **28 164** | **3 800** | **149 457** | **11 615** | **1 722 912** |
| Balance at 31 August 2020 | 526 638 | 1 036 835 | 32 477 | 5 165 | 133 416 | 24 265 | 1 758 796 |

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 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 Directors consider that the fair value of the property, plant and equipment as at 31 August 2021 is at least equal to their carrying values as reflected in the statement of financial position.

### Leasehold Land

On 1 April 2007, the Company entered into land leasehold agreements with six local farmers for the purposes of growing sugar cane. The agreements are for a period of 17 years and the total leasehold land area is 2 055 ha. The leases have since been reclassified under IFRS 16 upon adoption on 1 September 2019.

## 12. ASSETS HELD FOR SALE

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

Due to the restrictions in movement and public gathering as a result of the COVID-19 pandemic, Management could not actively seek buyers to finalise the sale of all items by 31 August 2021. Management are still committed to have the items sold.

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

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Property, plant & equipment | | | | |
| Balance at start of year | 3 851 | 5 625 | 3 851 | 5 625 |
| Disposals during the year | - | (1 774) | - | (1 774) |
| Assets previous classified as held for sale expensed | (987) | - | (987) | - |
| Balance at end of year | **2 864** | 3 851 | **2 864** | 3 851 |

## 13. INTANGIBLE ASSET

| | | | | |
|---|---|---|---|---|
| Balance at the beginning and end of year | **67 902** | 67 902 | **-** | - |

The intangible asset (Goodwill) 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, and is considered to have an indefinite useful life, and is tested for impairment annually. The intangible is considered to have an indefinate useful life as cane supply agreement has no time frame to it and hence considered indefinate.

The Group performed its annual impairment test in August 2021. 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 18.64%. 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 a 5 year impairment assessment model to determine the Value in use and the carrying value of the Cash Generating Unit (CGU). 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
- Production inputs 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 by +0.5% would not result in impairment. A rise or decline in the discount rate by +/- 0.5% would not result in impairment.

## 13. INTANGIBLE ASSET (continued)

**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 11%. 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 price. 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 49%. These are increased over the budget period for anticipated efficiency improvements. An increase of 11% per annum was applied. 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 operating expenses.

## 14. INVESTMENTS IN SUBSIDIARIES

| The principal subsidiaries of Zambia Sugar Plc are as follows: | Issued capital | Effective percentage holding | Shares at cost | Amounts due by subsidiary |
|---|---|---|---|---|
| | K'000 | % | K'000 | K'000 |
| **August 2021** | | | | |
| **Direct Investment** | | | | |
| Tukunka Agriculture Ltd | **10 000** | **100.00** | **-** | **-** |
| Nanga Farms Plc | **487** | **14.27** | **21 539** | **-** |
| **Indirect Investment** | | | | |
| Nanga Farms Plc | **487** | **85.70** | **155 624** | **122 170** |
| **August 2020** | | | | |
| **Direct Investment** | | | | |
| Tukunka Agriculture Ltd | 10 000 | 100.0 | - | - |
| Nanga Farms Plc | 487 | 14.27 | 21 539 | - |
| **Indirect Investment** | | | | |
| Nanga Farms Plc | 487 | 85.70 | 155 624 | 80 967 |

## 15. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| **Maintenance stores** | **297 055** | 171 749 | **262 853** | 154 386 |
| Provision for obsolescence | **(4 043)** | (3 963) | **(3 550)** | (3 397) |
| | **293 012** | 167 786 | **259 303** | 150 989 |
| Factory overhaul costs | **64 957** | 37 475 | **64 957** | 37 475 |
| Finished goods - sugar (at cost) | **764 914** | 735 127 | **764 914** | 735 127 |
| Total inventories at the lower of cost and net realisable value | **1 122 883** | 940 388 | **1 089 174** | 923 591 |
| **Movement in provision for slow moving stocks** | | | | |
| Balance at beginning of year | **3 963** | 4 066 | **3 397** | 3 460 |
| Provision released during the year | **80** | (103) | **153** | (63) |
| | **4 043** | 3 963 | **3 550** | 3 397 |

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

## 15.1 FACTORY OVERHAUL COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Balance at beginning of year | **37 475** | 32 822 | **37 475** | 32 822 |
| Capitalised during the year | **169 243** | 103 384 | **169 243** | 103 384 |
| | **206 718** | 136 206 | **206 718** | 136 206 |
| Amortised during the year | **(141 761)** | (98 731) | **(141 761)** | (98 731) |
| Balance at end of year | **64 957** | 37 475 | **64 957** | 37 475 |

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.

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.

## 16. GROWING CANE

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| The carrying value of growing cane is reconciled as follows: | | | | |
| Carrying value at beginning of year | **384 444** | 336 745 | **318 495** | 283 414 |
| Change in fair value | **121 814** | 47 699 | **108 208** | 35 081 |
| Carrying value at end of year | **506 258** | 384 444 | **426 703** | 318 495 |

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 2.2.15).

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

| | | | | |
|---|---|---|---|---|
| Expected area to harvest (hectares) | **16 584** | 17 167 | **13 880** | 14 435 |
| Estimated yield (tonnes cane per hectare) | **115.70** | 108.50 | **114.70** | 105.90 |
| Sucrose content in cane (%) | **14.36%** | 14.45% | **14.36%** | 14.45% |
| Average maturity of cane at 31 March (%) | **65.70%** | 65.70% | **65.70 %** | 65.70% |

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 (tonnes) | **275 391** | 269 148 | **228 521** | 220 952 |
| Estimated sucrose price (K/tonne) | **5 077** | 3 906 | **5 077** | 3 906 |

## 17. TRADE AND OTHER RECEIVABLES

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

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Gross trade receivables | **248 444** | 167 991 | **248 444** | 167 991 |
| Allowance for expected credit losses | **(16 114)** | (10 600) | **(16 114)** | (10 600) |
| | **232 330** | 157 391 | **232 330** | 157 391 |
| VAT receivable | **281 634** | 273 766 | **251 959** | 254 666 |
| Other receivables | **65 217** | 56 584 | **61 577** | 56 343 |
| Balance at end of year | **579 181** | 487 741 | **545 866** | 468 400 |

**Movement in the allowance for expected credit losses**

| | | | | |
|---|---|---|---|---|
| Balance at beginning of year | **(10 600)** | (22 604) | **(10 600)** | (22 604) |
| Amounts raised during the year | **(6 805)** | 8 388 | **(6 805)** | 8 388 |
| Amounts recovered during the year | **115** | 2 577 | **115** | 2 577 |
| Amounts utilised during the year | **1 176** | 1 039 | **1 176** | 1 039 |
| Balance at end of year | **(16 114)** | (10 600) | **(16 114)** | (10 600) |

The Group's receivables mainly categorised into Sugar credit customers, Industrial Customers, Retail Chain stores, Molasses customers, Sundry credit customers, Transporters, Growers and Staff Sales.

The Group's other receivables mainly comprise supplier prepayments, staff debtors, amounts to be recovered from suppliers and growers for fuels and consumables.

The gain on the Allowance for expected credit losses can be attributed to improved debt management procedures and a higher volume of cash sales in the current financial year.

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 28.4.

## 18. 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 | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Bank and cash balances | **383 287** | 77 155 | **381 014** | 72 700 |
| Bank overdraft - unsecured | **(207 568)** | (2 010) | **(207 546)** | (2 010) |
| Cash and cash equivalents at end of year | **175 719** | 75 145 | **173 468** | 70 690 |

## 19. SHARE CAPITAL AND PREMIUM

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Authorised: | | | | |
| 350 000 000 (August 2020: 350 000 000) ordinary shares of K0.01 each (August 2020: K0.01 each) | **3 500** | 3 500 | **3 500** | 3500 |
| Issued and fully paid: | | | | |
| 316 571 385 (August 2020: 316 571 385) ordinary shares of K0.01 each (August 2020: 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 |

## 20. BORROWINGS

| | Note | Years of repayment | Group AUGUST 2021 K'000 | Group AUGUST 2020 K'000 | Company AUGUST 2021 K'000 | Company AUGUST 2020 K'000 |
|---|---|---|---|---|---|---|
| Related party loans | a | 2020-2023 | **417 069** | 1 134 022 | **417 069** | 1 134 022 |
| **Total borrowings** | | | **417 069** | 1 134 022 | **417 069** | 1 134 022 |
| Less: | | | | | | |
| **Short-term borrowings** | a | | **14 069** | 85 562 | **14 069** | 85 562 |
| **Long-term borrowings** | a | | **403 000** | 1 048 460 | **403 000** | 1 048 460 |
| The amounts are due for repayment in the following years ending 31 August: | | | | | | |
| 2022 | | | **417 069** | 85 562 | **417 069** | 85 562 |
| 2023 | | | **-** | 1 048 460 | **-** | 1 048 460 |

**Summary of borrowing arrangements**

a Loans from related parties are disclosed in Note 24.2.2

b There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current or previous year.

c The reduction in debt can be attributed to improved financial performance in the financial year ended August 2021.

