



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

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2023

FINANCIAL PERFORMANCE	GROUP		COMPANY	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
<b>Condensed consolidated and separate statements of profit or loss and other comprehensive income</b>	<b>K'm</b>	<b>K'm</b>	<b>K'm</b>	<b>K'm</b>
<b>Revenue</b>	<b>272,457</b>	<b>186,642</b>	<b>148,544</b>	<b>102,480</b>
Gross Profit	110,467	57,018	43,285	25,869
Fair value of growing cane	13,779	8,298	8,617	4,676
Other Administration Expenses	(42,323)	(25,811)	(23,362)	(14,050)
<b>Operating profit</b>	<b>81,923</b>	<b>39,505</b>	<b>28,541</b>	<b>16,496</b>
Dividend income	75	60	30,000	-
Net finance cost	(221)	(1,087)	910	(292)
<b>Profit before taxation</b>	<b>81,777</b>	<b>38,478</b>	<b>59,451</b>	<b>16,204</b>
Taxation	(25,019)	(11,848)	(9,203)	(5,079)
<b>Net profit for the year</b>	<b>56,758</b>	<b>26,630</b>	<b>50,248</b>	<b>11,125</b>
Other comprehensive income/(losses)	119	89	4	(23)
<b>Total comprehensive income</b>	<b>56,877</b>	<b>26,719</b>	<b>50,252</b>	<b>11,102</b>
Adjusted for:	(119)	(89)	(4)	23
Other comprehensive (losses)/income				
<b>Headline earnings</b>	<b>56,758</b>	<b>26,630</b>	<b>50,248</b>	<b>11,125</b>
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)	7,955	3,733		
Headline earnings per share (tambala)	7,955	3,733		
Dividend per share (tambala)	2,624	1,956		
<b>Quality of earnings statement</b>				
Operating profit	81,923	39,505		
Adjust for:	(13,779)	(8,298)		
Change in fair value of growing cane				
<b>Operating profit excluding fair value changes</b>	<b>68,144</b>	<b>31,207</b>		
<b>Business segmental analysis</b>				
<b>Revenue</b>				
Sugar production	133,240	109,089		
Cane growing	139,217	77,553		
	272,457	186,642		
<b>Operating profit</b>				
Sugar production	42,305	29,434		
Cane growing	39,618	9,963		
	81,923	39,397		
<b>Condensed consolidated and separate statements of financial position</b>				
<b>ASSETS</b>				
Property, plant and equipment (including Right of use - assets)	94,733	76,980	65,574	51,346
Investment	876	740	324	324
Non-current assets	95,609	77,720	65,898	51,670
Current assets	202,056	119,670	181,748	56,867
<b>Total Assets</b>	<b>297,665</b>	<b>197,390</b>	<b>247,646</b>	<b>108,537</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity	139,091	100,935	50,526	18,995
Taxation	33,144	26,792	21,906	18,484
Non-current liabilities	4,636	7,094	1,737	3,301
Current liabilities	120,794	62,569	173,477	67,757
<b>Total shareholders' Equity and Liabilities</b>	<b>297,665</b>	<b>197,390</b>	<b>247,646</b>	<b>108,537</b>
Depreciation	10,527	9,586		
Capital expenditure	25,735	16,618		

Condensed consolidated and separate statements of cash flows	GROUP		COMPANY	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
<b>Cash generated from operations before working capital changes</b>	<b>78,491</b>	<b>40,707</b>	<b>27,286</b>	<b>18,835</b>
Working capital requirements	43,620	14,006	49,561	25,728
Finance costs and taxation	(8,859)	(9,261)	(1,399)	(4,729)
<b>Net cash flows from operating activities</b>	<b>113,252</b>	<b>45,452</b>	<b>75,448</b>	<b>39,834</b>
<b>Net cash flows used in investing activities</b>	<b>(25,355)</b>	<b>(16,479)</b>	<b>11,265</b>	<b>(11,754)</b>
<b>Net cash flows before financing activities</b>	<b>87,897</b>	<b>28,973</b>	<b>86,713</b>	<b>28,080</b>
Cash flows used in financing activities	(25,840)	(14,235)	(24,656)	(13,343)
<b>Increase in cash and cash equivalents</b>	<b>62,057</b>	<b>14,738</b>	<b>62,057</b>	<b>14,737</b>
Condensed consolidated and separate statements of changes in equity				
<b>Share capital and premium</b>	<b>782</b>	<b>782</b>	<b>782</b>	<b>782</b>
<b>Balance at beginning and end of the year</b>	<b>782</b>	<b>782</b>	<b>782</b>	<b>782</b>
<b>Retained earnings</b>				
Balance at beginning of the year	99,710	87,035	18,213	21,043
Net profit for the year	56,758	26,630	50,248	11,125
Dividends declared	(18,721)	(13,955)	(18,721)	(13,955)
<b>Balance at end of the year</b>	<b>137,747</b>	<b>99,710</b>	<b>49,740</b>	<b>18,213</b>
<b>Non-distributable reserve</b>				
Balance as at beginning of the year	443	354	-	23
Cash flow hedges	4	(23)	4	(23)
Fair value gain on revaluation of investment	115	112		
<b>Balance at end of year</b>	<b>562</b>	<b>443</b>	<b>4</b>	<b>-</b>
<b>Shareholders' equity</b>	<b>139,091</b>	<b>100,935</b>	<b>50,526</b>	<b>18,995</b>

OVERVIEW

The group is pleased to announce its remarkable performance for the year ended 31 August 2023. In terms of revenue, the group reported K272 billion for the year, setting a new record-high for the group representing a notable 46% increase over prior year. Profit before tax at K81.8 billion, represented a 113% growth over the previous year.

