

Sustainability through **continuous innovation**



 **Zambia Sugar**

2014 Annual Report

A member of 



## Purpose

To produce & market **quality sugar & downstream products** at low cost that **satisfy customer requirements**, provide opportunities for meaningful work for employees & ensure **sustainable returns to shareholders**, whilst contributing positively to society & the environment

## Values

### 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.

### 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.



### 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.

### 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.



#### Cover

**MAIN :** Mature sugar cane crop.

**INSET LEFT:** Improved packaging for specialty sugars.

**INSET CENTRE:** Electrical power generation control room at Nakambala.

**INSET RIGHT:** View of no. 6 boiler installed during the factory expansion.

# Key Highlights

## Revenue (ZMW)

**1.78b** ↑16%

2013 - 1.54b

## Profit from operations (ZMW)

**303.2m** ↓-4%

2013 - 316.2m

## Profit for the year (ZMW)

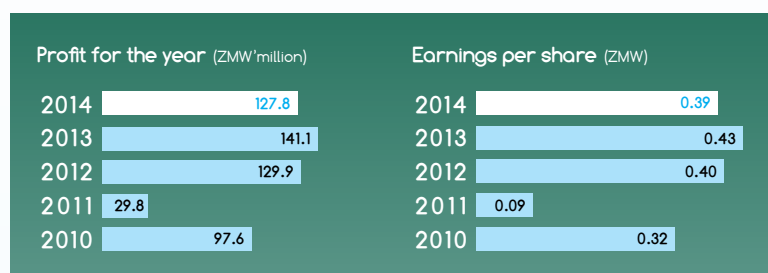
**127.8m** ↓-9%

2013 - 141.1m

## Earnings per share (ZMW)

**0.39** ↓-9%

2013 - 0.43



	2014	2013
Revenue (ZMW'000)	1 778 172	1 534 573
Profit from operations (ZMW'000)	303 146	316 189
Profit for the year (ZMW'000)	127 796	141 099
Earnings per share (ZMW)	0.39	0.43
Headline earnings per share (ZMW)	0.39	0.43
Dividends per share (ZMW)	0.20	0.22
Number of shares in issue (000)	316 571	316 571



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## Company Profile

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

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

The company is Zambia's largest sugar producer, with milling capacity to produce in excess of 400 000 tons of high-quality sugar per annum. Approximately 40% of current production is sold to domestic consumer and

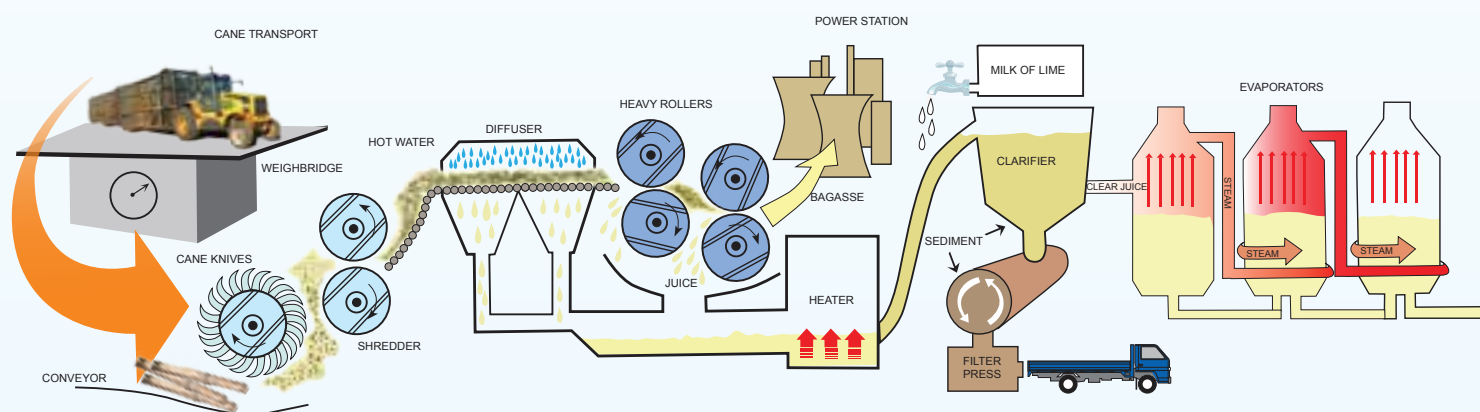
industrial markets, with the balance exported to markets in the EU and Africa regional markets. The company also manufactures a range of sugar-based speciality products that are sold predominantly in the domestic consumer market. Molasses, a by-product of the sugar milling process, is sold mainly as stock feed into both local and Africa regional markets.