## 21. DEFERRED TAX LIABILITY

| | Group AUGUST 2021 K'000 | Group AUGUST 2020 K'000 | Company AUGUST 2021 K'000 | Company AUGUST 2020 K'000 |
|---|---|---|---|---|
| Balance at beginning of year | **229 432** | 138 357 | **204 488** | 114 902 |
| Charged to profit or loss: | | | | |
| - Current year income statement charge | **65 676** | 98 177 | **63 337** | 96 642 |
| - under provision in prior year | **(7 026)** | - | **(7 026)** | - |
| - under/(over)provision in deferred tax liability | **(282)** | 700 | **(96)** | 746 |
| - Prior year other comprehensive income charge (Cash flow hedges) | **-** | (7 802) | **-** | (7 802) |
| **Balance at end of year** | **287 800** | 229 432 | **260 703** | 204 488 |
| **Analysis of liability:** | | | | |
| Property, plant and equipment | **259 338** | 209 875 | **243 511** | 193 935 |
| Right of use assets, lease liabilities | **(4 983)** | (4 746) | **(4 983)** | (4 746) |
| Cane Roots | **17 513** | 22 945 | **14 946** | 20 742 |
| Factory overhaul costs | **13 266** | 5 826 | **13 266** | 5 826 |
| Growing cane | **50 626** | 56 109 | **42 670** | 49 514 |
| Provisions | **(16 683)** | (10 392) | **(16 683)** | (10 392) |
| Deferred Interest Deduction (Restriction): S29 | **-** | 8 335 | **-** | 8 335 |
| Deferred Income | **(44 882)** | (43 788) | **(44 882)** | (43 788) |
| Unrealised exchange differences | **13 605** | (14 732) | **12 858** | (14 938) |
| Balance at end of year | **287 800** | 229 432 | **260 703** | 204 488 |

## 22. TRADE AND OTHER PAYABLES

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

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | 2021 K'000 | 2020 K'000 | 2021 K'000 | 2020 K'000 |
| Trade payables | 183 810 | 112 767 | 162 232 | 112 767 |
| Growers | 251 267 | 188 376 | 251 267 | 188 376 |
| Accruals | 139 353 | 127 989 | 139 353 | 115 857 |
| Payroll | 28 444 | 37 718 | 28 444 | 37 118 |
| Other payables | 28 419 | 25 253 | 18 725 | 14 661 |
| Balance at end of year | 631 293 | 492 103 | 600 021 | 468 779 |

The Group's other payables mainly comprise provisions for import duty, clearing charges, gratuity and voluntary separation and withholding tax.

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.

## 23. CONTRACT LIABILITIES

Contract liabilities relate to amounts received in advance from customers in relation to sales contracts.

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | 2021 K'000 | 2020 K'000 | 2021 K'000 | 2020 K'000 |
| **Deferred Income** | 219 765 | 281 663 | 219 765 | 281 663 |
| **Currency Split:** | | | | |
| Deferred income amounts in USD | 204 983 | 236 755 | 204 983 | 236 755 |
| Deferred income amounts in ZAR | 2 593 | 29 419 | 2 593 | 29 419 |
| Deferred income amounts in EUR | 262 | 791 | 262 | 791 |
| Deferred income amounts in ZMW | 11 927 | 14 698 | 11 927 | 14 698 |
| **Aging of contract balances Current balance (within 12 months)** | 219 765 | 281 663 | 219 765 | 281 663 |

## 24 AMOUNTS DUE TO/(FROM) RELATED PARTIES

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

### 24.1 Holding Companies

The Group is controlled by the following entities:

| | | Ownership Interest in Zambia Sugar Plc | |
|---|---|---|---|
| NAME | TYPE | AUGUST 2021 | AUGUST 2020 |
| Illovo Group Holdings Limited (IGHL), incorporated in Mauritius | Immediate holding Company | 75% | 75% |
| Illovo Sugar Africa Holdings Limited (ISAHL), incorporated in United Kingdom | Illovo holding Company | 75% | 75% |
| Associated British Foods Plc, incorporated in United Kingdom | Ultimate holding Company | 75% | 75% |

#### 24.1.1 Ultimate Holding Company

Associated British Foods Plc (ABF) holds 100% of the issued share capital of ISAHL and therefore hold an effective ownership interest of 75% 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.

#### 24.1.2 Illovo Holding Company

Illovo Sugar Africa Holdings Limited ("ISAHL") holds 100% of the issued share capital of Illovo Group Holdings Limited and therefore has an effective ownership interest of 75% in the Group effective September 2019.

Illovo Group Marketing Services limited (IGMS) is the Group's appointed agent to coordinate and manage the marketing, sale and distribution of all the Group's export sugar and molasses into Rwanda for which it receives a commission of 3% of export revenue. IGMS is owned by Illovo Group Holdings Limited (IGHL).

## 24. AMOUNTS DUE TO/(FROM) RELATED PARTIES (continued)

### 24.1 Holding Company (continued)

### 24.1.3 Illovo Group Marketing Services Limited ("IGMS")

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Trading balances owing by the Group | **3 405** | 6 468 | **3 405** | 3 405 |
| Trading balances owing to the Group | **-** | - | **-** | - |
| Export sugar sales | **39 675** | 98 078 | **39 675** | 39 675 |
| Export agency commission | **1 277** | 3 120 | **1 277** | 1 277 |
| Logistics cost reimbursement | **40 128** | 23 407 | **40 128** | 40 128 |

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.

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.

### 24.2 Fellow Subsidiaries of the Group

### 24.2.1 Illovo Sugar Africa Proprietary Limited

The Group had transactions with this related party facilitated by a Group operational support agreement between the parties.

**Transactions and balances with Illovo Sugar Africa Proprietary Limited - Procurement Division**

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Trading balances owing by the Group | **9 921** | 23 795 | **9 920** | 23 110 |
| Procurement of goods and services | **271 177** | 205 562 | **263 950** | 201 359 |
| Interest paid: procurement | **379** | 474 | **371** | 459 |

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 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.

**Transactions and balances with Illovo Sugar Africa Proprietary Limited - Corporate Division**

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Trading balances owing (to)/by the Group | **5 256** | (1 480) | **5 256** | (1 480) |
| Operational support fees | **74 296** | 52 748 | **74 296** | 52 748 |
| Cost reimbursement (general) | **10 995** | 13 158 | **10 995** | 13 158 |
| Export agency commission | **12 931** | 13 534 | **12 931** | 13 534 |

## 24. AMOUNTS DUE TO/(FROM) RELATED PARTIES (continued)

### 24.2 Fellow Subsidiaries of the Group (continued)

### 24.2.1 Illovo Sugar Africa Proprietary Limited (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%.

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.

