

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 2015

	GROUP Audited 31 Mar 2015	GROUP Audited 31 Mar 2014	COMPANY Audited 31 Mar 2015	COMPANY Audited 31 Mar 2014		GROUP Audited 31 Mar 2015	GROUP Audited 31 Mar 2014	COMPANY Audited 31 Mar 2015	COMPANY Audited 31 Mar 2014
FINANCIAL PERFORMANCE					Abridged statement of cash flows				
Statement of profit or loss and other comprehensive income	K'm	K'm	K'm	K'm		K'm	K'm	K'm	K'm
Revenue	92,508	87,848	52,286	49,711	Cash generated from operations before working capital changes	14,490	21,041	6,134	10,517
Operating profit	23,429	28,613	11,412	14,910	Working capital requirements	7,857	2,413	5,619	3,895
Dividend income	52	82	5,000	5,000	Interest, taxation and dividends	(22,003)	(16,742)	(12,869)	(9,162)
Net finance cost	(3,931)	(1,657)	(2,460)	(1,012)	Purchase of property, plant and equipment	(6,169)	(6,593)	(4,711)	(5,121)
Profit before taxation	19,550	27,038	13,952	18,898	Proceeds from disposal of property, plant and equipment	104	78	106	71
Taxation	(6,019)	(8,222)	(2,813)	(4,258)	Net (decrease)/ increase in cash and cash equivalents	(5,721)	197	(5,721)	200
Net profit for the year	13,531	18,816	11,139	14,640					
Other comprehensive income	479	(176)	479	(176)	Abridged statement of changes in equity				
Total comprehensive income	14,010	18,640	11,618	14,464	Share capital and premium				
Adjusted for:					Balance at beginning/end of the year	782	782	782	782
Net profit on sale of property, plant and equipment	-	-	-	-	Retained earnings				
Other comprehensive income	(479)	176	(479)	176	Balance at beginning of the year	40,241	32,125	24,669	20,729
Headline earnings	13,531	18,816	11,139	14,640	Net profit for the year	13,531	18,816	11,139	14,640
Number of shares in issue ('000)	713,444	713,444			Non-distributable reserve	479	(176)	479	(176)
Weighted average number of shares on which net profit per share is based ('000)	713,444	713,444			Dividends declared	(13,199)	(10,524)	(13,199)	(10,524)
Net profit per share (tambala)	1,897	2,637			Balance at end of year	41,052	40,241	23,088	24,669
Headline earnings per share (tambala)	1,897	2,637			Capital and reserves	41,834	41,023	23,870	25,451
Dividend per share (tambala)	750	1,850							
Quality of earnings statement					OVERVIEW				
Operating profit	23,429	28,613			Operations at both Nchalo and Dwangwa commenced later than planned due to wet weather at the beginning of the season. Plant reliability performance at Nchalo was below expectations for the season which impacted negatively on sugar production. Dwangwa had a generally satisfactory performance for the season. Overall sugar cane production for the season totalled 2.4 million tons of which 450 000 tons, representing 19% of total cane harvested, was sourced from outgrowers.				
Adjust for:					Final sugar production for the season totalled 283 000 tons.				
Change in fair value of cane roots and growing cane	(9,737)	(8,178)			Overall sugar sales into the local and export markets amounted to 273 000 tons. The domestic market accounted for over 60% of these volumes. The balance was exported to Europe, North America and the region. Sales into regional markets were below expectation mainly as a result of cheap world market sugar being imported into the region and import license restrictions implemented by the Zimbabwean authorities, all but halting sugar sales into this traditional market. Adverse market pricing pressure and Euro weakness also impacted sales revenue from EU markets.				
Operating profit less fair value changes	13,692	20,435			Economic conditions during the year were challenging with significant exchange and interest rate movements, resulting in negligible growth in the local market and an overall decline in operating margins. Continuous improvement and cost containment initiatives remained an area of focus. Overall, in terms of the year's financial results, profit from operations declined by 18% to K 23 billion, with headline earnings declining by 28%.				
Business segmental analysis					PROSPECTS				
Revenue					The overall sugar cane crop for the coming season is expected to be similar to that achieved in the 2014/15 season.				
Sugar production	53,543	50,700			It is expected that factory performance at Nchalo will return to expected levels of plant time efficiencies and recoveries. This performance improvement, coupled with the Dwangwa factory performing at similar levels to that achieved in the previous year, should result in a modest overall increase in sugar production.				
Cane growing	38,965	37,148			Total sugar sales for the coming year are expected to improve by 8% compared to the current year with improved volumes into both the EU specials market and regional markets where an uptake in refined sugar is anticipated.				
	92,508	87,848			In terms of the economy, inflation rates, together with exchange and interest rate movements, will continue to have a marked effect on profitability. The company will continue to maintain a focus on cost control initiatives driven through its ongoing continuous improvement programmes.				
Operating profit					DIVIDENDS				
Sugar production	15,237	16,985			An interim dividend of 750 tambala per share (2014: 750 tambala per share) was paid to shareholders on 9 January 2015. Due to the cash flow constraints of the company and the negative interest rate environment where rates are in excess of 30%, a second interim and final dividend is therefore regrettably unable to be paid.				
Cane growing	8,192	11,628			The total dividend for the year is then 750 tambala per share (2014: 1 850 tambala per share).				
	23,429	28,613			The annual general meeting of members will be held on the 14 August 2015.				
Abridged statement of financial position					By order of the board			Malawi Sugar Limited	
ASSETS					7 May 2015			Secretaries	
Property, plant and equipment	22,945	17,678	17,067	12,995	AUDITORS REPORT TO THE MEMBERS OF ILLOVO SUGAR (MALAWI) LIMITED				
Cane roots	25,827	19,963	17,967	14,123	The accompanying summarised consolidated financial statements, which comprise the summarised consolidated statement of profit or loss and other comprehensive income, the summarised consolidated statement of financial position as at 31 March 2015, the summarised consolidated statements of cash flows for the year then ended and the summarised consolidated statement of changes in equity are derived from the audited financial statements of Illovo Sugar (Malawi) Limited for the year ended 31 March 2015. We expressed an unmodified opinion on those financial statements in our report dated 7 May 2015. Those financial statements, and the summarised financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.				
Investment	-	-	324	324	The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised consolidated financial statements therefore, is not a substitute for reading the audited financial statement of Illovo Sugar (Malawi) Limited.				
Non-current assets	48,772	37,641	35,358	27,442	Directors' Responsibility for the Summarised Consolidated Financial Statements				
Current assets	52,375	40,087	36,227	27,111	The directors are responsible for the preparation of the summarised financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 1984.				
Total Assets	101,147	77,728	71,585	54,553	Auditors' Responsibility				
EQUITY AND LIABILITIES					Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."				
Capital and reserves	41,834	41,023	23,870	25,451	Opinion				
Deferred taxation	20,867	16,728	13,762	11,058	In our opinion, the summarised financial statements derived from the audited financial statements of Illovo Sugar (Malawi) Limited for the year ended 31 March 2015 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 1984.				
Other non-current liabilities	-	-	-	-	Deloitte.				
Current liabilities	38,446	19,977	33,953	18,044	Public Accountants				
Total Equity and Liabilities	101,147	77,728	71,585	54,553	7 May 2015				
Depreciation	902	684	639	471	Blantyre, Malawi				
Capital expenditure	6,169	6,593	4,711	5,121					