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

Zambia Sugar is the single largest employer in the Mazabuka region, and is regarded externally as the premier agricultural enterprise in Zambia. It currently employs around 1950 permanent employees and more than 4 950 seasonal workers at peak periods. It is a significant earner of foreign exchange and indirectly supports the creation and sustainability of many local enterprises that supply goods and services to the company.

Zambia Sugar's holding company, Illovo Sugar Limited, is a leading, low-cost African sugar producer and a significant manufacturer of downstream products.

# Sugar Cane To Sugar Crystals



### STAGE ONE: CANE PREPARATION

The sugar cane is delivered to the mills by road transport. At the mills the cane is first massed at a weigh bridge before being off-loaded directly onto a large moving table. From there the cane continuously travels through a system of conveyors to the cane preparation units, namely the caneknives and shredder.

At the caneknives the stick of cane is cut into small pieces of 20mm to 50mm in length before being fed into the shredder which literally shreds all the fibres and opens the inner part of the cane for the extraction process.

### STAGE TWO: JUICE EXTRACTION

At Nakambala two methods are employed to extract the juice from prepared cane, namely the milling or the diffusion process

**DIFFUSION:** The prepared cane passes through a huge vessel called a diffuser. Hot water is continuously being sprayed onto the moving bed of finely prepared cane, thereby leaching out the sucrose from the cane.

**MILLING:** The prepared cane passes through heavy rollers which squeeze out the juice. This process is repeated several times down a tandem of mills. The dry fibre discharged from the last mill is called bagasse. The bagasse so produced is the main source of fuel for boilers, which produce all the energy required by the milling process. Other by-products such as paper, particle board, animal feeds and industrial solvents can also be made from bagasse.

### STAGE THREE: CLARIFICATION

The mixed juice is heated and milk of lime added to it. This neutralises the acids and forms a precipitate that is settled out in the clarifiers.

This sediment is then filtered to recover any remaining sucrose before returning it to the fields in the form of filter press as a source of fertilizer.

The clear juice from the clarifiers is pumped across the evaporators.

### STAGE FOUR: EVAPORATION

The clear juice is pumped to the multiple effect evaporators. This consists of a series of vessels so arranged that each vessel has a higher vacuum than the preceding one, and thereby boiling at a lower temperature.

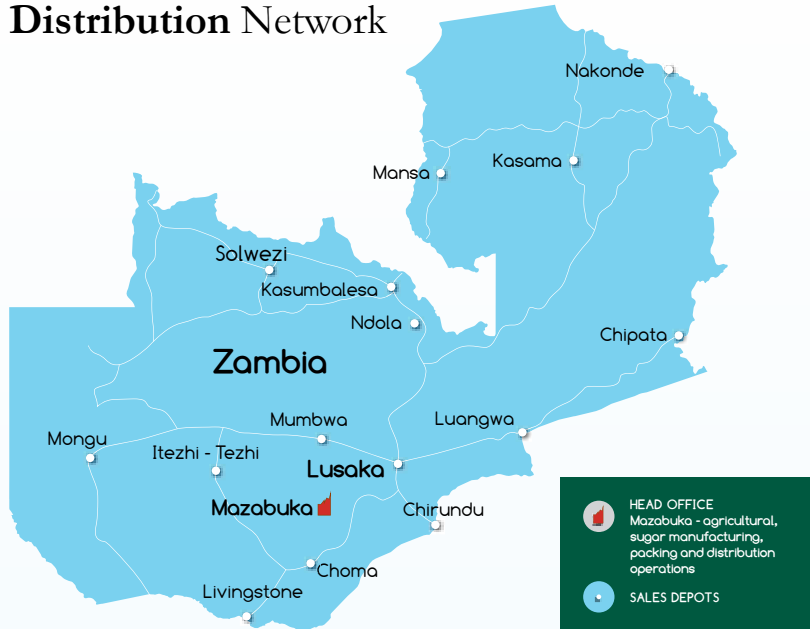
Steam from the boilers is sent to the first vessel and the resultant vapour from it used to boil the juice in the next vessel and so on. The last vessel boils under a high vacuum.

In this process about 85% of the water is evaporated concentrating the juice solids from about 12% to 65%.

