OVERVIEW

Operating profit for the year ended 31 March 2016 declined by 23% (2015: 25%) to K10 146 million from K13 692 million due to lower cane yields and the adverse trading conditions in the group's export markets.

Operating profit less fair value changes on cash flow hedges is reported in other comprehensive income and is therefore not included in the calculation of headline earnings.

Group shareholders' funds (including the group's non-controlling interest) at 31 March 2016 were K78 244 million, a decline of 13% compared with K90 000 million at the prior year end. The decrease was partly due to a K5 252 million write down in the carrying value of the group's investment in the Sugar Corporation of Malawi Limited (SCOMAL), which is no longer held at amortised cost.

Due to the adverse trading conditions and related cash flow constraints of the group no interim dividends were payable for the year ended 31 March 2016. No dividends were declared in respect of the year ended 31 March 2015.

Although the operating profit margin on the group's operations declined, group working capital is still adequate to support operations.

In terms of operating performance the Company is confident that both Canegrower and Refiner sales will reflect improved performances in the western regions and the sugar market generally.

Business segmental analysis

Cane growing:

- Group cane selling prices in the region showed a decrease of 7.1% in the year ended 31 March 2016 from K38 446 per ton to K34 796 per ton. The decrease reflected a decrease in local selling prices of 13.6% to K24 951 per ton from K22 945 per ton.

- Non-distributable reserve is expected to be experienced demand conditions of both Ethiopian and Egyptian markets, the Company will take all necessary actions to mitigate the potential impact on earnings in the new year.

- In terms of operational parameters the Company is confident that both Dwangwa and Nchalo factories will continue in the new year and is expected to continue to provide a good return on the investment in the group's operations.

- Local domestic market sugar sales are expected to recover on a year on year basis with net exports remaining relatively flat but with a continuing improvement in the local market due to the current high debt levels exacerbated by the high interest rate environment.

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