ILLOVO SUGAR (MALAWI) LIMITED

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

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL PERFORMANCE

Statement of comprehensive income

Statement of comprehensive income	GROUP Audited 31 Mar 2013 K'm	GROUP Audited 31 Mar 2012 K'm	COMPANY Audited 31 Mar 2013 K'm	COMPANY Audited 31 Mar 2012 K'm
Revenue	63,185	36,450	37,322	21,061
Operating profit	31,121	12,034	18,243	6,331
Dividend income	24	24	4,000	2,500
Net finance cost	(1,137)	(408)	(848)	(294)
Profit before taxation	30,008	11,650	21,395	8,537
Taxation	(9,075)	(3,570)	(5,260)	(1,870)
Net profit for the period	20,933	8,080	16,135	6,667
Other comprehensive income	150	(40)	150	(40)
Total comprehensive income	21,083	8,040	16,285	6,627
Adjusted for:				
Net profit on sale of property, plant and equipment	(29)	(1)	(29)	(1)
Other comprehensive income	(150)	40	(150)	40
Headline earnings	20,904	8,079	16,106	6,666
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)	2,955	1,132		
Headline earnings per share (tambala)	2,930	1,132		
Dividend per share (tambala)	1,465	795		

Quality of earnings statement

Quality of earnings statement	GROUP 31 Mar 2013 K'm	GROUP 31 Mar 2012 K'm
Operating profit	31,121	12,034
Adjust for:		
Change in fair value of cane roots & growing cane	(15,034)	(2,465)
Operating profit less fair value changes	16,087	9,569

Business segmental analysis

Business segmental analysis	GROUP 31 Mar 2013 K'm	GROUP 31 Mar 2012 K'm
Revenue		
Sugar production	32,685	19,529
Cane growing	30,500	16,921
	63,185	36,450
Operating profit		
Sugar production	12,265	7,229
Cane growing	18,856	4,805
	31,121	12,034

Abridged statement of financial position

Abridged statement of financial position	GROUP 31 Mar 2013 K'm	GROUP 31 Mar 2012 K'm	COMPANY 31 Mar 2013 K'm	COMPANY 31 Mar 2012 K'm
ASSETS				
Property, plant & equipment	11,769	8,559	8,346	6,064
Cane roots	14,687	10,182	10,618	7,498
Investment	-	-	324	324
Non-current assets	26,456	18,741	19,288	13,886
Current assets	37,424	22,469	26,244	16,975
Total Assets	63,880	41,210	45,532	30,861
EQUITY AND LIABILITIES				
Capital and reserves	32,907	20,634	21,528	14,053
Deferred taxation	13,511	8,601	9,090	5,961
Other non-current liabilities	-	87	-	87
Current liabilities	17,462	11,888	14,914	10,760
Total Equity and Liabilities	63,880	41,210	45,532	30,861
Depreciation	517	450	359	310
Capital expenditure	3,731	1,026	2,656	755

Abridged statement of cash flows

Abridged statement of cash flows	GROUP Audited 31 Mar 2013 K'm	GROUP Audited 31 Mar 2012 K'm	COMPANY Audited 31 Mar 2013 K'm	COMPANY Audited 31 Mar 2012 K'm
Cash generated from operations before working capital changes	16,562	10,018	8,685	5,262
Working capital requirements	(1,642)	1,075	(444)	2,111
Interest, taxation & dividends	(12,968)	(7,222)	(7,367)	(3,771)
Purchase of property, plant & equipment	(3,731)	(1,026)	(2,656)	(755)
Proceeds from disposal of property, plant & equipment	45	7	45	3
Borrowings repaid	(133)	(47)	(133)	(47)
Net (decrease)/ increase in cash and cash equivalents	(1,867)	2,805	(1,870)	2,803

Abridged statement of changes in equity

Abridged statement of changes in equity	GROUP 31 Mar 2013 K'm	GROUP 31 Mar 2012 K'm	COMPANY 31 Mar 2013 K'm	COMPANY 31 Mar 2012 K'm
Share capital & premium				
Balance at beginning/end of the period	782	782	782	782
Retained earnings				
Balance at beginning of the period	19,852	16,399	13,271	11,231
Net profit for the period	20,933	8,080	16,135	6,667
Non-distributable reserve	150	(40)	150	(40)
Dividends declared	(8,810)	(4,587)	(8,810)	(4,587)
Balance at end of period	32,125	19,852	20,746	13,271
Capital and reserves	32,907	20,634	21,528	14,053

OVERVIEW

Sugar cane production for the year totalled 2.5 million tons of which 15% was produced by Malawian outgrowers. In general results from the cane growing operations from both our own estates and the outgrowers proved to be lower than expected. The main reasons for the decline in cane yields on a year on year basis was attributable to generally poor climatic conditions at the start and end of the season exacerbated by the poor electricity supply mainly to the outgrower operations.