### 24.2.2 ABF ZMW Finance Limited

| | Years of repayment | Effective Interest rate (%) | Group | | Company | |
|---|---|---|---|---|---|---|
| | | | AUGUST | | AUGUST | |
| | | | 2021 K'000 | 2020 K'000 | 2021 K'000 | 2020 K'000 |
| **Aggregation A Loans** | | | - | 731 022 | - | 731 022 |
| Loan A1 - Zambian Kwacha | 2023 | 18.81 | - | 182 000 | - | 182 000 |
| Loan A2 - Zambian Kwacha | 2023 | 18.81 | - | 182 000 | - | 182 000 |
| Loan A3 - Zambian Kwacha | 2023 | 18.80 | - | 183 111 | - | 183 111 |
| Loan A4 - Zambian Kwacha | 2023 | 18.78 | - | 98 349 | - | 98 349 |
| Loan A5 - Zambian Kwacha | 2023 | 19.64 | - | 85 562 | - | 85 562 |
| **Aggregation B Loans** | | | 403 000 | 403 000 | 403 000 | 403 000 |
| 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 |
| **Long-term borrowings** | | | 403 000 | 1 134 022 | 403 000 | 1 134 022 |
| **Total Accured Interest on related party loan** | | | | | | |
| Aggregation A Loans | | | - | 3 543 | - | 3 543 |
| Accrued interest - Loan A1 | | | - | 2 867 | - | 2 867 |
| Accrued interest - Loan A2 | | | - | 2 632 | - | 2 632 |
| Accrued interest - Loan A3 | | | - | 962 | - | 962 |
| Accrued interest - Loan A4 | | | - | (1 436) | - | (1 436) |
| Accrued interest - Loan A5 | | | - | (1 482) | - | (1 482) |
| Aggregation B Loans | | | 14 069 | 1 478 | 14 069 | 1 478 |
| Accrued interest - Loan B1 | | | 7 052 | 780 | 7 052 | 780 |
| Accrued interest - Loan B2 | | | 7 017 | 775 | 7 017 | 775 |
| Accrued interest - Loan B4 | | | - | (77) | - | (77) |
| **Short-term borrowings** | | | 14 069 | 5 021 | 14 069 | 5 021 |
| **Total related party borrowings** | | | 417 069 | 1 139 043 | 417 069 | 1 139 043 |

## 24 AMOUNTS DUE TO/(FROM) RELATED PARTIES (continued)

### 24.2 Fellow Subsidiaries of the Group (continued)

### 24.2.2 ABF ZMW Finance Limited (continued)

During the year this Loan and its accrued interest was transferred to its ultimate parent ABF Overseas limited from Illovo Group Financing Services (IGFS). The change was effective July 2021. The interest paid has been split in the tables below to reflect the split between amounts paid to ABF Overseas limited and Illovo Group Financing Services.

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| **Interest paid: funding** | | | | |
| Aggregation A Loans | **82 877** | 150 404 | **82 877** | 150 404 |
| Interest paid - Loan A1 | **26 786** | 37 470 | **26 786** | 37 470 |
| Interest paid - Loan A2 | **26 789** | 37 471 | **26 789** | 37 471 |
| Interest paid - Loan A3 | **20 987** | 37 691 | **20 987** | 37 691 |
| Interest paid - Loan A4 | **7 649** | 20 178 | **7 649** | 20 178 |
| Interest paid - Loan A5 | **666** | 17 594 | **666** | 17 594 |
| Aggregation B Loans | **62 465** | 129 817 | **62 465** | 129 817 |
| Interest paid - Loan B1 | **31 310** | 43 053 | **31 310** | 43 053 |
| Interest paid - Loan B2 | **31 155** | 42 840 | **31 155** | 42 840 |
| Interest paid - Loan B3 | **-** | 30 068 | **-** | 30 068 |
| Interest paid - Loan B4 | **-** | 13 856 | **-** | 13 856 |
| | **145 342** | 280 221 | **145 342** | 280 221 |
| **ABF ZMW Finance Limited - Interest disclosure** | | | | |
| Aggregation B Loans | **11 300** | - | **11 300** | - |
| Interest paid - Loan B1 | **5 664** | - | **5 664** | - |
| Interest paid - Loan B2 | **5 636** | - | **5 636** | - |

**A Loans**

There are no balances owing on the A Loans as a capital amount as at August 2021 (August 2020: K731 million) and the respective accrued interest (August 2020: K3.5 million). The loans were denominated in Zambian Kwacha, unsecured and attracted an 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 was paid on a monthly basis.

**B Loans**

The balance owing on the B Loans comprises K403 million capital (August 2020: K403 million) and K14 million accrued interest (August 2020: K1.5 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 24 of each month or if that date is not a business day, the next business day. The repayment date of loans B1 and B2 is on such date as agreed in writing by the parties.

## 24 AMOUNTS DUE TO/(FROM) RELATED PARTIES (continueD)

### 24.2 Fellow Subsidiaries of the Group (continued)

#### 24.2.3 East African Supply Proprietary Limited ("EAS")

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Trading balances owing by the Group | **2 126** | 567 | **2 126** | 567 |
| Air services | **2 405** | 2 961 | **2 405** | 2 961 |

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.

#### 24.2.4 Other fellow subsidiaries

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Trading balances owing to/(from) the Group | | | | |
| - Illovo Sugar (Malawi) Plc | **80** | 1 653 | **80** | 1 653 |
| - Kilombero Sugar Company Limited ("KSC") | **298** | 123 | **298** | 123 |
| Cost recoveries (general) transactions | | | | |
| - Illovo Sugar (Malawi) Plc | **80** | 1 653 | **80** | 1 653 |
| - Kilombero Sugar Company Limited ("KSC") | **298** | - | **298** | - |
| Cost reimbursement transactions | | | | |
| - Kilombero Sugar Company Limited ("KSC") | **-** | 123 | **-** | 123 |

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.

### 24.3 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 | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| **Trading balances owing by the Company** | - | - | **122 170** | 80 967 |
| Operational support fees received | - | - | **7 486** | 6 254 |
| Cane purchases | **-** | - | **252 553** | 162 461 |
| Dividend income | **-** | - | **41 744** | 29 875 |
| Interest paid/(received) on overdue balances | **-** | - | **(105)** | 231 |

## 24. AMOUNTS DUE TO/(FROM) RELATED PARTIES (continued)

### 24.3 Subsidiary of Zambia Sugar Plc. (continued)

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

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

### 24.4 Related Party Balances - Summary

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | AUGUST | | AUGUST | |
| | | **2021** | 2020 | **2021** | 2020 |
| | NOTE | **K'000** | K'000 | **K'000** | K'000 |
| **Long-term borrowings** | | | | | |
| ABF ZMW Finance Ltd. | 24.2.2 | **403 000** | 1 048 460 | **403 000** | 1 048 460 |
| **Short term borrowings** | | | | | |
| ABF ZMW Finance Ltd. | 24.2.2 | **14 069** | 85 562 | **14 069** | 85 562 |
| **Amounts due from related parties** | | | | | |
| Illovo Sugar (Malawi) Plc | 24.2.4 | **80** | 1 653 | **80** | 1 653 |
| Kilombero Sugar Company Limited | 24.2.4 | **298** | 123 | **298** | 123 |
| Illovo Sugar Africa Proprietary Limited | | | | | |
| - Corporate Division | 24.2.1 | **-** | 1 480 | **-** | 1 480 |
| | | **378** | 3 256 | **378** | 3 256 |
| **Amounts due to related parties** | | | | | |
| Illovo Sugar Africa Proprietary Limited | | | | | |
| - Procurement Division | 24.2.1 | **9 921** | 23 795 | **9 920** | 23 110 |
| Illovo Sugar Africa Proprietary Limited | | | | | |
| - Corporate Division | 24.2.1 | **5 256** | - | **5 256** | - |
| Illovo Group Marketing Services Limited | 24.1.3 | **3 405** | 6 468 | **3 405** | 6 468 |
| Illovo Group Financing Services | 24.2.2 | **-** | 5 021 | **-** | 5 021 |
| East African Supply Proprietary Limited | 24.2.3 | **2 126** | 567 | **2 126** | 567 |
| Nanga Farms Plc | 24.3 | **-** | - | **122 170** | 80 967 |
| | | **20 708** | 35 851 | **142 877** | 116 133 |

