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

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2024

FINANCIAL PERFORMANCE	GROUP		COMPANY	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Condensed consolidated and separate statements of profit or loss and other comprehensive income	K'm	K'm	K'm	K'm
Revenue	313,689	272,457	180,780	148,544
Gross Profit	118,971	116,578	53,613	50,219
Fair value of growing cane	20,763	13,779	11,180	8,617
Exchange loss	(24,372)	(6,111)	(23,973)	(6,933)
Other Administration Expenses	(56,036)	(42,323)	(31,805)	(23,362)
Operating profit	59,326	81,923	9,015	28,541
Dividend income	207	75	20,800	30,000
Net finance cost	(3,574)	(221)	(1,549)	910
Profit before taxation	55,959	81,777	28,266	59,451
Taxation	(33,327)	(25,019)	(11,266)	(9,203)
Net profit for the year	22,632	56,758	17,000	50,248
Other comprehensive income	212	119	-	4
Total comprehensive income	22,844	56,877	17,000	50,252
Adjusted for:				
Other comprehensive income	(212)	(119)	-	(4)
Headline earnings	22,632	56,758	17,000	50,248
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)	3,172	7,955		
Headline earnings per share (tambala)	3,172	7,955		
Dividend per share (tambala)	1,840	2,624		
Quality of earnings statement				
Operating profit	59,326	81,923		
Adjust for:				
Change in fair value of growing cane	(20,763)	(13,779)		
Operating profit excluding fair value changes	38,563	68,144		
Business segmental analysis				
Revenue				
Sugar production	152,167	133,240		
Cane growing	161,522	139,217		
	313,689	272,457		
Operating profit/(loss)				
Sugar production	68,194	42,305		
Cane growing	(8,868)	39,618		
	59,326	81,923		
Condensed consolidated and separate statements of financial position				
ASSETS				
Property, plant and equipment (including Right of use - assets)	137,708	94,733	97,009	65,574
Investment	1,257	876	324	324
Non-current assets	138,965	95,609	97,333	65,898
Current assets	258,515	202,056	182,761	181,748
Total Assets	397,480	297,665	280,094	247,646
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	148,808	139,091	54,399	50,526
Taxation	54,519	33,144	33,173	21,906
Non-current liabilities	3,932	4,636	1,089	1,737
Current liabilities	190,221	120,794	191,433	173,477
Total shareholders' Equity and Liabilities	397,480	297,665	280,094	247,646
Depreciation/Amortisation	16,940	10,527		
Capital expenditure	51,892	25,735		

	GROUP		COMPANY	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Condensed consolidated and separate statements of cash flows	K'm	K'm	K'm	K'm
Cash generated from operations before working capital changes	55,412	78,491	10,166	27,286
Working capital requirements	10,404	43,620	4,360	49,561
Finance costs and taxation	(20,291)	(8,859)	(5,840)	(1,399)
Net cash flows from operating activities	45,525	113,252	8,686	75,448
Net cash flows used in investing activities	(51,602)	(25,355)	(16,651)	11,265
Net cash flows before financing activities	(6,077)	87,897	(7,965)	86,713
Cash flows used in financing activities	(21,415)	(25,840)	(19,642)	(24,656)
(Decrease)/Increase in cash and cash equivalents	(27,492)	62,057	(27,607)	62,057
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	137,747	99,710	49,740	18,213
Net profit for the year	22,632	56,758	17,000	50,248
Dividends declared	(13,127)	(18,721)	(13,127)	(18,721)
Balance at end of the year	147,252	137,747	53,613	49,740
Non-distributable reserve				
Balance as at beginning of the year	562	443	4	-
Cash flow hedges	-	4	-	4
Fair value gain on revaluation of investment	212	115		
Balance at end of year	774	562	4	4
Shareholders' equity	148,808	139,091	54,399	50,526

OVERVIEW

For the financial year ending August 31, 2024, the Group achieved a turnover of K313.7 billion, representing a 15% increase over the prior year. Pre-tax profit, however, was K55.95 billion, reflecting a 32% decline from the previous year, driven by a range of internal and external factors, which are detailed below.

