



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

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

FINANCIAL PERFORMANCE	GROUP		COMPANY	
	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Condensed consolidated and separate statements of profit or loss and other comprehensive income	K'm	K'm	K'm	K'm
Revenue	163,259	146,953	98,217	80,187
Operating profit	31,941	8,137	19,954	(5,707)
Dividend income	71	28	-	-
Net finance cost	(2,674)	(3,880)	(1,354)	(2,066)
Profit before taxation	29,338	4,285	18,600	(7,773)
Taxation	(8,869)	(1,546)	(7,775)	2,184
Net profit for the year	20,469	2,739	10,825	(5,589)
Other comprehensive income/(losses)	109	(140)	124	(162)
Total comprehensive income	20,578	2,599	10,949	(5,751)
Adjusted for:				
Other comprehensive losses	(109)	140	(124)	162
Headline earnings	20,469	2,739	10,825	(5,589)
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)	2,869	384		
Headline earnings per share (tambala)	2,869	384		
Dividend per share (tambala)	600	50		
Quality of earnings statement				
Operating profit	31,941	8,137		
Adjust for:				
Change in fair value of growing cane	(6,034)	4,800		
Operating profit excluding fair value changes	25,907	12,937		
Business segmental analysis				
Revenue				
Sugar production	92,321	102,204		
Cane growing	70,938	44,749		
Operating profit	163,259	146,953		
Sugar production	24,782	25,580		
Cane growing	7,159	(17,443)		
	31,941	8,137		

Condensed consolidated and separate statements of financial position

ASSETS	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Property, plant and equipment (including Right of use - assets)	67,648	58,056	45,641	40,520
Investment	604	494	324	324
Non-current assets	68,252	58,550	45,965	40,844
Current assets	96,273	87,823	79,930	63,162
Total Assets	164,525	146,373	125,895	104,006
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	88,171	71,874	21,847	15,179
Taxation	21,273	19,059	15,009	11,967
Non-current liabilities	8,146	2,070	3,595	1,034
Current liabilities	46,935	53,370	85,444	75,826
Total Shareholders' Equity and Liabilities	164,525	146,373	125,895	104,006
Depreciation	9,120	8,109		
Capital expenditure	8,873	6,190		

Condensed consolidated and separate statements of cash flows

	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Cash generated from operations before working capital changes	34,671	21,855	21,915	3,347
Working capital requirements	3,588	7,933	8,312	19,505
Finance costs and taxation	(5,544)	(6,225)	(1,868)	(2,610)
Net cash flows from operating activities	32,715	23,563	28,359	20,242
Net cash flows used in investing activities	(8,453)	(6,126)	(5,584)	(4,831)
Net cash flows before financing activities	24,262	17,437	22,775	15,411
Cash flows used in financing activities	(7,578)	(4,107)	(6,091)	(2,080)
Increase in cash and cash equivalents	16,684	13,330	16,684	13,331

Condensed consolidated and separate statements of changes in equity

Share capital and premium

Balance at beginning and end of the year

Retained earnings

Balance at beginning of the year

Net profit for the year

Dividends paid

Balance at end of the year

Non-distributable reserve

Balance as at beginning of the year

Cash flow hedges

Fair value gain on revaluation of investment

Balance at end of year

Shareholders equity

OVERVIEW

The Group's financial year to 31st August 2021 spanned the final three months of the 2020 cane crushing season, some four months of factory off crop maintenance and the first five months of the 2021 crushing season.

Cane crushing commenced in April 2021 at both estates, registering significant factory throughput for the rest of the year resulting from an excellent off-crop maintenance program. Dwangwa however experienced frequent plant operational stoppages and downtimes mostly between July and August 2021, offsetting the gains that had been made earlier in the season. The mill had recorded excellent crush rates in the 2020 crushing season straddling the first three months of the 2021 financial year.

Favourable weather conditions and improved EGENCO power supply properly supported agricultural operations at both estates; this, combined with the drip irrigation and successful agricultural reset program enabled the Group to achieve increased cane yields during the financial year, despite Dwangwa crushing relatively young cane around November 2020 resulting from reduced deliveries from growers. The Group continued with efforts to support cane growers with the aim of enabling them to achieve operational and financial sustainability, resulting in improved total cane deliveries for the rest of the year.

Sales to the domestic market improved significantly following the Iponyeleni Kwakuya promotion earlier in the financial year, other sales activation initiatives and the successful implementation of the Route to Consumer program for direct sugar deliveries to customers. The depreciation of the Malawi Kwacha against major trading currencies significantly reduced price arbitrage and, combined with interventions by the Malawi Revenue Authority, stemmed illegal sugar imports at the country's borders with neighbouring countries. Sales to Europe and the USA (deep water markets) were affected by frequent rescheduling of vessels at Nacala and Beira. Border closures and other restrictions due to the COVID-19 pandemic also had a negative impact on such export sales; however this resulted in improved intra-Africa (regional) export sales as most of the deep water consignments were redirected to those markets.