## 24. AMOUNTS DUE TO/(FROM) RELATED PARTIES (continued)

### 24.5 Related Party Transactions - Summary

| | | | Group | | Company | |
|---|---|---|---|---|---|---|
| | | | AUGUST | | AUGUST | |
| | | | **2021** | 2020 | **2021** | 2020 |
| | NOTE | NATURE OF TRANSACTION | **K'000** | K'000 | **K'000** | K'000 |
| **Income** | | | | | | |
| Kilombero Sugar Company Limited | 24.2.6 | Cost recoveries | **298** | 1 111 | **298** | 1 111 |
| Illovo Sugar (Malawi) Plc | 24.2.6 | Cost recoveries | **80** | 1 653 | **80** | 1 653 |
| Nanga Farms Plc | 24.3 | Operational support fees received | **-** | - | **7 486** | 6 254 |
| Nanga Farms Plc | 24.3 | Dividend income | **-** | - | **41 744** | 29 875 |
| | | | **378** | 2 764 | **49 608** | 38 893 |
| **Expenditure** | | | | | | |
| Illovo Sugar Africa Proprietary Limited - Procurement Division | 24.2.1 | Goods and services procured | **271 177** | 205 562 | **263 950** | 201 359 |
| Illovo Sugar Africa Proprietary Limited - Corporate Division | 24.2.1 | Operational support | **74 296** | 52 748 | **74 296** | 52 748 |
| Illovo Sugar Africa Proprietary Limited - Corporate Division | 24.2.1 | Cost reimbursement | **10 995** | 13 158 | **10 995** | 13 158 |
| Illovo Sugar Africa Proprietary Limited - Corporate division | 24.2.1 | Export agency commission | **12 931** | 13 534 | **12 931** | 13 534 |
| Illovo Group Marketing Services Limited | 24.1.3 | Export agency commission | **1 277** | 3 120 | **1 277** | 3 120 |
| Illovo Group Marketing Services Limited | 24.1.3 | Cost reimbursement | **40 128** | 23 407 | **40 128** | 23 407 |
| East African Supply Proprietary Limited | 24.2.3 | Air services | **2 405** | 2 961 | **2 405** | 2 961 |
| Ubombo Sugar Limited | 24.2.4 | Cost reimbursement | **-** | 32 | **-** | 32 |
| Nanga Farms Plc | 24.3 | Sugar cane purchases | **-** | - | **252 553** | 162 461 |
| | | | **413 209** | 314 522 | **658 535** | 472 780 |
| **Financing costs** | | | | | | |
| Illovo Sugar Africa Proprietary Limited - Procurement Division | 24.2.1 | Overdue trading balances | **379** | 474 | **371** | 459 |
| ABF ZMW Finance limited | 24.2.2 | Funding balances | **11 300** | - | **11 300** | - |
| Illovo Group Financing Services ("IGFS") | 24.2.2 | Funding balances | **145 342** | 280 221 | **145 342** | 280 221 |
| Nanga Farms Plc | 24.3 | Overdue trading balances | **-** | - | **(105)** | 231 |
| | | | **157 021** | 280 695 | **156 908** | 280 911 |

## 24. AMOUNTS DUE TO/(FROM) RELATED PARTIES (continued)

### 24.6 Compensation of key management

#### 24.6(a) Compensation for the year to 31 August 2021

| | NOTE | 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) | Education Allowance (K'000) | Gratuity/ Retirement Benefit (K'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-Executive** | | | | | | | | | | |
| Norman Mbazima | | 271 | - | - | - | - | - | - | - | - |
| Fidelis Banda | | 238 | - | - | - | - | - | - | - | - |
| Roseta Chabala | | 228 | - | - | - | - | - | - | - | - |
| Ami Mpungwe | | 238 | - | - | - | - | - | - | - | - |
| Dipak Patel | | 228 | - | - | - | - | - | - | - | - |
| Gavin Dalgleish | 1 | | - | - | - | - | - | - | - | - |
| Doug Kasambala | 1 | | - | - | - | - | - | - | - | - |
| Nelis Saayman | 1 | | - | - | - | - | - | - | - | - |
| **Executive** | | | | | | | | | | |
| Rebecca Katowa | 2,3 | 1 725 | - | 518 | Company Car | - | Company Medical | 750 | - | 1 034 |
| Raphael Chipoma | 4 | 1 633 | - | Company House | 392 | - | 212 | 572 | 180 | 242 |
| Marc Pousson | 5 | 2 979 | 1 787 | Company House | Company Car | 107 | 103 | 624 | 952 | 315 |

#### 24.6 (b) Compensation for the year to 31 August 2020

| | NOTE | 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) | Education Allowance (K'000) | Gratuity/ Retirement Benefit (K'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-Executive** | | | | | | | | | | |
| Norman Mbazima | | 243 | - | - | - | - | - | - | - | - |
| Fidelis Banda | | 227 | - | - | - | - | - | - | - | - |
| Roseta Chabala | | 161 | - | - | - | - | - | - | - | - |
| Ami Mpungwe | | 273 | - | - | - | - | - | - | - | - |
| Dipak Patel | | 261 | - | - | - | - | - | - | - | - |
| Gavin Dalgleish | 1 | - | - | - | - | - | - | - | - | - |
| Doug Kasambala | 1 | - | - | - | - | - | - | - | - | - |
| Nelis Saayman | 1 | - | - | - | - | - | - | - | - | - |
| **Executive** | | | | | | | | | | |
| Rebecca Katowa | 3 | 1 645 | - | 485 | Company Car | - | Company Medical | 588 | - | 1 003 |
| Raphael Chipoma | 4,3 | 1 163 | - | Company House | 259 | - | Company Medical | - | - | 90 |
| Marc Pousson | 5,3 | 1 286 | 432 | Company House | Company Car | 22 | Company Medical | - | - | 73 |
| Graham Rolfe | 6,3 | 1 909 | 939 | Company House | Company Car | 116 | 26 | 646 | - | 146 |

Gratuity/retirement benefits are considered post employment benefits whereas the other categories are considered short-term employment benefits.

1. Illovo Group appointed Directors have waivered their right to get paid Directors' fees.
2. Resigned as Managing Director of the Board on 31 August 2021.
3. The Executive Directors 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 2020 and 31 August 2019 for the comparative year numbers.
4. Appointed as an Executive Director of the Board on 01 December 2019.
5. Appointed as an Executive Director of the Board on 01 June 2020.
6. Resigned as Operations Director of the Board on 31 May 2020.

## 25. 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 dollars. These forecast transactions are highly probable, and they comprise about 67% of the Group's total expected sales in US dollars.

The Group did not have derivative financial instruments in the current financial year or in the prior year.

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Balance at start of year | - | 23 567 | - | 23 567 |
| Prior Adjustment cash flow hedges | - | - | | |
| Adjustment in respect of cash flow hedges | - | (26 185) | - | (26 185) |
| Tax effect on cash flow hedges | - | 2 618 | - | 2 618 |
| Balance at end of year | - | - | - | - |

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.

**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, the Group did not have any cash flow hedges in the financial year ended 31st August 2021.The prior year hedge ineffectiveness recognised in the statement of profit or loss as shown below.

| | | | | |
|---|---|---|---|---|
| Hedging loss | - | (25 626) | - | (25 626) |

The were no cash flow hedges of the expected future sales in 2021 as compared to 2020 where cash flow hedges were assessed to be ineffective with a net realised loss of K26.1 million , with a deferred tax asset of K3 million relating to the hedging instruments.

## 26. PROVISION FOR LEAVE PAY

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| At beginning of year | **15 639** | 21 209 | **15 639** | 21 209 |
| Provisions made during the year | **20 160** | 15 639 | **20 160** | 15 639 |
| Utilised during the year | **(15 639)** | (21 209) | **(15 639)** | (21 209) |
| At end of year | **20 160** | 15 639 | **20 160** | 15 639 |
| Analysed as follows: | | | | |
| Provision for leave pay | **20 160** | 15 639 | **20 160** | 15 639 |
| | **20 160** | 15 639 | **20 160** | 15 639 |

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

## 27. CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Approved but not contracted | - | 22 760 | - | 22 760 |
| Contracted | **4 653** | 11 105 | **4 653** | 11 105 |
| | **4 653** | 33 865 | **4 653** | 33 865 |

Capital commitments relate to approved capital expenditure for property plant and equipment for the group. It will be financed from cash resources, short-term borrowings and external debt financing.