This performance was achieved largely through increased sales volumes on the domestic front, cost management efforts and optimization of operational efficiencies. The group achieved increased domestic sales volumes by 11,882 tonnes during the year, over prior year. The sales were largely supported by the Route to Consumer initiative aimed at delivering sugar to the last-mile customer, and favourable cross border arbitrage which saw some of our sugar being informally exported to neighbouring countries by various traders. These informal exports were also motivated by foreign exchange shortages in the country.

As the factories recovered from the impact of Cyclone Ana of 2022, efforts were made to progressively produce for the export market and contribute to the country's foreign currency generation. Some export volumes were achieved, albeit below the initial plan, due to the high demand on the domestic market and lower production in Nchalo resulting from higher plant downtime and reduced cane supply as a result of Cyclone Freddy. The group intends to continue producing for the export market to ensure the availability

of the required foreign currency for its operations and the country at large.

These results were attained despite the group facing complex operational and environmental challenges, as elaborated below.

Agricultural operations in Nchalo progressed at a slower pace due to carryover cane from the previous season and lower plant population per hectare caused by Cyclones Ana and Freddy. Dwangwa also experienced heavy rains which affected agricultural productivity reducing cane yield and sucrose content. The inclement weather patterns affected our grower communities at both estates as well in terms of both cane yield and sucrose content. Cyclone Freddy had a widespread impact on the southern region, particularly hampering field activities in Nchalo, including cane harvest and haulage. The heavy rains in Dwangwa had a similar impact on the agricultural operations. Intermittent power supply and consistent rainfall, especially in March 2023, affected irrigation and cane quality. Consequently, factory startup was delayed by a few weeks, until late April 2023, affecting cane harvesting, replanting, weeding, and the application of fertilizer and pesticides. The delivery of both own and grower cane had to be temporarily halted until the fields were dry. Throughout this period, the group continued to support and collaborate with its cane growers to mitigate further negative impacts.

Both mills had extended the previous crushing season to December 2022 and had planned extensive plant

rehabilitation during the offcrop period. This extended crushing season impacted the subsequent cane growing season especially in terms of cane age, but mitigating plans were put in place. Despite late receipt of some off crop materials due to foreign currency shortages and a prolonged wet season, production ultimately began in late April 2023. The Nchalo mill experienced significant plant reliability issues due to late off crop material deliveries, which affected overall factory throughput. The impact of Chiperoni wet weather on cane supply in the months of June and July 2023 further lowered production. Fortunately, the Dwangwa mill achieved relative stability afterward, achieving exceptional crush rates as high as 203 tonnes of cane per hour compared to the typical 190 tonnes of cane per hour. Despite these challenges, the business ensured the continuous availability of sugar in the domestic market throughout the year.

The group remains committed to investing significant effort and resources in ensuring the continued enjoyment of its quality products by all customers. It also commits to making significant contributions to the Malawi fiscus through the payment of various taxes and regulatory commitments. The group recognizes its role in helping create a thriving Malawian community by providing employment and making social investments in the communities where its operations are located. In line with this commitment, the business contributed to the recovery efforts following Cyclone Freddy and the cholera outbreak, made donations to affected communities, and supported various educational, health, and social initiatives in the country. The group made a deliberate initiative to purchase more of its quality inputs from eligible local suppliers.

PROSPECTS

The ongoing depreciation of the local currency against major trading currencies, significant increases in electricity and diesel prices, global supply chain disruptions for essential commodities on account of geo-political tensions, adverse economic and climatic factors, regulatory changes, and other external shocks will continue to impact the business's profitability in the foreseeable future. The group will persist in implementing strategies to ensure resilience and growth remain fundamental to its operations, with a particular emphasis on safety as a foundation for achieving these objectives.

The group continues to invest in drainage and irrigation upgrades and is exploring the possibility of investing in power generation, with the potential to supply excess power to the national grid and other major projects, thereby ensuring robust business improvement and fair returns for all stakeholders. The group is currently in negotiations with the Government regarding water abstraction from the Shire Valley Water Project. The refinement of approaches to the agricultural recovery program, factory optimization initiatives, cost reduction efforts, and execution of commercial strategies will remain pivotal to the group's efforts to continually grow and transform the business. The group acknowledges the valuable contributions of its people and will continue to invest in talent growth and development for the benefit of both the business and the Malawian community.

DIVIDENDS

Considering the excellent business performance for the year ended August 31, 2023, the Directors are pleased to declare a second interim dividend of K12.60 per share, in addition to the first interim dividend of K10.80 per share. A final dividend of K5.80 per share will be proposed to the Shareholders at the AGM for their approval for payment in March 2024. This will bring the total dividend for the year to K29.20 per share, compared to the previous year's full dividend of K21.00 per share.

**Jimmy Lipunga**  
Chairman

**Lekani Katandula**  
Managing Director

23rd November 2023

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 2023, 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 2023.

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 International Financial Reporting Standards 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 International Financial Reporting Standards and requirements of 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 29th November 2023. 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 International Financial Reporting Standards 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)**  
**Chiwemi Chihana**  
Registered Practicing Accountant

23rd November 2023