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Increase in cash and cash equivalents	16,684	13,330	16,684	13,331
Condensed consolidated and separate statements of changes in equity				
Share capital and premium				
Balance at beginning and end of the year	782	782	782	782
Retained earnings				
Balance at beginning of the year	70,847	68,465	14,498	20,444
Net profit for the year	20,469	2,739	10,825	(5,589)
Dividends paid	(4,281)	(357)	(4,281)	(357)
Balance at end of the year	87,035	70,847	21,042	14,498
Non-distributable reserve				
Balance as at beginning of the year	245	385	(101)	61
Cash flow hedges	124	(162)	124	(162)
Fair value gain on revaluation of investment	(15)	22		
Balance at end of year	354	245	23	(101)
Shareholders equity	88,171	71,874	21,847	15,179

We focused on domestic sales volume growth, export revenue enhancement and cost reduction strategies across the entire value chain, to achieve business sustainability. We continue to invest in drip irrigation for improved cane yields and optimal power and water use. We are also investing in gradually upgrading our factories for better sugar recoveries and more quality improvements.

We took cognizance of the potentially ravaging impact of the COVID-19 pandemic to sales, operations, and the wellbeing of our staff and other stakeholders. Various interventions were therefore pursued to ensure the ultimate safety of our staff and all stakeholders in close interaction with the business. Donations and other initiatives were arranged to ensure that proper support was provided to the community surrounding the business, to enable sustainability of all key stakeholders during the pandemic. We partnered Government to have our clinics in both Nchalo and Dwangwa set up as COVID-19 vaccination centres and this has helped accelerate vaccination for our staff and communities around our estates.

The Group's socio-economic impact on the country remains significant in terms of employment, social investment and various tax and regulatory payments.

PROSPECTS

It is expected that further improvements in power generation by the Electricity Generation Company (Malawi) Limited and better weather patterns will have a positive impact on the agricultural yield, production efficiency and factory throughput. More focus on the agricultural recovery plan, production optimisation, preventive maintenance, and enhancement of the gains from the operating model change should result in better overall operational performance. In addition, increased efforts on growers' financial and operational support should assist the Group realise better grower cane yields. These endeavours are also expected to result in improved plant reliability and better quality outputs across the entire value chain.

In terms of the commercial and logistical operations, the Group will continue emphasizing on delivery of

excellent quality product pack sizes at widely affordable prices as encompassed in the Illovo brand promise. Various market activation initiatives will be carried out to ensure proper engagement with the ultimate consumers as we strive to meet their product and service needs fully. There will also be greater focus on sugar exports into the challenging regional and deep water markets to ensure optimal realisation of the benefits from export sales.

Several key economic variables in particular inflation, exchange rates, interest rates and oil prices will continue to have a notable impact on ultimate consumer buying power and therefore overall group profitability. It is against this background that a concerted effort will be deployed at implementing cost reduction initiatives, operational efficiency improvement and revenue enhancement strategies to ensure business sustainability and growth into the foreseeable future as we play our part in creating a thriving Malawian community.

DIVIDENDS

In view of the business performance in the year to 31st August 2021, the Directors are pleased to propose a final dividend of K4 per share (subject to shareholders' approval at the AGM), on top of the first interim dividend of K4 per share and second interim dividend of K10 per share announced earlier this month. This will bring the total dividend for the year to K18 per share against the prior year full dividend of K2 per share. The final dividend is payable on 31st March 2022 to shareholders on the register at close of business on 11th March 2022.

Gavin Dalgleish

Chairman

Lekani Katandula

Managing Director

Report of the Independent Auditor on the Condensed Consolidated and Separate Financial Statements of Illovo Sugar (Malawi) plc

Opinion

The condensed consolidated and separate financial statements, which comprise the condensed statements of financial position as at 31 August 2021, the condensed statements of profit or loss and other comprehensive income, condensed statements of changes in equity and condensed statements of cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of Illovo Sugar (Malawi) plc for the year ended 31 August 2021.

In our opinion, the accompanying condensed consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements, in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2013.

Condensed Consolidated and Separate Financial Statements

The condensed consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards and requirements of the Companies Act, 2013. Reading the condensed consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon. The condensed consolidated and separate financial statements and audited consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated and separate financial statements.

The Audited Consolidated and Separate Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 23rd November 2021. That report also includes communication of other key audit matters. Key audit matters are those matters that, in our professional judgement were of most significance in our audit of the consolidated and separate financial statements of the current period.

Directors' Responsibility for the Condensed Consolidated and Separate Financial Statements

Directors are responsible for the preparation of the condensed consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2013; and for such internal control as the directors determine is necessary to enable the preparation of the condensed consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the condensed consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagements to report on Summary Financial Statements.

Chartered Accountants (Malawi)

Chiwemi Chihana

Registered Practising Accountant

24th November 2021

Yambani tsiku lilironse ndi Illovo