## 28. 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.

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| **Financial assets** | | | | |
| Loans and receivables | **681 212** | 294 386 | **675 299** | 289 690 |
| Derivative financial instruments designated as cash flow hedges | **-** | - | **-** | - |
| **Financial liabilities** | | | | |
| Derivative financial instruments designated as cash flow hedges | **-** | - | **-** | - |
| Financial liabilities measured at amortised cost | **1 277 647** | 1 663 986 | **1 367 514** | 1 720 944 |
| **Reconciliation to the statement of financial position:** | | | | |
| **Loans and receivables** | | | | |
| Trade and other receivables | **297 547** | 213 975 | **293 907** | 213 734 |
| Amounts due from related parties | **378** | 3 256 | **378** | 3 256 |
| Cash and bank balances | **383 287** | 77 155 | **381 014** | 72 700 |
| **Financial assets measured at amortised cost** | **681 212** | 294 386 | **675 299** | 289 690 |
| Long-term borrowings | **56 069** | 1048 460 | **56 069** | 1 048 460 |
| Short-term borrowings | **361 000** | 85 562 | **361 000** | 85 562 |
| Trade and other payables | **631 293** | 492 103 | **600 021** | 468 779 |
| Amounts due to related parties | **21 717** | 35 851 | **142 878** | 116 133 |
| Bank overdraft | **207 568** | 2 010 | **207 546** | 2 010 |
| **Financial liabilities measured at amortised cost** | **1 277 647** | 1 663 986 | **1 367 514** | 1 720 944 |

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 2021 was assessed to be insignificant.

## 28 FINANCIAL RISK MANAGEMENT (continued)

### 28.1 Liquidity risk management

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

| The Group has access to the following unsecured local banking facilities at year end: | Group AUGUST 2021 K'000 | Company AUGUST 2020 K'000 |
|---|---|---|
| Unsecured bank overdraft facility, reviewed annually and payable at call: | | |
| - Amount utilised | **207 568** | 2 010 |
| - Amount unutilised | **292 432** | 497 990 |
| Total local bank overdraft facilities | **500 000** | 500 000 |

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 86% of the Group's debt will mature in less than one year at 31 August 2021 (2020: 8%) 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 2021 | On Demand | Less than 3 months | 3- 12 moths | 1 to 5 years | Total |
|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | - | 14 069 | - | 534 364 | 548 433 |
| Lease Liabilities | - | - | 25 052 | 145 770 | 170 822 |
| Trade and other payables | - | 631 293 | - | - | 631 293 |
| Amounts due to related parties | - | 21 717 | - | - | 21 717 |
| | - | 667 079 | 25 052 | 680 134 | 1 372 265 |

| Year ended 31 August 2020 | On Demand | Less than 3 months | 3- 12 moths | 1 to 5 years > 5 years | Total |
|---|---|---|---|---|---|
| Interest-bearing loans and borrowings (other than convertible preference shares) | - | 85 562 | - | 1 840 101 | 1 925 663 |
| Lease Liabilities | - | - | 39 620 | 142 067 | 181 687 |
| Trade and other payables | - | 492 103 | - | - | 492 103 |
| Amounts due to related parties | - | 35 851 | - | - | 35 851 |
| | - | 613 516 | 39 620 | 1 982 168 | 2 635 304 |

## 28 FINANCIAL RISK MANAGEMENT (continued)

### 28.2 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 in the economic environment it operates in.

| The interest rate profile at 31 August 2021 is as follows: | Floating Rate | | |
|---|---|---|---|
| | Less than one Year | Greater than one year | Total borrowings |
| Borrowings (K 'million) | 222 | 403 | 625 |
| % total borrowings | 35.5% | 65% | 100% |
| The interest rate profile at 31 August 2020 was as follows: | | | |
| Borrowings (K 'million) | 88 | 1 048 | 1 136 |
| % total borrowings | 8% | 92% | 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 | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 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: | **1 379** | 5 294 | **5 294** | 5 294 |

### 28.3 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:

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| **Group** | | | | |
| US Dollars | **361 826** | 293 788 | **(41 021)** | (111 257) |
| SA Rands | **11 102** | 69 080 | **(14 769)** | (51 518) |
| Euros | **117** | 2 565 | **( 45)** | - |

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| **Company** | | | | |
| US Dollars | **361 674** | 290 930 | **(31 640)** | (105 722) |
| SA Rands | **11 102** | 69 080 | **(12 143)** | (27 420) |
| Euros | **117** | 2 565 | **(45)** | - |

## 28 FINANCIAL RISK MANAGEMENT (continued)

### 28.3 Currency risk management (continued)

#### Foreign currency sensitivity

The Group's exchange rate exposure relates mainly to the US dollar, Rand and the Euro. The following 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 | | | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Group** | | | | | | |
| Monetary assets | **36 183** | 29 379 | **1 110** | 6 908 | **12** | 257 |
| Monetary liabilities | **(4 102)** | (11 126) | **(1 477)** | (5 152) | **(5)** | - |
| | **32 081** | 18 253 | **(367)** | 1 756 | **7** | 257 |
| **Company** | | | | | | |
| Monetary assets | **36 167** | 29 093 | **1 110** | 6 908 | **1** | 26 |
| Monetary liabilities | **(3 164)** | (10 572) | **(1 214)** | (2 742) | **-** | - |
| | **33 003** | 18 521 | **(104)** | 4 166 | **1** | 26 |

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.

| | | US Dollar | | Euro | | SA Rand | |
|---|---|---|---|---|---|---|---|
| | Change in rate | Effect on profit before tax K'000 | Effect on pre-tax equity K'000 | Effect on profit before tax K'000 | Effect on pre-tax equity K'000 | Effect on profit before tax K'000 | Effect on pre-tax equity K'000 |
| 2021 | -/+ 10% | **32 081** | 32 081 | **7** | 7 | **(367)** | (367) |
| 2020 | -/+ 10% | **18 253** | 18 253 | **257** | 257 | **1 756** | 1 756 |

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

| | Rates at year-end | | Average for year | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | 2021 | 2020 | 2021 | 2020 |
| Kwacha/Rand | **1.09** | 1.17 | **1.42** | 1.00 |
| Kwacha/US dollar | **15.85** | 19.61 | **21.34** | 15.88 |
| Kwacha/Euro | **18.76** | 23.35 | **25.49** | 17.67 |

The Group has not entered into any forward exchange contracts to cover forecast foreign currency proceeds not yet receivable.

## 28 FINANCIAL RISK MANAGEMENT (continued)

### 28.4 Foreign currency sensitivity (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. Generally, trade receivables are written-off if past due for more than one year and are not 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 ECL rate used for creation of provision is calculated incorporating macro economic forward factors of inflation, interest rates and Gross domestic product (GDP) rates. This is weighted over a 5 year historical period to derive the rate. A specific probability adjustment rate is applied to customers in whose debts are in default and known to be irrecoverable.

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021** | 2020 | **2021** | 2020 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Not past due | **210 226** | 121 889 | **210 226** | 121 889 |
| Past due by 30 days | **20 681** | 22 698 | **20 681** | 22 698 |
| Past due by 60 days | **447** | 1 042 | **447** | 1 042 |
| Past due by 90 days | **434** | 795 | **434** | 795 |
| Past due over 120 days | **16 656** | 21 567 | **16 656** | 21 567 |
| | **248 444** | 167 991 | **248 444** | 167 991 |
| less : allowance for doubtful debts | **(16 114)** | (10 600) | **(16 114)** | (10 600) |
| **Total trade receivables** | **232 330** | 157 391 | **232 330** | 157 391 |

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

**31 August 2021** — **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 | 0.2% | 0.8% | 2.0% | 0.0% | 9.5% | 100.0% | |
| Estimated total gross carrying amount | 210 226 | 20 681 | 447 | 434 | 863 | 15 793 | 248 444 |
| Expected credit loss amount | 375 | 156 | 9 | - | 82 | 15 793 | 16 415 |

The calculation of loss rates considers the historical default rate per customer when calculating the Expected credit loss provision, hence a provision is made for items under the category of "Not past due" in instances were the customer has had a default in the past. The provision created for Trade receivables is considered to be within the tolerable limits for expected credit loss amounts.

