

ILLOVO SUGAR (MALAWI) LIMITED



(Incorporated in Malawi on 31 May 1965 under registration number 839)

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL PERFORMANCE	GROUP	GROUP	COMPANY	COMPANY
	Audited	Audited	Audited	Audited
Statement of profit or loss and other comprehensive income	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	K'm	K'm	K'm	K'm
Revenue	92 508	87 848	52 286	49 711
Operating profit	23 429	28 613	11 412	14 910
Dividend income	52	82	5 000	5 000
Net finance cost	(3 931)	(1 657)	(2 460)	(1 012)
Profit before taxation	19 550	27 038	13 952	18 898
Taxation	(6 019)	(8 222)	(2 813)	(4 258)
Net profit for the year	13 531	18 816	11 139	14 640
Other comprehensive income	479	(176)	479	(176)
Total comprehensive income	14 010	18 640	11 618	14 464
Adjusted for:				
Net profit on sale of property, plant and equipment	-	-	-	-
Other comprehensive income	(479)	176	(479)	176
Headline earnings	13 531	18 816	11 139	14 640
Number of shares in issue ('000)	713 444	713 444		
Weighted average number of shares on which net profit per share is based ('000)	713 444	713 444		
Net profit per share (tambala)	1 897	2 637		
Headline earnings per share (tambala)	1 897	2 637		
Dividend per share (tambala)	750	1 850		

Quality of earnings statement

Operating profit	23 429	28 613
Adjust for:		
Change in fair value of cane roots and growing cane	(9 737)	(8 178)
Operating profit less fair value changes	13 692	20 435

Business segmental analysis

Revenue	GROUP	GROUP	COMPANY	COMPANY
	Audited	Audited	Audited	Audited
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
Sugar production	53 543	50 700		
Cane growing	38 965	37 148		
	92 508	87 848		
Operating profit				
Sugar production	15 237	16 985		
Cane growing	8 192	11 628		
	23 429	28 613		

Abridged statement of financial position	GROUP	GROUP	COMPANY	COMPANY
	Audited	Audited	Audited	Audited
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
<b>ASSETS</b>				
Property, plant and equipment	22 945	17 678	17 067	12 995
Cane roots	25 827	19 963	17 967	14 123
Investment	-	-	324	324
Non-current assets	48 772	37 641	35 358	27 442
Current assets	52 375	40 087	36 227	27 111
<b>Total Assets</b>	<b>101 147</b>	<b>77 728</b>	<b>71 585</b>	<b>54 553</b>
<b>EQUITY AND LIABILITIES</b>				
Capital and reserves	41 834	41 023	23 870	25 451
Deferred taxation	20 867	16 728	13 762	11 058
Other non-current liabilities	-	-	-	-
Current liabilities	38 446	19 977	33 953	18 044
<b>Total Equity and Liabilities</b>	<b>101 147</b>	<b>77 728</b>	<b>71 585</b>	<b>54 553</b>
Depreciation	902	684	639	471
Capital expenditure	6 169	6 593	4 711	5 121

Abridged statement of cash flows

	GROUP	GROUP	COMPANY	COMPANY
	Audited	Audited	Audited	Audited
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	K'm	K'm	K'm	K'm
<b>Cash generated from operations before working capital changes</b>	<b>14 490</b>	<b>21 041</b>	<b>6 134</b>	<b>10 517</b>
Working capital requirements	7 857	2 413	5 619	3 895
Interest, taxation and dividends	(22 003)	(16 742)	(12 869)	(9 162)
Purchase of property, plant and equipment	(6 169)	(6 593)	(4 711)	(5 121)
Proceeds from disposal of property, plant and equipment	104	78	106	71
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(5 721)</b>	<b>197</b>	<b>(5 721)</b>	<b>200</b>

