

ILLOVO SUGAR (MALAWI) LIMITED



(Incorporated in Malawi on 31 May 1965 under registration number 839)
EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL PERFORMANCE	GROUP	GROUP	GROUP	COMPANY	COMPANY	COMPANY	GROUP	GROUP	GROUP	COMPANY
	Unaudited 6 months ended 30 Sep 15	Unaudited 6 months ended 30 Sep 14	Audited 12 months ended 31 Mar 15	Unaudited 6 months ended 30 Sep 15	Unaudited 6 months ended 30 Sep 14	Audited 12 months ended 31 Mar 15	Unaudited 6 months ended 30 Sep 15	Unaudited 6 months ended 30 Sep 14	Audited 31 Mar 15	Audited 31 Mar 15
Group statement of profit or loss and other comprehensive income	K'm	K'm	K'm	K'm	K'm	K'm	K'm	K'm	K'm	K'm
Revenue	53 736	51 717	92 508	31 246	29 801	52 286				
Operating profit	9 096	14 497	23 429	4 220	7 354	11 412				
Dividend income	33	15	52	-	5 000	5 000				
Net finance cost	(3 443)	(1 150)	(3 931)	(2 056)	(1 131)	(2 460)				
Profit before taxation	5 686	13 362	19 550	2 164	11 223	13 952				
Taxation	(1 723)	(4 049)	(6 019)	(656)	(1 904)	(2 813)				
Net profit for the period	3 963	9 313	13 531	1 508	9 319	11 139				
Other comprehensive income	-	-	479	-	-	479				
Total comprehensive income	3 963	9 313	14 010	1 508	9 319	11 618				
Adjusted for:										
Other comprehensive income	-	-	(479)	-	-	(479)				
Headline earnings	3 963	9 313	13 531	1 508	9 319	11 139				
Number of shares in issue ('000)	713 444	713 444	713 444							
Weighted average number of shares on which net profit per share is based ('000)	713 444	713 444	713 444							
Net profit per share (tambala)	555	1 305	1 897							
Headline earnings per share (tambala)	555	1 305	1 897							
Dividend per share (tambala)	-	750	750							

Quality of earnings statement

Operating profit	9 096	14 497	23 429
Adjust for:			
Change in fair value of cane roots and growing cane	(5 305)	(4 896)	(9 737)
Operating profit less fair value changes	3 791	9 601	13 692

Business segmental analysis

Revenue			
Sugar production	32 853	30 358	53 543
Cane growing	20 883	21 359	38 965
	53 736	51 717	92 508
Operating profit			
Sugar production	6 984	9 389	15 237
Cane growing	2 112	5 108	8 192
	9 096	14 497	23 429

Abridged group statement of financial position

ASSETS						
Property, plant and equipment	23 853	19 682	22 945	17 319	14 574	17 067
Cane roots	29 021	22 678	25 827	20 200	15 984	17 967
Investment	-	-	-	324	324	324
Non-current assets	52 874	42 360	48 772	37 843	30 882	35 358
Current assets	83 429	63 740	52 375	26 509	37 288	36 227
Total Assets	136 303	106 100	101 147	64 352	68 170	71 585
EQUITY AND LIABILITIES						
Capital and reserves	45 797	42 488	41 834	25 378	34 770	23 870
Deferred taxation	19 811	18 324	20 867	4 796	12 141	13 762
Current liabilities	53 332	45 288	38 446	16 815	21 259	33 953
Non-current liabilities	17 363	-	-	17 363	-	-
Total Equity and Liabilities	136 303	106 100	101 147	64 352	68 170	71 585
Depreciation	663	459	902			
Capital expenditure	1 573	2 476	6 169			

Abridged group statement of cash flows	GROUP	GROUP	GROUP	COMPANY
	Unaudited 6 months ended 30 Sep 15	Unaudited 6 months ended 30 Sep 14	Audited 31 Mar 15	Audited 31 Mar 15
Operating profit before working capital changes	9 096	18 683	14 490	6 134
Working capital requirements	(19 808)	(9 752)	7 857	5 619
Interest, taxation and dividends	(2 279)	(12 593)	(22 003)	(12 869)
Purchase of property, plant and equipment	(1 573)	(2 476)	(6 169)	(4 711)
Proceeds from disposal of property, plant & equipment	13	12	104	106
Net decrease in cash and cash equivalents	(14 551)	(6 126)	(5 721)	(5 721)

Abridged group statement of changes in equity

Share capital & premium				
Balance at beginning of the period	782	782	782	782
Retained earnings				
Balance at beginning of the period	41 052	40 241	40 241	24 669
Net profit for the period	3 963	9 313	13 531	11 139
Non-distributable reserve	-	-	479	479
Dividends declared	-	(7 848)	(13 199)	(13 199)
Balance at end of period	45 015	41 706	41 052	23 088
Capital and reserves	45 797	42 488	41 834	23 870

BASIS OF PREPARATION

As the sugar season runs from 1 April to 31 March, the earnings from cane growing and sugar production incorporated in the above results comprise one half of the latest estimate of earnings for the sugar season ending 31 March 2016.

REVIEW OF OPERATIONS

Unseasonal rainfall delayed the start of the crushing season at both Dwangwa and Nchalo. Despite the initial rainfall, dry weather conditions have persisted for the duration of the season. Lake and river water levels are at their lowest since 1997 which, together with on-going electrical maintenance programmes and load-shedding by Escom, has limited the ability to irrigate the crop sufficiently. These stressed growing conditions have not only reduced cane yields but also increased vulnerability to pest and disease such as yellow aphids. The impact on both our own cane and outgrower cane will reduce overall sugar production for the season, offsetting the benefit of the improved factory performance at the Nchalo mill.

Sugar sales into the domestic market for the half year were almost 40% lower than in the same period last year. Sales into regional and EU raw and direct consumption markets were also below forecast, affected by adverse market pricing pressures, mitigated to a small extent by additional sales to the USA albeit at low prices. Of concern is the illegal importation of sugar from neighbouring countries impacting the domestic market and on-going import licence restrictions implemented by the Zimbabwean authorities.

On a seasonal basis, operating profit for the half year to September 2015 was 37% lower than the same period last year at K 9.1 billion. Headline earnings, after taxation charges and finance costs, was 57% lower at K 4.0 billion.

PROSPECTS

It is expected that sugar production for the full season will be approximately 3% down on the previous season. Difficult market trading conditions and poor prices, particularly in export markets, compounded by import restrictions into regional markets, are expected to persist for the remainder of the current season.

DIVIDEND

Notice is hereby given that due to the weather-related crop decline, the difficult commercial environment and the related impact on the Company's cash flows, an interim dividend has not been declared.

BY ORDER OF THE BOARD

Malawi Sugar Limited
Secretaries
30 November 2015