## Vision

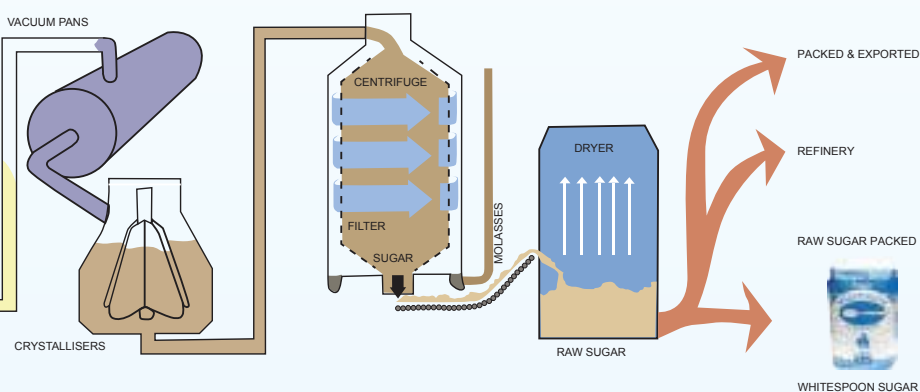
To be a **diversified, world class market leading** business contributing to the economic growth and prosperity of its **shareholders, employees and communities**

## Distribution Network



The Illovo group is Africa's biggest sugar producer and has extensive agricultural and manufacturing operations in six African countries. The group produces raw and refined sugar for local, regional, European Union (EU), United States of America (USA) and world markets from sugar cane supplied by its own agricultural operations and independent growers. High-value products manufactured downstream of the sugar production process are sold internationally. Installed electricity generating capacity, fuelled by renewable resources, provides around 90% of the group's energy requirements. Illovo Sugar Limited is listed on the Johannesburg Stock Exchange and is a subsidiary of Associated British Foods plc which holds 51.4% of the issued share capital.

## The Milling Process



### STAGE FIVE: CRYSTALLISATION

Crystallisation is accomplished by further evaporation of water under carefully controlled conditions in vacuum pans. As the water is evaporated, the sugar reaches concentrated levels. At this stage seed crystals in the form of a slurry are added and these act as nuclei, growing into larger sugar crystals. Computers are increasingly being used to control this process.

The dense mixture of crystals and mother liquor is known as massecuite. After discharging from the vacuum pans it passes through crystallisers which are large open vessels with slow moving stirrers, where under the action of stirring and cooling, more sugar is exhausted from the mother liquor and is deposited onto the crystal surfaces.

### STAGE SIX: CENTRIFUGING

This stage separates the sugar from the mother liquor. The massecuite is fed to the centrifuge which comprises of a perforated basket lined with a metallic screen which acts as a filter medium. The basket rotates at high speed and the sugar remains behind while the mother liquor now known as molasses passes through the basket perforations.

The resultant molasses is sold either for manufacture of animal feeds, alcohol or as a by-product for the manufacture of other chemicals.

The sugar is discharged and either passed through a drier before being packed as raw sugar or transferred to the refinery for further processing.

### STAGE SEVEN: DISTRIBUTION

Packed raw and refined sugar is loaded either into road or rail trucks and transported to the market.



EU sugar packing station



## Chairman's Statement



### *Dear Shareholder*

The year under review has in more than one way been a momentous year, in which full production potential of the investments was demonstrated by records achieved and broken during the year. This has now set the minimum standard and provides the benchmark of potential at which the company should operate. The Company has continued to build on the successes of the 2009 expansion.

With increased capacity both in the factory and field, the focus remains to fully utilize the capacities whilst at the same time look at new opportunities that maximize the return on each stick of cane, as per the group's strategic intent. There are some opportunities that the company is considering and will pursue if they meet the value addition criteria. Already, key initiatives in continuous improvement have realigned company processes to increase efficiency and productivity.

With the increased sugar production, the domestic market has grown and now accounts for 41% of total sales volumes whilst the export market remains our dominant market for the bulk of sales. In the year under review Zambia Sugar supplied all the domestic market sugar requirements and fulfilled its export orders to the region and the European Union. However, net realization on the export market was adversely affected by competition from the world sugar market. The domestic market grew by 3.6% compared to the previous year.

Although the company operates in a challenging market place, I am happy to report that management is up to these challenges and takes all opportunities that add value to the bottom line, and that management has continued to make significant progress in positioning the business on a footing of sustained growth.

