



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

EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021 (COMPARATIVES ARE FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020)

	GROUP			COMPANY		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	6 months ended 28-Feb-2021	6 months ended 29-Feb-2020	12 months ended 31-Aug-2020	6 months ended 28-Feb-2021	6 months ended 29-Feb-2020	12 months ended 31-Aug-2020

FINANCIAL PERFORMANCE

Condensed consolidated and separate statements of comprehensive income	K'm	K'm	K'm	K'm	K'm	K'm
Revenue	74,462	73,521	146,953	41,860	40,729	80,187
Operating profit	10,580	4,988	8,137	2,784	(5,173)	(5,707)
Dividend income	-	-	28	-	-	-
Net finance cost	(1,732)	(2,061)	(3,880)	(1,009)	(1,134)	(2,066)
Profit before taxation	8,848	2,927	4,285	1,775	(6,307)	(7,773)
Taxation	(2,731)	(878)	(1,546)	(532)	1,892	2,184
Net profit for the period	6,117	2,049	2,739	1,243	(4,415)	(5,589)
Other comprehensive income/(charges)	27	74	(140)	27	74	(162)
Total comprehensive income	6,144	2,123	2,599	1,270	(4,341)	(5,751)
Adjusted for:						
Other comprehensive (income)/losses	(27)	(74)	140	(27)	(74)	162
Headline earnings	6,117	2,049	2,739	1,243	(4,415)	(5,589)
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)	857	287	384			
Headline earnings per share (tambala)	857	287	384			
Dividend per share (tambala)	-	-	200			

Quality of earnings statement			
Operating profit	10,580	4,988	8,137
Adjust for:			
Change in fair value of growing cane	(8,829)	(4,852)	4,800
Operating profit excluding fair value changes	1,751	136	12,937

Business segmental analysis			
Revenue			
Sugar production	44,542	58,971	102,204
Cane growing	29,920	14,550	44,749
	74,462	73,521	146,953
Operating profit			
Sugar production	11,614	15,258	25,580
Cane growing	(1,034)	(10,270)	(17,443)
	10,580	4,988	8,137

Condensed consolidated and separate statements of financial position						
ASSETS						
Property, plant and equipment	60,047	58,124	58,056	43,326	41,312	40,520
Investment	494	463	494	324	324	324
Non-current assets	60,541	58,587	58,550	43,650	41,636	40,844
Current assets	88,575	92,900	87,823	88,958	62,577	63,162
Total Assets	149,116	151,487	146,373	132,608	104,213	104,006
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	76,591	71,703	71,874	15,022	16,946	15,179
Taxation	22,062	21,453	19,059	22,771	19,246	11,967
Non-current liabilities	5,572	216	2,070	178	184	1,034
Current liabilities	44,891	58,115	53,370	94,637	67,837	75,826
Total shareholders' Equity and Liabilities	149,116	151,487	146,373	132,608	104,213	104,006
Depreciation	4,864	4,012	8,109			
Capital expenditure	1,880	2,384	6,190			

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Condensed consolidated and separate statements of cash flows	K'm	K'm	K'm	K'm	K'm	K'm
Cash generated from operations before working capital changes	15,444	9,009	21,855	6,122	8,125	3,347
Working capital requirements	(6,682)	14,912	7,933	255	(10,408)	19,505
Finance costs and taxation	(4,576)	(4,174)	(6,225)	(3,859)	(5,856)	(2,610)
Net cash flows from operating activities	4,186	19,747	23,563	2,518	(8,139)	20,242
Net cash flows used in investing activities	(1,880)	(2,384)	(6,126)	(1,208)	(2,550)	(4,831)
Net cash flows before financing activities	2,306	17,363	17,437	1,310	(10,689)	15,411
Net cash flows used in financing activities	(6,231)	(15,159)	(4,107)	(5,236)	-	(2,080)
(Decrease)/increase in cash and cash equivalents	(3,925)	2,204	13,330	(3,926)	(10,689)	13,331

