

**ILLOVO SUGAR (MALAWI) LIMITED**



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

**EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

	GROUP Unaudited 6 months ended 30 Sep 2012 MK'm	GROUP Unaudited 6 months ended 30 Sep 2011 MK'm	GROUP Audited 12 months ended 31 Mar 2012 MK'm	COMPANY Unaudited 6 months ended 30 Sep 2012 MK'm	COMPANY Unaudited 6 months ended 30 Sep 2011 MK'm	COMPANY Audited 12 months ended 31 Mar 2012 MK'm	GROUP Unaudited 6 months ended 30 Sep 2012 MK'm	GROUP Unaudited 6 months ended 30 Sep 2011 MK'm	GROUP Audited 12 months ended 31 Mar 2012 MK'm	COMPANY Audited 12 months ended 31 Mar 2012 MK'm
<b>FINANCIAL PERFORMANCE</b>										
<b>Statement of comprehensive income</b>										
Revenue	30,872	18,134	36,450	18,740	10,717	21,061				
Operating profit	14,331	5,708	12,034	8,920	3,162	6,331				
Dividend income	12	-	24	2,000	1,500	2,500				
Net finance cost	(1,352)	(252)	(408)	(1,331)	(246)	(294)				
Profit before taxation	12,991	5,456	11,650	9,589	4,416	8,537				
Taxation	(3,962)	(1,663)	(3,570)	(3,114)	(1,347)	(1,870)				
Net profit for the period	9,029	3,793	8,080	6,475	3,069	6,667				
Other comprehensive income	-	-	(40)	-	-	(40)				
Total comprehensive income	9,029	3,793	8,040	6,475	3,069	6,627				
Adjusted for:										
Net profit on sale of property, plant and equipment	(23)	(6)	(1)	(23)	-	-				
Other comprehensive income	-	-	40	-	-	40				
Headline earnings	9,006	3,787	8,079	6,452	3,069	6,667				
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)	1,265	532	1,132							
Headline earnings per share (tambala)	1,262	531	1,132							
Dividend per share (tambala)	740	300	795							

**Quality of earnings statement**

Operating profit	14,331	5,708	12,034
Adjust for:			
Change in fair value of cane roots & growing cane	(5,814)	(990)	(2,465)
Operating profit less fair value changes	8,517	4,718	9,569

**Business segmental analysis**

<b>Revenue</b>			
Sugar production	15,870	9,596	19,529
Cane growing	15,002	8,538	16,921
	30,872	18,134	36,450
<b>Operating profit</b>			
Sugar production	6,728	3,589	7,229
Cane growing	7,603	2,119	4,805
	14,331	5,708	12,034

**Abridged statement of financial position**

<b>ASSETS</b>						
Property, plant & equipment	9,056	7,958	8,559	6,354	5,598	6,064
Cane roots	11,702	9,721	10,182	8,581	7,203	7,822
Non-current assets	20,758	17,679	18,741	14,935	12,801	13,886
Current assets	41,130	25,681	22,469	26,119	15,760	16,975
<b>Total Assets</b>	61,888	43,360	41,210	41,054	28,561	30,861
<b>EQUITY AND LIABILITIES</b>						
Capital and reserves	26,310	18,670	20,634	12,204	8,971	14,053
Deferred taxation	9,309	9,547	8,601	6,668	7,288	5,961
Other non-current liabilities	117	1,135	87	117	1,135	87
Current liabilities	26,152	14,008	11,888	22,065	11,167	10,760
<b>Total Equity and Liabilities</b>	61,888	43,360	41,210	41,054	28,561	30,861
Depreciation	277	249	450			
Capital expenditure	795	238	1,026			

**Abridged statement of cash flows**

<b>Cash generated from operations before working capital changes</b>	13,259	5,503	7,553	3,880
Working capital requirements	(5,610)	(374)	3,540	3,493
Interest, taxation & dividends	(6,959)	(4,031)	(7,222)	(3,771)
Purchase of property, plant & equipment	(795)	(238)	(1,026)	(755)
Proceeds from disposal of property, plant & equipment	23	6	7	3
Borrowings repaid	(20)	-	(47)	(47)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(102)	866	2,805	2,803

**Abridged statement of changes in equity**

<b>Share capital &amp; premium</b>				
Balance at beginning/end of the period	782	782	782	782
<b>Retained earnings</b>				
Balance at beginning of the period	19,852	16,399	16,399	11,231
Net profit for the period	9,029	3,793	8,080	6,667
Non-distributable reserve	-	-	(40)	(40)
Dividends declared	(3,353)	(2,304)	(4,587)	(4,587)
Balance at end of period	25,528	17,888	19,852	13,271
<b>Capital and reserves</b>	26,310	18,670	20,634	14,053

**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 2013.

**REVIEW OF OPERATIONS**

Both factories commenced crushing during April 2012 and although rain caused intermittent stops during the first ten days of crushing at Nchalo the factory has since been operating satisfactorily. Dwangwa had a good start to its crushing season. For the half year to September 2012 both factories performed at levels marginally ahead of expectations with pleasing levels of overall sugar recovery. Cane yields on both Estates have been slightly below estimate to date, but compared to the comparative previous six months the total cane crop harvested was higher due to an increased area harvested. Sugar made in the six months was 6% above the tonnage manufactured in the previous year's comparative period.

Sales into the domestic market for the half year were in line with expectation and export markets continued to be supplied to meet customer demand which remains good particularly in regional markets.

On a seasonal basis revenue for the half year to September 2012 totalled K 30.9 billion, with estimated operating profit for the same period at K 14.3 billion, which includes fair value adjustments to standing cane and cane roots of K 5.8 billion. These fair value adjustments have arisen as a consequence of the significant currency devaluation in May 2012. The value of the Kwacha has continued to erode since then and strict revenue enhancing and cost control measures are being implemented in order to protect operating margins.

**PROSPECTS**

Weather conditions will influence final production and every effort is being made to ensure Nchalo and Dwangwa crush all available cane before the onset of the rainy season. Current indications are that although crop yields will continue to be below expectation, the overall harvest from an increased area will exceed last year's cane produced by approximately 4%. Given a continuation of the present satisfactory levels of plant efficiencies it is envisaged that overall sugar production will exceed that achieved in the previous year by between 5 and 10%.

Sugar sales for the full year are expected to total in excess of 300 000 tons which will be 4% better than the overall sales volumes achieved in the previous year. The domestic market will account for approximately 55% of total sales for the year. Year end stock levels will be carefully managed to ensure that the domestic market is fully supplied during the offcrop period.

Profit for the full year is expected to be driven by the positive impact of local currency devaluation on export revenue realisation and the maintenance of operating margins in the local market. Total revenues will exceed K 60 billion for the year. Rising input costs will continue to be carefully managed and it is anticipated that the overall operating margin will reflect a good increase over that achieved in the previous year.

**DIVIDEND**

Notice is hereby given that an interim dividend of 740 tambala per share (2011: 300 tambala per share) has been declared in respect of the ordinary shares of the company for the year ending 31 March 2013. The dividend is payable on 28 December 2012 to shareholders on the register at the close of business on 16 November 2012.

BY ORDER OF THE BOARD  
24 October 2012

Malawi Sugar Limited  
Secretaries