During the year, we saw the departure of Mr Lovemore Sievu as Company Secretary. Mr Sievu served the board for nine (9) years. I would like to thank him for the excellent service he rendered during this time. He has been replaced by Mrs Mwansa Mutimushi. I would like to extend a very warm welcome to her.

We welcomed a new member to the Nakambala Executive Team; Mrs Beatrice Mutambo, as Human Resources Executive. She takes over from Mrs Doreen Kabunda who has taken up another role within the Company.

“  
*The future is brighter  
as we expand our vision  
to embrace opportunities  
to diversify our income  
streams.*  
”



*ABOVE: Dam 7 factory process recycled water for irrigation. INSERT: Cane fields at Nakambala under centre-pivot irrigation.*

## SUSTAINABLE DEVELOPMENT

We believe that the long-term sustainability of our business is premised on our being a good 'corporate citizen'. Our commitment to operate in a responsible, accountable and transparent manner remained unabated as we continued to implement programmes aimed at aligning our objectives with those of the whole society to enable for equitable wealth creation and sustainable development.

## CORPORATE GOVERNANCE

We have continued to be steadfast in observing a strict compliance culture with regard to sound corporate governance. During the year we received the prestigious LuSE Corporate Governance award, which recognises companies that adhere to and practice good corporate governance standards, exhibited through its reporting to stakeholders. I am pleased that our exemplary performance is being recognised, as demonstrated by this award.

## FUTURE PROSPECTS

We are confident that the company will continue to grow as we strive to maximise the return on every stick of cane through productivity improvements and innovation.

Sugar production and marketing will remain the cornerstone of the company, whilst opportunities presented by downstream products will be evaluated, and where seen fit, be embarked on. The future is brighter as we expand our vision to embrace opportunities to diversify our income streams.

**Fidelis M. Banda**  
Chairman



## Board of Directors



### NON-EXECUTIVE, INDEPENDENT CHAIRMAN

**Fidelis M. Banda** (63)<sup>\*,</sup> Zambian  
ACIS, FCMA, CGMA, FZICA  
Chairman of Nomination Committee

Mr Banda was appointed to the board in 2001 as a non-executive director. His association with Zambia Sugar started 41 years ago when he was appointed as management trainee in 1973 and rose through the ranks to become finance director and company secretary in 1995. He took early retirement in 2002 but was retained on the Board as a non-executive director. He was appointed board chairman of Zambia Sugar in 2012. He is also a director of other companies.

### NON-EXECUTIVE, INDEPENDENT DIRECTORS (L-R)

**Margaret D. Mwanakatwe** (55)<sup>\*,^</sup>,  
Zambian  
BA, ACCA, FZICA  
Chairman of Remuneration Committee

Mrs Mwanakatwe was appointed to the board of Zambia Sugar in 2004 as non-executive,

independent director. She is a professional accountant and seasoned banker. She was previously managing director of Zambia Investment Centre and later joined Barclays Bank Zambia as its first woman Zambian managing director. She then moved to head Ghana's Barclays Bank before assuming a regional role for the bank. Until recently, she was the regional CEO, United Bank for Africa and head of UBA Uganda. She is a director of companies.

**Ami R. Mpungwe** (63)<sup>\*,#^</sup>, Tanzanian  
B.A. (Hons)

Mr Mpungwe was appointed to the board of Zambia Sugar in 2006. His civil service and diplomatic career in the Tanzanian Government spans 25 years. He was accredited to Zambia from 1979 to 1985 as Deputy High Commissioner. He is a non-executive director of two other Illovo operating subsidiaries; Illovo Sugar (Malawi) Limited which is listed on the Malawi Stock Exchange and Kilombero Sugar Company Limited in Tanzania. He is also a director of a

number of other companies in Tanzania as well as a director of Illovo Sugar Limited. He has a wealth of commercial experience in operating on the African continent.

**Dipak K. A. Patel** (61), Zambian

Mr Patel is a businessman and chairman of various companies. He was appointed to the Board of Zambia Sugar in 2006. He served as Member of Parliament for Lusaka Central Constituency for 15 years and also held senior cabinet ministerial positions during this time, such as Minister of Commerce, Trade and Industry. Since his retirement from politics, he now runs private business interests. He is an internationally sought after speaker and 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.