Abridged statement of changes in equity

Share capital and premium	GROUP	GROUP	COMPANY	COMPANY
	Audited	Audited	Audited	Audited
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	K'm	K'm	K'm	K'm
Balance at beginning/end of the year	782	782	782	782
<b>Retained earnings</b>				
Balance at beginning of the year	40 241	32 125	24 669	20 729
Net profit for the year	13 531	18 816	11 139	14 640
Non-distributable reserve	479	(176)	479	(176)
Dividends declared	(13 199)	(10 524)	(13 199)	(10 524)
Balance at end of year	41 052	40 241	23 088	24 669
<b>Capital and reserves</b>	<b>41 834</b>	<b>41 023</b>	<b>23 870</b>	<b>25 451</b>

OVERVIEW

Operations at both Nchalo and Dwangwa commenced later than planned due to wet weather at the beginning of the season. Plant reliability performance at Nchalo was below expectations for the season which impacted negatively on sugar production. Dwangwa had a generally satisfactory performance for the season. Overall sugar cane production for the season totalled 2.4 million tons of which 450 000 tons, representing 19% of total cane harvested, was sourced from outgrowers.

Final sugar production for the season totalled 283 000 tons.

Overall sugar sales into the local and export markets amounted to 273 000 tons. The domestic market accounted for over 60% of these volumes. The balance was exported to Europe, North America and the region. Sales into regional markets were below expectation mainly as a result of cheap world market sugar being imported into the region and import license restrictions implemented by the Zimbabwean authorities, all but halting sugar sales into this traditional market. Adverse market pricing pressure and Euro weakness also impacted sales revenue from EU markets.

Economic conditions during the year were challenging with significant exchange and interest rate movements, resulting in negligible growth in the local market and an overall decline in operating margins. Continuous improvement and cost containment initiatives remained an area of focus. Overall, in terms of the year's financial results, profit from operations declined by 18% to K 23 billion, with headline earnings declining by 28%.

PROSPECTS

The overall sugar cane crop for the coming season is expected to be similar to that achieved in the 2014/15 season.

It is expected that factory performance at Nchalo will return to expected levels of plant time efficiencies and recoveries. This performance improvement, coupled with the Dwangwa factory performing at similar levels to that achieved in the previous year, should result in a modest overall increase in sugar production.

Total sugar sales for the coming year are expected to improve by 8% compared to the current year with improved volumes into both the EU specials market and regional markets where an uptake in refined sugar is anticipated.

In terms of the economy, inflation rates, together with exchange and interest rate movements, will continue to have a marked effect on profitability. The company will continue to maintain a focus on cost control initiatives driven through its ongoing continuous improvement programmes.

DIVIDENDS

An interim dividend of 750 tambala per share (2014: 750 tambala per share) was paid to shareholders on 9 January 2015. Due to the cash flow constraints of the company and the negative interest rate environment where rates are in excess of 30%, a second interim and final dividend is therefore regrettably unable to be paid.

The total dividend for the year is then 750 tambala per share (2014: 1 850 tambala per share).

The annual general meeting of members will be held on the 14 August 2015.

By order of the board  
7 May 2015

Malawi Sugar Limited  
Secretaries

AUDITORS REPORT TO THE MEMBERS OF ILLOVO SUGAR (MALAWI) LIMITED

The accompanying summarised consolidated financial statements, which comprise the summarised consolidated statement of profit or loss and other comprehensive income, the summarised consolidated statement of financial position as at 31 March 2015, the summarised consolidated statements of cash flows for the year then ended and the summarised consolidated statement of changes in equity are derived from the audited financial statements of Illovo Sugar (Malawi) Limited for the year ended 31 March 2015. We expressed an unmodified opinion on those financial statements in our report dated 7 May 2015. Those financial statements, and the summarised financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised consolidated financial statements therefore, is not a substitute for reading the audited financial statement of Illovo Sugar (Malawi) Limited.

Directors' Responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the summarised financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 1984.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of Illovo Sugar (Malawi) Limited for the year ended 31 March 2015 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 1984.

Deloitte  
Public Accountants  
7 May 2015  
Blantyre, Malawi