Condensed consolidated and separate statements of changes in equity						
Share capital and premium						
Balance at beginning and end of the period	782	782	782	782	782	782
Retained earnings						
Balance at beginning of the period	70,847	70,131	70,131	14,498	21,087	21,087
Effect of adoption of IFRS 16: Leases	-	(1,718)	(1,666)	-	(643)	(643)
Balance at the beginning of the period-(restated)	70,847	68,413	68,465	14,498	20,444	20,444
Net profit for the period	6,117	2,049	2,739	1,243	(4,415)	(5,589)
Dividends	(1,427)	-	(357)	(1,427)	-	(357)
Balance at end of the period	75,537	70,462	70,847	14,314	16,029	14,498
Non-distributable reserve						
Balance at beginning of the period	245	385	385	(101)	61	61
Cash flow hedges	27	74	(162)	27	74	(162)
Fair value loss on revaluation of investment	-	-	22	-	-	-
Balance at end of period	272	459	245	(74)	135	(101)
Shareholders' equity	76,591	71,703	71,874	15,022	16,946	15,179

HALF YEAR COMMENTARY

These extracts from the unaudited half year financial statements reflect actual performance for the period from 1 September 2020 to 28 February 2021 with comparatives for the six month period from 1 September 2019 to 29 February 2020.

OVERVIEW

Net profit for the six month period to 28 February 2021 amounted to K6.1 billion compared to K2.1 billion for the corresponding six month period to 29 February 2020. Despite the COVID-19 challenges sales revenue remained relatively flat with six month sugar and molasses sales totaling K74.5 billion (2020 K73.5 billion). Operating profit of K10.6 billion was generated against K5.0 billion for the six months to February 2020 largely on the back of improved domestic market sales volumes.

Both factories completed their crushing seasons in December 2020 with agricultural operations having performed well in terms of cane yields and overall sucrose content from both own and smallholder farmers' cane. Investment in drip irrigation at Nchalo delivered improvements in cane yield in line with targets. Engagement continued with the Government on the need to dissuade the rampant smuggling of sugar and other products.

Very dry weather was experienced in January 2021 leading to high irrigation demand and a rise in aphid infestations. Good rainfall in February 2021 partly helped to relieve the dry conditions. In terms of milling operations, both factories achieved consistently high throughputs prior to closure of their crushing seasons and commenced their respective offcrop maintenance programs in December 2020. These programs were completed successfully and both plants resumed production in mid-April 2021. Safety awareness remained a prime focus area for both our own staff and surrounding communities, but urgent interventions were required

with the assistance of the Ministry of Internal Security and the police services to curb an alarming upsurge in security incidents, particularly the assault of our field and security staff and the theft of equipment and materials in Nchalo.

Despite the domestic market being under significant pressure through a combination of general instability, a slowing economy exacerbated by the COVID-19 pandemic, currency depreciation and the influx of informal imports, domestic sugar sales reflected a welcome return to more normal levels supported by active marketing and logistics improvement initiatives and sustenance of our reduced domestic pricing since mid-December 2019. Export sales revenues were however below expectations with COVID-19 hampering both inter-continental and intra Africa exports.

Quality remained a key focus area to ensure superior delivery of our customer experience.

PROSPECTS

In terms of agricultural operations, it is envisaged that there will be a return to more stable weather patterns and continuing improvements in electricity supply by EGENCO in the next six month period. Initiatives such as the ongoing factory recovery improvement, optimal use of field irrigation systems, standardizing sound agronomic practices, and embedding of the workforce transition project should all result in improved cane crop yields, plant reliability and people productivity across the business value chain.

With regard to the commercial environment, the business will continue to build on the successful Route to Consumer initiatives with a focus on product pack sizes, branding, affordability and quality. Sugar exports, in what is expected to be very challenging markets, will also continue to be an area of attention for the commercial teams especially in light of the receding COVID-19 induced logistical challenges as global vaccination programs gather momentum.

The interplay of stable domestic inflation, moderate exchange rate depreciation, stable interest rates and improved national food supplies could provide a platform for a better second half provided that there are no further COVID-19 related downsides.

DIVIDENDS

Directors have declared an interim dividend of K2.9 billion representing K4.00 (2020: nil) per share in respect of the ordinary shares of the company for the six month period ended 28 February 2021.

Gavin Dagleish

Chairman

Lekani Katandula

Managing Director

13 May 2021