### NON-EXECUTIVE DIRECTORS (L-R)

**Gavin B. Dalgleish** (48)<sup>\*,#^</sup>,  
South African  
MScChemEng

Appointed to the board in 2012 as a non-executive director. He was appointed the group managing director of Illovo Sugar Limited in 2013 and was until this appointment operations director. He holds a master's degree in chemical engineering and first joined the Illovo Group in 1998 as a postgraduate student. Since then he has held a number of technical, business development, operational and general management roles within Illovo.

**Mohammed H. Abdool-Samad** (43)<sup>\*,#</sup>,  
South African  
BCom, CA(SA)  
Chairman of Audit Committee

Mr Abdool-Samad was appointed to the board in 2011 as non-executive director. He is the group financial director of Illovo Sugar Limited. Before joining Illovo Sugar Limited, he held various managerial positions at Deloitte & Touche Enterprise Risk Services, both in South Africa and internationally. From 2001 to 2005 he worked for Anglo American Plc, in the risk management field. He was appointed senior finance manager of Anglo Coal South Africa in 2005, chief financial officer in 2006 and after a restructure, chief financial officer of Anglo American Thermal Coal in 2009.

**John P. Hulley** (54)<sup>#</sup>, South African  
NDipMechEng, MDP, GMgmt.  
Chairman of Risk Committee

Mr Hulley was appointed to the board in September 2013. He is the group operations director of Illovo Sugar. Mr Hulley previously

served as managing director of Ubombo Sugar in Swaziland (a subsidiary of Illovo Sugar Limited).

**Ian G. Parrott** (47)<sup>#</sup>, South African  
BCom, CIA

Mr Parrott was appointed to the board in May 2011. He is the Illovo central region director responsible for Illovo's interests in Malawi, Tanzania and Zambia. He has previously served as managing director of Zambia Sugar and managing director and finance director of the Illovo Malawi operation. In addition to his assignment in Malawi, he has held senior positions within the Illovo Group.





**EXECUTIVE DIRECTORS (L-R)**

**Dr Aubrey M. Chibumba (53) #**, Zambian BSc Eng, M.Sc. Eng, M. Phil (Math), PhD, CFA

Dr Chibumba was appointed to the board in March 2013. He previously served as chief executive officer (CEO) of Scirocco Enterprises Ltd and National Pension Scheme Authority (NAPSA). Dr Chibumba has extensive local and international experience in various roles at top management level.

**Henry K. Mambwe (42)**, Zambian BSc, FCCA, FZICA

Mr Mambwe was appointed to the board in March 2013. He worked briefly for Standard Chartered Bank in 1994 before joining Zambia Sugar Plc. in 1995 as management trainee in the finance department. He rose through the ranks occupying various senior positions in the finance department before being appointed to his current position.

**Rebecca M. L. Katowa (53)**, Zambian BA, MBA, MCIM, FZIM

Mrs Katowa was appointed to the board in 2002. She is a professional marketer with the Chartered Institute of Marketing (UK). She joined Zambia Sugar in 1997 as marketing services manager and rose through the ranks to her current position.

**Marc F. Pousson (48)**, South African NHD.Elec.Eng, GCC(Elec)

Mr. Pousson was appointed to the board in March 2013. He joined the Illovo Group as a postgraduate student in 1992 and has held a number of technical, operational and management roles at various Illovo Group operations in South Africa.

\* Member of Audit Committee  
 ^ Remuneration Committee Member  
 # Risk Management Committee Member  
 & Nomination Committee Member

## Nakambala Executive Team

**Dr Aubrey M. Chibumba (53)**, Zambian BSc Eng, M.Sc. Eng, M. Phil (Math), PhD, CFA  
 Joined the company in 2013  
 Position: Managing Director

**Henry K. Mambwe (42)**, Zambian BSc, FCCA, FZICA  
 Joined the company in 1995  
 Position: Financial Director

**Rebecca M. L. Katowa (53)**, Zambian BA, MBA, MCIM, FZIM  
 Joined the company in 1996  
 Position: Marketing Director

**Marc F. Pousson (48)**, South African NHD.Elec.Eng, GCC(Elec)  
 Joined the company in 2013  
 Position: Operations Director