**31 August 2020** — **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 | 0,6% | 0.0% | 0.0% | 0.0% | 0.0% | 59.2% | |
| Estimated total gross carrying amount | 121 889 | 22 698 | 1 042 | 795 | 4 843 | 16 724 | 167 991 |
| Expected credit loss amount | 704 | - | - | - | - | 9 896 | 10 600 |

No specific trade receivables were placed under liquidation in either the current or the previous year with the exception of Zambisa where properties that were offered as security were transferred to Group on 31 August 2020 following a summary judgment.

#### 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. See note 18. 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 2021 and 2020 is the carrying amounts as illustrated in Note 28.7.

## 28 FINANCIAL RISK MANAGEMENT (continued)

### 28.5 Capital risk management

The Group manages its capital to ensure that the Company and its subsidiary will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of equity and debt, which includes borrowings net of cash and bank balances.

#### Gearing ratio

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

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Debt (see note i) | **417 069** | 1 134 022 | **417 069** | 1 134 022 |
| Bank overdraft | **207 568** | 2 010 | **207 546** | 2 010 |
| Cash and bank balances | **(383 287)** | (77 155) | **(381 014)** | (72 700) |
| Net Borrowings | **241 350** | 1 058 877 | **243 601** | 1 063 332 |
| Equity (see note ii) | **2 577 814** | 1 567 724 | **2 338 976** | 1 408 823 |
| Net debt to equity ratio | **9.4%** | 67.5% | **10.4%** | 75.5% |

(i) Debt is defined as long and short-term borrowings as described in note 20.

(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 borrowings 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 2021 and 2020.

### 28.6 Fair Values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Carrying Amount K'000** | Fair Value K'000 | **Carrying Amount K'000** | Fair Value K'000 |
| **Financial assets** | | | | |
| Trade and other receivables | **297 547** | 297 547 | **213 975** | 213 975 |
| Amounts due from related parties | **378** | 378 | **3 256** | 3 256 |
| **Total** | **297 925** | 297 925 | **217 231** | 217 231 |
| **Financial liabilities** | | | | |
| Long term borrowings | **56 069** | 988 422 | **1 048 460** | 988 422 |
| Short term borrowings | **361 000** | 194 952 | **85 562** | 194 952 |
| Trade and other payables | **631 293** | 631 293 | **492 103** | 492 103 |
| Amounts due to related parties | **21 717** | 21 717 | **35 851** | 35 851 |
| **Total** | **1 070 079** | 1 836 384 | **1 661 976** | 1 711 328 |

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 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. These borrowings are considered to be level 2.The own non-performance risk as at 31 August 2021 was assessed to be insignificant.

## 28.7 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 1 September 2020 | Cash flows | Exchange rate | Interest capitalised | 31 August 2021 |
|---|---|---|---|---|---|
| Non current interest bearing loans and borrowings | 1 134 022 | (716 953) | - | - | 417 069 |
| Total liabilities from financing activities | **1 134 022** | **(716 953)** | **-** | **-** | **417 069** |

| | 1 September 2019 | Cash flows | Exchange rate | Interest capitalised | 31 August 2020 |
|---|---|---|---|---|---|
| Current interest bearing loans and borrowings | 231 993 | (231 993) | - | - | - |
| Non current interest bearing loans and borrowings | 1 399 704 | (265 682) | - | - | 1 134 022 |
| Total liabilities from financing activities | **1 631 697** | **(497 675)** | **-** | **-** | **1 134 022** |

The 'Cash flows' column includes both capital and interest repayments.

## 29. 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 K20 million (2020: K16.2 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 K21 million (2020: K22.7 million) during the year in respect of this scheme.

## 30. LEASES

The Group has lease contracts for land used in its agricultural cane growing operations, warehouses for storage of sugar and IT leases for hardware equipment used in its operations. Leases of land are for 17 years, while warehouses are for 1 year and IT equipment leases are for 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group paid the kwacha equivalent amounts of K27.8 million in land rentals, K18.3 million in warehouse rentals and K5.2 million in IT equipment rentals. The Land rentals are denoted in United Stated Dollars and the IT Equipment leases are denoted in south african rand.

The effective discounting rate used is 31.35% for the land leases and 9.92% for the IT equipment leases.

Below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | Land and Buildings | Plant, equipment and other | Total |
|---|---|---|---|
| | K'000 | K'000 | K'000 |
| **As at 1 Sep 2019** | **29 122** | **-** | **29 122** |
| Additions | 25 318 | 6 156 | 31 474 |
| Depreciation expense | (14 769) | (3 442) | (18 211) |
| **As at 31 Aug 2020** | **39 671** | **2 714** | **42 385** |
| Additions | 30 754 | 2 594 | 33 348 |
| Depreciation expense | (18 140) | (1 255) | (19 395) |
| **As at 31 Aug 2021** | **52 285** | **4 053** | **56 338** |

## 30. LEASES (continued)

Below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

| | Land and Buildings | Plant, equipment and other | Total |
|---|---|---|---|
| | K'000 | K'000 | K'000 |
| **As at 1 Sep 2019** | **(49 593)** | **-** | **(49 593)** |
| Additions | (25 318) | (7 378) | (32 696) |
| Foreign exchange loss | (20 045) | (1 814) | (21 859) |
| Lease liability - Payments | 16 459 | 3 442 | 19 901 |
| **As at 31 Aug 2020** | **(78 497)** | **(5 750)** | **(84 247)** |
| Additions | (30 754) | (2 594) | (33 348) |
| Foreign exchange gain/(loss) | 12 413 | (1 162) | 11 251 |
| Lease liability - Payments | 17 910 | 2 779 | 20 689 |
| **As at 31 Aug 2021** | **(78 927)** | **(6 727)** | **(85 654)** |
| | | | |
| **Accretion of interest** | | | |
| **As at 31 Aug 2019** | - | - | - |
| Lease liability - Interest expense | (23 478) | (835) | (24 313) |
| Lease liability - Payments | 12 825 | 835 | 13 660 |
| **As at 31 Aug 2020** | **(10 653)** | **-** | **(10 653)** |
| Lease liability - Interest expense | (14 298) | (890) | (15 188) |
| Lease liability - Payments | 19 128 | 890 | 20 018 |
| **As at 31 Aug 2021** | **(5 823)** | **-** | **(5 823)** |
| | | | |
| **Current** | (23 802) | (1 250) | (25 052) |
| **Non-current** | (60 948) | (5 477) | (66 425) |

The following are the amounts recognised in profit or loss:

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Depreciation expense of right-of-use assets | **(19 395)** | (18 211) | **(19 395)** | (18 211) |
| Interest expense on lease liabilities | **(15 188)** | (24 313) | **(15 188)** | (24 313) |
| Foreign exchange gain/(loss) | **11 251** | (21 859) | **11 251** | (21 859) |
| **Total amount recognised in profit or loss** | **(23 332)** | **(64 383)** | **(23 332)** | **(64 383)** |

## 31. COVID-19 ADDITIONAL DISCLOSURE

The COVID-19 pandemic continued to have a number of negative impacts on the operation of the Group in the financial year ended 31 August 2021.

Among the impacts include the continued long term effects on the economy of high inflation and depreciation of the kwacha. The group is still experiencing a high cost of essential production raw materials. In order to prepare for possible closure of the borders and delays of clearing during the year of essential raw materials (i.e. Off crop maintenance items, packing materials etc.), advance buying and increase of stock holding levels is being implemented by the group. Additional requirements made by suppliers for upfront payments to secure supply which in turn affected daily operational cash flow requirements are still a common practice. This Group remains resilient to these challenges as evidenced by the strong performance achieved in the financial year.

The average annual depreciation of the currency has continued to have a positive impact on the kwacha realisation obtained by the Group on its export revenue and its volumes of domestic sales. The domestic market experienced 26% growth in sugar sales volumes the current financial year.

The group also incurred additional costs to ensure compliance with COVID -19 preventative regulatory measures and also in the form of donations to other direct and indirect stake holders within its operating environment. Below is a break down of the amounts spent by the group

| | Group | | Company | |
|---|---|---|---|---|
| | AUGUST | | AUGUST | |
| | **2021 K'000** | 2020 K'000 | **2021 K'000** | 2020 K'000 |
| Costs incurred to ensure compliance with revised health and safety measures directly attributable to COVID-19 | **7 034** | **5 642** | **6 799** | **5 549** |

## 32. CONTINGENT LIABILITIES

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 K271 million as at 31 August 2021 (August 2020:K254 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 11 October 2017, following a 4 year investigation, the Competition and Consumer Protection Commission (CCPC) announced that it was imposing a fine of K76 million 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 2021.

