

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 2014

FINANCIAL PERFORMANCE	GROUP	GROUP	COMPANY	COMPANY
	Audited	Audited	Audited	Audited
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
<b>Statement of profit or loss and other comprehensive income</b>	K'm	K'm	K'm	K'm
Revenue	87 848	63 185	49 711	37 322
		114%		
Operating profit	28 613	32 478	14 910	19 600
Dividend income	82	24	5 000	4 000
Net finance cost	(1 657)	(2 494)	(1 012)	(2 205)
Profit before taxation	27 038	30 008	18 898	21 395
Taxation	(8 222)	(9 075)	(4 258)	(5 277)
Net profit for the period	18 816	20 933	14 640	16 118
Other comprehensive income	(176)	150	(176)	150
Total comprehensive income	18 640	21 083	14 464	16 268
Adjusted for:				
Net profit on sale of property, plant and equipment	-	(29)	-	(29)
Other comprehensive income	176	(150)	176	(150)
Headline earnings	18 816	20 904	14 640	16 089
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)	2 637	2 955		
Headline earnings per share (tambala)	2 637	2 930		
Dividend per share (tambala)	1 850	1 465		

**Quality of earnings statement**

Operating profit	28 613	32 478
Adjust for:		
Change in fair value of cane roots & growing cane	(8 178)	(15 034)
Operating profit less fair value changes	20 435	17 444

**Business segmental analysis**

Revenue	50 700	32 685
Sugar production	37 148	30 500
Cane growing	87 848	63 185
<b>Operating profit</b>		
Sugar production	16 985	13 622
Cane growing	11 628	18 856
	28 613	32 478

**Abridged statement of financial position**

ASSETS	17 678	11 769	12 995	8 346
Property, plant & equipment	19 963	14 687	14 123	10 618
Cane roots	-	-	324	324
Investment	37 641	26 456	27 442	19 288
Non-current assets	40 087	37 424	27 111	26 227
Current assets				
<b>Total Assets</b>	77 728	63 880	54 553	45 515
<b>EQUITY AND LIABILITIES</b>				
Capital and reserves	41 023	32 907	25 451	21 511
Deferred taxation	16 728	13 511	11 058	9 090
Current liabilities	19 977	17 462	18 044	14 914
<b>Total Equity and Liabilities</b>	77 728	63 880	54 553	45 515
Depreciation	684	517	471	359
Capital expenditure	6 593	3 731	5 121	2 656

Abridged statement of cash flows	GROUP	GROUP	COMPANY	COMPANY
	Audited	Audited	Audited	Audited
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
<b>Cash generated from operations before working capital changes</b>	21 041	16 562	10 517	8 685
Working capital requirements	2 413	(1 642)	3 895	(444)
Interest, taxation & dividends	(16 742)	(12 968)	(9 162)	(7 367)
Purchase of property, plant & equipment	(6 593)	(3 731)	(5 121)	(2 656)
Proceeds from disposal of property, plant & equipment	78	45	71	45
Borrowings repaid	-	(133)	-	(133)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	197	(1 867)	200	(1 870)

**Abridged statement of changes in equity**

Share capital & premium	782	782	782	782
Balance at beginning/end of the period				
<b>Retained earnings</b>				
Balance at beginning of the period	32 125	19 852	20 729	13 254
Net profit for the period	18 816	20 933	14 640	16 135
Non-distributable reserve	(176)	150	(176)	150
Dividends declared	(10 524)	(8 810)	(10 524)	(8 810)
Balance at end of period	40 241	32 125	24 669	20 729
<b>Capital and reserves</b>	41 023	32 907	25 451	21 511

**OVERVIEW**

During the 2013/14 season overall sugar cane production amounted to 2.4 million tons. Of this total 416 000 tons was produced by Malawian outgrowers. Average cane yields from own estate land for the season were markedly down at Ntchalo compared to the previous year but pleasantly had shown a satisfactory increase at Dwangwa.

Both factories were affected by unseasonal inclement weather at times and experienced various plant operational breakdowns during the crushing period. Despite these challenges overall sugar production totalled 289 000 tons for the season.

Total sugar sales for the year amounted to just in excess of 290 000 tons, with the domestic market accounting for 58% of this total. The balance was exported to Europe, North America and the region.

Investment in capital projects at both sites, together with the ongoing implementation of continuous improvement programmes, were focused on the production of a quality sugar product to further enhance sales to both local and international customers.

Overall, in terms of the year's financial results, profit from operations declined by 12% to K 32 billion (2013: K 32 billion) with headline earnings of K 19 billion being 10% below last year's result. Headline earnings per share were 1 637 tambala (2013: 2 950 tambala).

Economic conditions during the year remained challenging with exchange rate and interest rate fluctuations difficult to predict and manage. However, the business reflected a positive cash generation for the year and has a strong balance sheet.

**PROSPECTS**

In terms of agricultural operations it is envisaged that in the year ahead, with the full implementation of the Ntchalo intensive crop recovery programme coupled with additional cane from newly developed outgrower areas, and a return to more normal weather conditions at both estates that the overall harvest will reflect a modest increase over that achieved during the previous year.

With a more stable reliable supply of cane and a full return to factory rated crushing throughput and with anticipated increases in plant time efficiencies and recoveries tied in with decreased plant downtime related to both the intensive offcrop programmes and capital investment projects it is envisaged that total sugar production will be modestly better than that achieved during the 2013/14 season.

Local market sales tonnages are forecast to increase marginally but more robust growth is anticipated in the export market.

In terms of the economy, high inflation is expected to continue during the 2014/15 financial period and the company will have to maintain a continuing focus on cost control initiatives driven in part by its ongoing continuous improvement programmes. Exchange and interest rates will continue to have a marked effect on the finances of the business and will have to be carefully monitored and managed. Overall headline earnings are expected to benefit from the increased production with the operating margin remaining relatively similar to that of the current year.

**DIVIDENDS**

An interim dividend of 750 tambala per share (2013: 740 tambala per share) was paid to shareholders on 10 January 2014.

Notice is hereby given that a second interim dividend of 1 040 tambala per share (2013: 675 tambala per share) has been declared on the ordinary shares of the company in respect of the year ended 31 March 2014. The dividend is payable on 4 July 2014 to shareholders on the register at the close of business on 23 May 2014.

The Directors will propose at the forthcoming Annual General Meeting of members, to be held on 21 August 2014, to pay a final dividend of 60 tambala per share (2013: 50 tambala per share) bringing the total dividend to 1 850 tambala per share (2013: 1 465 tambala per share).

BY ORDER OF THE BOARD  
7 May 2014

Malawi Sugar Limited  
Secretaries

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

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at 31 March 2014 and the summarized consolidated statement of profit or loss and other comprehensive income, the summarized consolidated statement of changes in equity and the summarized consolidated statements of cash flows for the year then ended, are derived from the audited financial statements of Illovo Sugar (Malawi) Limited for the year ended 31 March 2014. We expressed an unmodified opinion on those financial statements in our report dated 7 May 2014. Those financial statements, and the summarized financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

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

**Directors' Responsibility for the Summarized Consolidated Financial Statements**

The directors are responsible for the preparation of the summarized 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 summarized 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 summarized financial statements derived from the audited financial statements of Illovo Sugar (Malawi) Limited for the year ended 31 March 2014 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.

Public Accountants  
7 May 2014  
Blantyre, Malawi