**Lee A. Elkington (64)**, South African BCompt  
 Joined the company in 2010  
 Position: Commercial Manager

**James Mukukwa (49)**, Zambian MScEng(Chem)  
 Joined the company in 1990  
 Position: Factory Manager

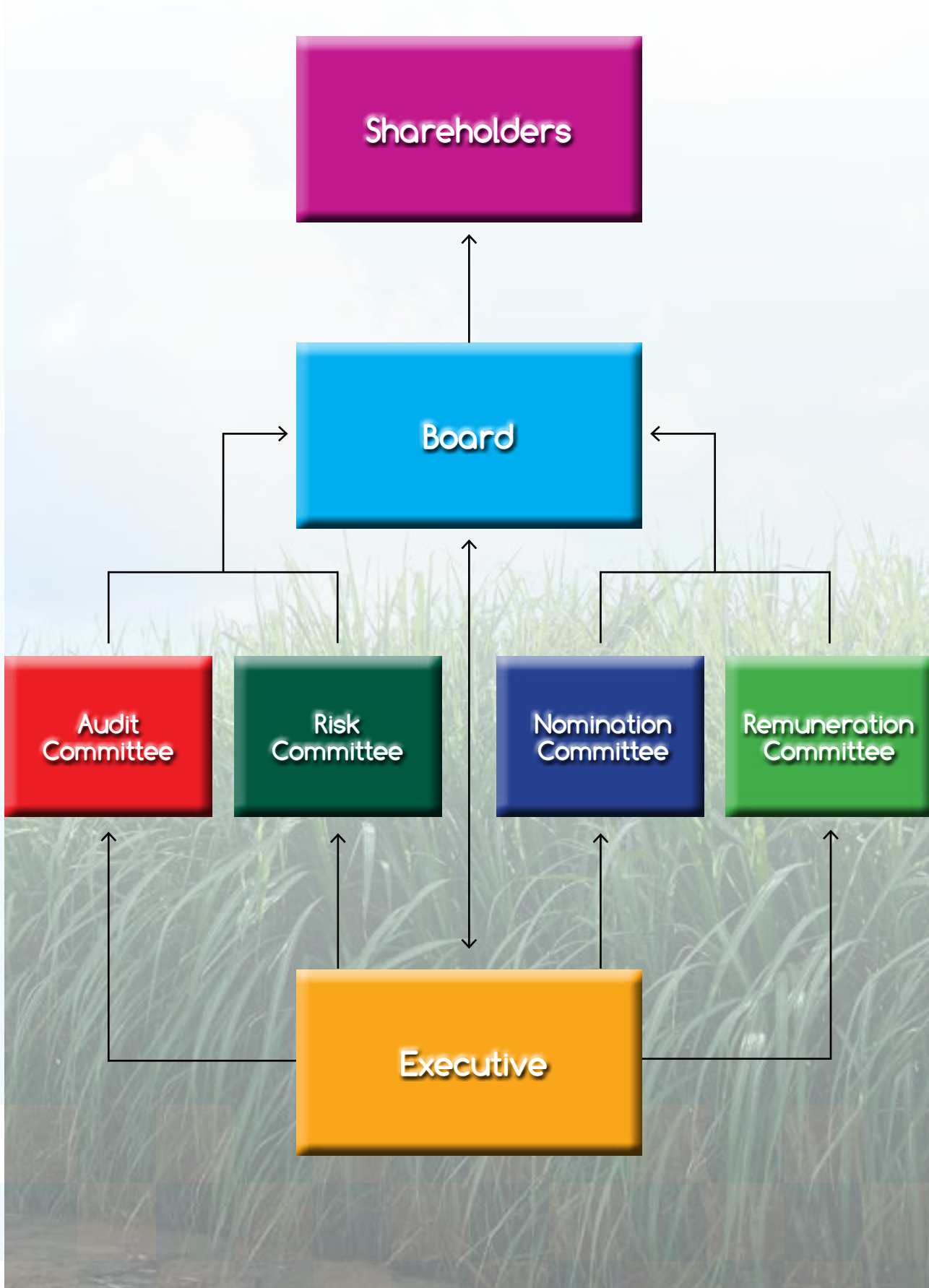
**Mwansa M. Mutimushi (41)**, Zambian LLB, AHCZ, ASCZ, LLM  
 Joined the company in 2014  
 Position: Company Secretary and Legal Counsel

**Anthony H. Domleo (54)**, South African BCom  
 Joined the company in 2012  
 Position: Agriculture Manager

**Beatrice M. Mutambo (48)**, Zambian BBA, MBA  
 Joined the company in 2013  
 Position: Human Resources Executive

**Doreen Kabunda (51)**, Zambian BA(PubAdmin), MBA  
 Joined the company in 1986  
 Position: Corporate Strategy Exeutive

## Governance Structure







*Harvested cane en route to Nakambala Factory for processing*