There are some tax matters that are currently under assessment with the Zambia Revenue Authority. There is no reasonable estimate for these matters as they have not been concluded yet.

## 33. 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.

# Five Year Review

| PRODUCTION & SALES | | | August 2021 | August 2020 | August 2019 | August 2018 | August 2017 |
|---|---|---|---|---|---|---|---|
| | | | Tonnes '000 | Tonnes '000 | Tonnes '000 | Tonnes '000 | Tonnes '000 |
| **Own estate cane produced** | | | **1 727** | 1 673 | 1 849 | 1 625 | 1 639 |
| **Total cane milled** | | | **3 216** | 3 367 | 3 356 | 2 910 | 3 007 |
| Sugar production | | | **397** | 398 | 399 | 351 | 359 |
| Cane sugar ratio | | | **8.10** | 8.46 | 8.41 | 8.29 | 8.38 |
| **Sugar sales** | | | **413** | 378 | 415 | 354 | 361 |
| Local | | | **263** | 209 | 182 | 170 | 153 |
| Export | | | **150** | 169 | 233 | 184 | 208 |
| **Molasses sales** | | | **104** | 116 | 129 | 94 | 104 |
| Local | | | **66** | 69 | 50 | 44 | 49 |
| Export | | | **38** | 47 | 79 | 50 | 55 |
| FINANCIAL | Notes | | **K '000** | K '000 | K '000 | K '000 | K '000 |
| **Statement of comprehensive income** | | | | | | | |
| Revenue | | | **4 988 980** | 3 334 924 | 2 955 958 | 2 362 468 | 2 479 348 |
| Operating profit | | | **1 614 962** | 774 841 | 605 741 | 387 601 | 410 508 |
| Exchange movements on leases | | | **11 251** | - | - | - | - |
| Net financing costs | | | **(274 761)** | (325 891) | (299 492) | (242 530) | (469 791) |
| Profit/(loss) before taxation | | | **1 351 452** | 448 950 | 306 249 | 145 071 | (59 283) |
| Taxation | | | **(265 385)** | (214 076) | (36 855) | 11 323 | (814) |
| Profit/(loss) for the year | | | **1 086 067** | 234 873 | 269 394 | 156 394 | (60 097) |
| Attributable to non-controlling interest | | | **-** | - | (5 664) | (3 752) | (6 512) |
| Profit/(loss) attributable to shareholders of Zambia Sugar Plc | | | **1 086 067** | 234 873 | 263 730 | 152 642 | (66 609) |
| Other comprehensive income/(loss) | | | **-** | (23 567) | 32 798 | (45 433) | 39 802 |
| Total comprehensive income/(loss) for the year attributable to shareholders of Zambia Sugar Plc | | | **1 086 067** | 211 306 | 296 528 | 107 209 | (26 807) |
| **Statement of financial position** | | | | | | | |
| Property. plant and equipment | | | **1 864 665** | 1 891 307 | 1 901 875 | 1 913 060 | 1 931 227 |
| Intangible asset | | | **67 902** | 67 902 | 67 902 | 67 902 | 67 902 |
| ROU Asset | | | **56 338** | 42 385 | - | - | - |
| Current assets | | | **2 211 564** | 1 819 680 | 1 650 730 | 1 429 082 | 1 376 091 |
| Net cash and bank balances | | | **175 719** | 75 145 | 313 017 | 200 666 | 160 365 |
| Borrowings | | | **(417 069)** | (1 134 022) | (1 631 697) | (1 640 924) | (1 647 914) |
| Deferred tax liability | | | **(287 800)** | ( 229 432) | (138 357) | (121 262) | (127 585) |
| ROU Liability | | | **(66 425)** | ( 65 933) | - | - | - |
| Current liabilities | | | **(1 027 080)** | (899 308) | (750 791) | (693 907) | (816 796) |
| Net asset value | | | **2 577 814** | 1 567 724 | 1 412 679 | 1 154 617 | 943 290 |
| **Profitability and asset management** | | | | | | | |
| Operating margin | | % | **32.4** | 23.2 | 20.5 | 16.4 | 16.6 |
| Return on net assets | 1 | % | **54.9** | 27 | 22.4 | 14.6 | 15.9 |
| **Liquidity and borrowings** | | | | | | | |
| Current ratio | 2 | times | **2.3** | 2.1 | 2.6 | 2.3 | 1.9 |
| Interest cover | 3 | times | **5.9** | 2.4 | 2 | 1.6 | 0.9 |
| Net debt : equity | 4 | % | **9** | 68 | 93 | 125 | 158 |
| Gearing | 5 | % | **9** | 40 | 48 | 56 | 61 |
| **Earnings and dividends per share** | | | | | | | |
| Earnings per share | 6 | ngwee | **343.07** | 74.19 | 83.31 | 48.22 | (21.04) |
| Headline earnings per share | 7 | ngwee | **342.25** | 72.41 | 81.56 | 72.41 | (21.04) |
| Dividend per share | 8 | ngwee | **85** | 24 | 8 | - | - |
| Dividend cover | 9 | times | **4** | 3 | 10 | - | - |
| Dividend paid | | K '000 | **75 977** | 25 326 | - | - | - |
| **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 | **8.14** | 4.95 | 4.46 | 3.65 | 2.98 |
| Market price per share at year end | | K | **5** | 2.51 | 2.71 | 2.71 | 2.70 |
| Dividend yield at year end | 11 | times | **1.4** | 9.6 | 3 | - | - |
| Price : headline earnings ratio | 12 | times | **1.4** | 3.5 | 3.3 | 3.7 | (12.8) |

# Five Year Review - Notes

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.

# Company Directory

| | |
|---|---|
| Secretary: | **Mrs Harriet Kapekele-Katongo** |
| Business address & Registered Office: | **Nakambala Estate, Plot No: 118a, Livingstone/Lubombo Road** |
| Postal address: | **P O Box 670240, Mazabuka, Zambia** |
| Telephone: | **+260 21 3 230 394** |
| Fax: | **+260 21 3 230 116** |
| Email address: | **Corporate@zamsugar.zm** |
| Website address: | **www.zamsugar.co.zm / www.illovosugarafrica.co.za** |
| Transfer secretaries: | **Corpserve Transfer Agents Ltd**<br>**2760, Lubu Road, Long Acres, Lusaka, Zambia**<br>**P.O. Box 37522, Lusaka, Zambia**<br>**Telephone: +260 21 1 256 969, 256 970**<br>**Fax: +260 21 1 256 975**<br>**E-mail: corpservezambia@corpservezambia.com.zm** |
| Auditors: | **EY Zambia** |
| Bankers: | **Absa Bank Zambia**<br>**Citibank Zambia**<br>**FNB Zambia**<br>**Stanbic Bank Zambia**<br>**Standard Chartered Bank Zambia**<br>**Zambia National Commercial Bank**<br>**Ecobank**<br>**Finance Bank** |

# Notice of Annual General Meeting


**Notice is hereby given that the 60th annual general meeting of the members of the Company will be held virtually on https://eagm.creg.co.zw/eagm/Login.aspx and at the Radisson Blu Hotel, Lusaka, Zambia on Wednesday, 24 November 2021 at 14h00. The voting at the Annual General Meeting will be electronically on https://eagm.creg.co.zw/eagm/Login.aspx**

**1. Minutes of the previous meeting**
To receive and note the minutes of the 59th Annual General Meeting held on 26 November 2020 duly approved by the Chairman in accordance with the Companies Act.

**2. Financial statements**
To receive and approve the Directors' Report and the Financial Statements for the year ended 31 August 2021, together with the Auditor's Report thereon.

**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 the Managing Director – Oswald Magwenzi**
To confirm the appointment of Mr Oswald Magwenzi, who was appointed by the Board as Managing Director with effect from 1 September 2021.