Generally the factories at Dwangwa and Nchalo operated at satisfactory levels of operational efficiency during the year. Plant efficiencies were good at both factories and exceeded the previous season's results. Cane throughput was carefully managed throughout the crushing season to ensure the attainment of optimum sucrose extraction. Sugar production totalled 300 000 tons against the previous year's 283 000 tons.

The bulk of the sugar produced during the season was sold to local market direct consumption and industrial consumers who accounted for 55% of total sugar sales for the year. The fortification of sugar with vitamin A for direct consumption in Malawi commenced during the year under guidance from the Government of Malawi in line with its requirements to combat micro-nutrient deficiencies within sections of the population. Exports to preferential markets in Europe and USA represented 32% of overall sales volumes and the balance was sold to regional customers mainly in Zimbabwe.

Sugar stocks were carefully managed throughout the year to ensure an even distribution to the market and this proved to be successful in ensuring that the sporadic stock-out situations that occurred during the previous year were not repeated.

Sugar quality was an area of continuing focus and several continuous improvement projects were implemented during the year in an on-going effort to ensure that the strictest standards of food safety and quality were observed during the manufacturing and delivery process. Export customers continued to source sugar from the Malawian operations as it is recognised as a quality product which the company is able to ship timeously.

During the season the company employed in excess of 10 000 people with further employment being generated and sustained amongst the outgrowers. In addition Illovo Malawi provided sustainable livelihood to those in the sugar value chain. The company continued its strong contribution to the Malawian economy during 2012/13. In excess of K16 billion was injected into the economy through payments to employees, lenders of capital as interest and to Government in the form of taxation. In addition, a substantial portion of goods and services were procured locally. The company remains committed to meaningful corporate social responsibility and in the past year, significant support was given to communities primarily in the areas of education and health care.

Economic conditions during the year were difficult with the devaluation and subsequent flotation of the Kwacha exerting pressure on the cost of wages and also of inputs particularly electricity, fuel and maintenance materials. All these increases compounded pressure on the profitability of the company but the implementation of phased sugar price increases during the year and the improvement in the revenue stream in Kwacha terms from the sale of sugar into favourably priced export markets established through our well organised marketing structures enabled the company to protect its operating margins and ensure a continuing return to its shareholders. Although much improved over the previous year, periodic shortages of foreign currency resulted in payment delays of some external commitments with a resultant rise in interest charges. Large increases in bank base lending rates also compounded the negative movement in the interest bill for the year.

PROSPECTS

It is envisaged that a cane harvest of similar size will be realised for the forthcoming year.

Further building upon improved factory throughput and better production performance achieved during the last crushing season, and with an ongoing investment in factory continuous improvement programmes, a marginal increase in overall sugar production should be achieved for the forthcoming year.

Local market sales will again be given preference but with the expected continuation of the uncertain and difficult economic environment it is anticipated that sugar sales into this market will only grow marginally during the coming year. Stock levels will again be carefully managed to ensure adequate sugar supply to the domestic consumer. Full advantage will again be taken of export opportunities as they arise to maximise the revenue stream.

The business will again have to manage its cost base carefully in the light of inflation, exchange and interest rates.

In the year ahead it is anticipated that K 8.0 billion will be spent on capital projects in both the agricultural and factory operations to further secure the ongoing growth and future sustainability of the business.

DIVIDENDS

An interim dividend of 740 tambala per share (2012: 300 tambala per share) was paid to shareholders on 28 December 2012.

Notice is hereby given that a second interim dividend of 675 tambala per share (2012: 470 tambala per share) has been declared on the ordinary shares of the company in respect of the year ended 31 March 2013. The dividend is payable on 5 July 2013 to shareholders on the register at the close of business on 24 May 2013.

The Directors will propose at the forthcoming Annual General Meeting of members, to be held on 16 August 2013, to pay a final dividend of 50 tambala per share (2012: 25 tambala per share) bringing the total dividend to 1 465 tambala per share (2012: 795 tambala per share).

BY ORDER OF THE BOARD
9 May 2013

Malawi Sugar Limited
Secretaries