

ILLOVO SUGAR (MALAWI) LIMITED



(Incorporated in Malawi on 31 May 1965 under registration number 839) SUMMARY OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

FINANCIAL PERFORMANCE

Group statement of comprehensive income

	Unaudited 6 months ended 30 Sep 2009 MK'm	Unaudited 6 months ended 30 Sep 2008 MK'm	Audited Year ended 31 Mar 2009 MK'm
Revenue	14,875	13,015	26,090
Profit from operations	5,551	4,846	9,740
Net finance cost	(278)	(479)	(596)
Profit before taxation	5,273	4,367	9,144
Taxation	(1,606)	(1,331)	(2,791)
Net profit for the period	3,667	3,036	6,353
Other comprehensive income	-	-	-
Total comprehensive income	3,667	3,036	6,353
Net profit on sale of property, plant and equipment	(5)	(7)	(15)
Headline earnings	3,662	3,029	6,338
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)	514	426	890
Headline earnings per share (tambala)	513	425	888
Dividend per share (tambala)	287	240	625

Business segmental analysis

	Unaudited 6 months ended 30 Sep 2009 MK'm	Unaudited 6 months ended 30 Sep 2008 MK'm	Audited Year ended 31 Mar 2009 MK'm
Revenue			
Sugar production	7,959	6,727	13,635
Cane growing	6,916	6,288	12,455
	14,875	13,015	26,090
Profit from operations			
Sugar production	3,027	2,566	4,985
Cane growing	2,524	2,280	4,755
	5,551	4,846	9,740

Abridged group statement of financial position

	Unaudited 30 Sep 2009 MK'm	Unaudited 30 Sep 2008 MK'm	Audited 31 Mar 2009 MK'm
ASSETS			
Property, plant & equipment	6,609	4,990	5,975
Cane roots	7,638	6,303	7,049
Investment and loans	421	507	545
Non-current assets	14,668	11,800	13,569
Current assets	19,100	18,465	12,898
Total Assets	33,768	30,265	26,467
EQUITY AND LIABILITIES			
Capital and reserves	14,455	11,931	13,428
Deferred taxation	6,800	6,361	5,924
Other non-current liabilities	1,051	939	936
Current liabilities	11,462	11,034	6,179
Total Equity and Liabilities	33,768	30,265	26,467
Depreciation (MK'm)	323	266	417
Capital expenditure (MK'm)	969	931	2,111

Abridged group statement of cashflows

	Unaudited 6 months ended 30 Sep 2009 MK'm	Unaudited 6 months ended 30 Sep 2008 MK'm	Audited Year ended 31 Mar 2009 MK'm
Operating profit before working capital changes	5,107	4,567	7,779
Working capital requirements	(2,287)	(3,607)	193
Interest, taxation & dividend	(4,577)	(3,802)	(5,924)
Purchase of property, plant & equipment	(969)	(931)	(2,111)
Disposal of property, plant & equipment	12	14	30
Reduction/(Increase) in investments	124	8	(30)
Net cash outflow before financing activities	(2,590)	(3,751)	(63)

Abridged group statement of changes in equity

	Unaudited 30 Sep 2009 MK'm	Unaudited 30 Sep 2008 MK'm	Audited 31 Mar 2009 MK'm
Balance at beginning/end of period	782	782	782
Retained earnings			
Balance at beginning of period	12,646	10,146	10,146
Net profit for the period	3,667	3,036	6,353
Dividends paid in cash	(2,640)	(2,033)	(3,853)
Balance at end of period	13,673	11,149	12,646
Capital and reserves	14,455	11,931	13,428

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 2010.

REVIEW OF OPERATIONS

Domestic sales for the first six months of the year were in line with forecast and totalled around 98 000 tons. Robust sales into regional markets were also achieved during the period with strong demand from Zimbabwe. Export sales into both the EU and USA markets were in line with available quotas and shipping schedules. Full advantage was taken of preferential prices prevailing in the EU market, prior to the lifting of quota restrictions and the consequent reduction in prices from 1 October 2009. However, the continuing strength of the Kwacha against the US Dollar exerted downward pressure on half-year export revenues.

The start of the 2009 crushing season was slightly delayed due to wet conditions during April. Despite a slow start-up at both factories and initial mechanical problems, the operations have settled down well and are now performing at acceptable levels. The season to date estate cane yields are slightly down on the previous year partly due to a reduction in the average cane age at Nchalo.

PROSPECTS

Following the successful completion of the Nchalo factory upgrade, it is anticipated that sugar production for the full year will exceed last year's 304 000 tons provided normal weather conditions are experienced. Sales into the domestic market are expected to be marginally up on last year, whilst regional sales particularly into the Zimbabwe market, at prices in line with the prevailing buoyant world sugar market are expected to contribute positively to the revenue stream. Export volumes to the EU and USA markets should be in line with last year. Cane deliveries by Dwangwa outgrowers are expected to be higher than the prior year due to the harvesting of new areas under pivot irrigation. Focus on cost control in all areas of the business will continue and it is envisaged that operating margins will be maintained. Movement in exchange rates will influence profits and the devaluation of the Kwacha against the strong Rand will put pressure on Rand based input costs.

Investment in the future growth of the company will continue and a further K 1.3 billion will be spent on capital projects during the full year.

DIVIDEND

Notice is hereby given that an interim dividend of 287 tambala per share (2008: 240 tambala per share) has been declared on the ordinary shares of the company in respect of the six months ended 30 September 2009. The dividend is payable on 8 January 2010 to shareholders on the register at the close of business on 27 November 2009.

BY ORDER OF THE BOARD
30 October 2009

Malawi Sugar Limited
Secretaries