Agricultural operations at both estates faced significantly wet conditions but demonstrated resilience, yielding a reasonably adequate supply of cane to support sugar production. The Dwangwa Estate experienced heavy flooding in February 2024, followed by persistently high lake levels throughout the year. Floodwaters covered some of the cane fields, causing cane lodging, aerial shoots, and muddy cane, which impacted cane quality and led to frequent plant downtime and reduced recovery rates. Nchalo Estate's agricultural operations continued recovery efforts from the impact of twin cyclones Anna and Gombe, focusing on optimizing fertilizer application, pest control, increasing fallow land, and early replanting initiatives to improve cane growth. Both estates were affected by high water levels in Lake Malawi and the Shire River, resulting from above-average rainfall, which raised the water table in some fields, affecting cane growth, harvesting, and factory supply. Additionally, theft of cane and irrigation equipment by surrounding communities further impacted agricultural performance at Nchalo Estate. The Group is committed to ongoing efforts to enhance cane quality from both its own operations and grower communities.

Between December 2023 and April 2024, both factories faced challenges in conducting off-crop maintenance due to delays in procuring essential spare parts and contractor services, as the country continued to experience a shortage of foreign currency. Production capacity remained subdued, primarily due to the processing of muddy cane in Dwangwa, which affected plant reliability and cane supply.

Combined sugar output from the mills was 222,190 tons, compared to 264,119 tons in the prior year. Continuous improvement initiatives are underway to ensure optimal plant performance.

Despite various challenges and adverse climatic factors, the Group prioritized domestic sugar availability. Although the Group ran out of stock in March 2024, sugar sales for the year reached 206,017 tons, compared to 254,881 tons in the previous year. Normal sugar supply resumed in May 2024. Given reduced production and limited forex, the Group minimized exports, focusing on the domestic market to ensure the availability of quality sugar in various formats and sizes. Various initiatives are in place to ensure sustainable sugar supply for both domestic and export markets and to increase foreign exchange earnings to support our operational and the country's needs.

During the financial year, the Group contributed to the national revenue through tax and other regulatory payments. However, the introduction of the 40% tax band on taxable income above K10 billion has posed a challenge, potentially reducing cash availability for operations. The Group also faced cost pressures from the 44% devaluation of the Kwacha, which impacted profitability.

As part of its Corporate Social Responsibility and commitment to building a Thriving Malawi Community, the Group provided shelter and material support to victims of the February 2024 floods in communities near Dwangwa Estate. Additionally, the Group donated classrooms, administration blocks, furniture, and desks to Majiga Community Day Secondary School and Kaongozi Primary School in Nkhotakota. Nchalo Estate distributed maize flour to nearby communities to alleviate hunger caused by El Niño. Sanitary supplies were also distributed to various schools under the Rise for Girls program, aimed at improving school attendance among girls. The Group undertook a housing rehabilitation program for entry-level staff, upgrading over 100 houses, building 30 houses, and rehabilitating 1,255 houses and 145 toilets. These efforts are part of the Thriving Malawi Community initiative, which aims to improve the livelihoods of employees, surrounding communities, and other stakeholders.

PROSPECTS

Challenges such as intermittent power supply from EGENCO, accelerated Kwacha depreciation, high inflation and interest rates, limited foreign currency availability, adverse climate patterns, and other external factors are expected to continue impacting operations and profitability.

To achieve sustainable growth, the Group remains committed to advancing key milestones in its agricultural recovery and yield improvement programs, factory optimization, commercial enhancement, and staff development to build resilience against these external shocks. The Group is actively pursuing investment in irrigation infrastructure at Nchalo under the Shire Valley Transformation Project, which is expected to support sustainable agricultural performance. Additionally, investments are being made in climate resilience initiatives to minimize the impact of future adverse weather conditions. The recovery programs are progressing well, and the Group anticipates improved plant performance and better agricultural yields in the coming periods.

Furthermore, the Group aims to leverage benefits from it's Business Enablement Program, focusing on optimal technology use, staff development, and aligning growth initiatives with its overall strategy.

DIVIDEND

The Directors are pleased to declare a dividend of K5.00 per share for the year ending August 31, 2024, which will be presented to shareholders for approval at the AGM and will be paid in March 2025. Given that the directors did not pay any interim dividend during the year due to various challenges discussed above, the total dividend for the year is K5.00 per share, compared to the previous year's total dividend of K29.20 per share.

Jimmy Lipunga
Chairman

Lekani Katandula
Managing Director

27th November 2024

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 2024, 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 2024.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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 IFRS Accounting Standards as issued by the International Accounting Standards Board and in compliance with 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 28th November 2024. 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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 Standard on Auditing (ISA) 810 (*Revised*), Engagements to report on Summary Financial Statements.

Chartered Accountants (Malawi)

MacDonald Kamoto
Registered Practicing Accountant

28th November 2024