**3.2 Ordinary resolution number 2: Re-election of a Director retiring by rotation**
To re-elect Mr Gavin Dalgleish, who retires by rotation, and who, being eligible, offers himself for re-election. Based on the recommendations of the Remuneration and Nomination Committee, which has conducted a formal assessment of Mr Dalgleish, the Board recommends his re-election to shareholders. His details are set out on page 48 of the Annual Report.

**3.3 Ordinary resolution number 3: Re-election of a Director retiring by rotation**
To re-elect Mr Dipak Patel, who retires by rotation, and who, being eligible, offers himself for re-election. Based on the recommendations of the Remuneration and Nomination Committee, which has conducted a formal assessment of Mr Patel, the Board recommends his re-election to shareholders. His details are set out on page 50 of the Annual Report.

**3.4 Ordinary resolution number 4: Re-election of a Director retiring by rotation**
To re-elect Dr Nelis Saayman, who retires by rotation, and who, being eligible, offers himself for re-election. Based on the recommendations of the Remuneration and Nomination Committee, which has conducted a formal assessment of Dr. Saayman, the Board recommends his re-election to shareholders. His details are set out on page 51 of the Annual Report.

**3.5 Ordinary resolution number 5: Approval of Directors' fees**
That the fees for Non-Executive Directors be maintained at the current rate for the year ending 31 August 2022 in order that the following may continue to apply per annum:
- K 228,000 for a Board member;
- K 238,000 for a Board member/Committee member; and
- K 271,000 for the Board Chairman.

**3.6 Ordinary resolution number 6: Appointment of the Independent Auditor**
Pursuant to the requirements of sections 257(1) 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 2022 and to authorise the Directors to determine their remuneration.

**4. Declaration of final dividend**

The Directors recommend that a dividend of 84.5 ngwee per share be paid for the financial year ending 31 August 2021. It is noted that in terms of Company's Articles, the Company may only declare a dividend if the Directors have recommended a dividend.

**5. Other business**

To transact such other business as may be transacted at an Annual General Meeting of members.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy need not be a member of the Company. Proxy forms should be forwarded so as to reach the Company`s registered office or the share transfer secretaries not later than 48 hours before commencement of the Annual General Meeting.

**DETAILED INSTRUCTIONS ON HOW TO PARTICIPATE IN THE AGM VIRTUALLY**

As there will be limited space for the physical meeting in view of the need to adhere to COVID-19 guidelines, members are encouraged to participate in the AGM virtually.

1. The proceedings of the Annual General Meeting will be streamed live and Members are required to sign up in advance at https://eagm.creg.co.zw/eagm/login.aspx
2. To sign up for the AGM, a Member must have a working email and active cell phone number.
3. After signing up, Members will receive a confirmation email and SMS containing information about joining the AGM.
4. After registering, Members will also receive their Lusaka Securities Exchange (LuSE) ID number which they must have on the day of the AGM in order to vote on the resolutions.
5. On the day of the AGM, Members will require to confirm their attendance with the login details that will be provided after signing up.
6. To fully participate in the AGM, a Member must have a reliable internet connection.
7. Queries on the registration process, how to login to the meeting or voting process must be sent to info@corpservezambia com.zm or telephone number +260 950 968 435, +260 979 420 470 or +260 977 519 641.
8. Queries pertaining to shareholders relations such as change of address or bank details are to be channelled through the Transfer Secretaries, whose contact address is:

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

By order of the Board

Mrs Harriet Kapekele-Katongo
**Company Secretary**

# Minutes

## Minutes of the 59th Annual General Meeting of members held on 26 November 2019 at 14:00 hours at the Radisson Blu Hotel, Lusaka.

1 **PRESENT**

DIRECTORATE: NB Mbazima (Chairman), RL Katowa (Managing Director), GB Dalgleish, FM Banda, DK Patel, N Saayman, M Pousson, RM Chipoma, D Kasambala and RM Chabala

SECRETARY: Raphael Chipoma

(Lists of members present as attached)

2 **CALL TO ORDER/QUORUM**
A quorum having been met, the meeting was called to order at 14:20 hours.

3 **APOLOGIES FOR ABSENCE**
No apologies for absence were recorded.

4 **AGENDA**
The notice and agenda were adopted as presented.

5 **MINUTES OF THE PREVIOUS MEETING**
The minutes of the Annual General Meeting of 28 November 2018 were received and noted as approved by the Board.

6 **MATTERS ARISING**
No matters arose for discussion from the minutes of the previous meeting.

7 **THE DIRECTORS REPORT AND FINANCIAL STATEMENTS**
The Directors' report and Annual Financial statements for the year ended 31 August 2020 were presented by the Finance Director. There being no questions to be addressed the report was adopted and approved confirming all matters undertaken and discharged by the Directors on behalf of the Company.

8 **ELECTION OF DIRECTORS**
It was resolved that Messrs RM Chipoma, RM Chabala, D Kasambala and M Pousson who were appointed by the board as directors be confirmed by the meeting and further, that Messer's NB Mbazima, FM Banda and AR Mpungwe who retired by rotation, be and were hereby re-elected as Directors.

9 **DIRECTORS' FEES**
It was resolved that the fees for the Non-Executive be increased by 6.5% for the year ending 31 August 2021 as recommended to the shareholders by the Remuneration and Nominations Committee.

10 **AUDITORS' REMUNERATION AND RE-APPOINTMENT**
It was resolved that EY (Zambia) be re-appointed as auditors of the company until the conclusion of the next Annual General Meeting and that the Board of Directors be authorised to agree their fees.

11 **SPECIAL RESOLUTION**
It is noted that in terms of company's Articles, the company may only declare a dividend if the directors had recommended a dividend.

12 **DECLARATION OF FINAL DIVIDEND**
It is noted that in terms of Company's Articles, the Company may only declare a dividend if the Directors had recommended a dividend.

The directors recommended that a final dividend of K0.24 per share, for the year ended 31 August 2020 be declared to all shareholders registered in the books of the company, at the close of business on 16 December 2020. It was resolved that the recommendation of the board of directors regarding the payment of a final dividend of K0.24 per share for the year ended 31 August 2020 be and was hereby approved.

13 **ANY OTHER BUSINESS**
There being no further business to transact the Chairman thanked all shareholders for attending the meeting and declared the meeting closed at 15:30 hours.

**Norman Mbazima**
Chairman

Raphael Chipoma
**Company Secretary**

Dated this ______________________ day of______________________2021.

# Form of Proxy
# Zambia Sugar Plc

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 virtually on https://eagm.creg.co.zw/eagm/Login.aspx and at the **Radisson Blu Hotel, Lusaka, Zambia** on **Wenesday, 24 November 2021 at 14h00** and at any adjournment thereof as follows:

MARK WITH X WHERE APPLICABLE IN...

| No. | AGENDA ITEM | FAVOUR | AGAINST | ABSTAIN |
|---|---|---|---|---|
| **1.** | To receive and approve the Directors' Report and the Financial Statements for the year ended 31 August 2021 | | | |
| **2.** | Confirmation of the appointment of Oswald Magwenzi as a Director | | | |
| **3.** | Re-election of Gavin Dalgleish as a Director | | | |
| **4.** | Re-election of Dipak Patel as a Director | | | |
| **5.** | Re-election of Nelis Saayman as a Director | | | |
| **6.** | To maintain Directors' fees for the year ending 31 August 2022 | | | |
| **7.** | Pursuant to Section 257 of the Companies Act to reappoint EY Zambia as the Independent Auditor and authorise the Directors to determine the Auditor's fees. | | | |
| **8.** | The Directors recommend that a final dividend of K0.845 per share, for the year ended 31 August 2021, be declared to all shareholders registered in the books of the Company, at close of business on 17 December 2021 and payable on 22 December 2021 | | | |

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

Signed at ______________________ on this __________ day of __________ 2021.

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

- 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.
- 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.
- A minor must be assisted by his/her guardian.
- 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.
- 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.
- 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.


**CHOOSE WHITESPOON, THE RANGE FOR EVERY NEED.**

Proudly Produced by Zambia Sugar

Zambia Sugar

AN **ILLOVO SUGAR AFRICA** COMPANY


Postal Address

**Zambia Sugar Plc,**

PO Box 670240,

Mazabuka,

Zambia

Physical Address

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Nakambala Sugar Estate,

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