ILLOVO SUGAR (MALAWI) plc

2017 ANNUAL REPORT

SUGAR ILLOVO MALAWI

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ANNUAL REPORT 2017

In order to re-stimulate sugar sales within the local market, extensive research was undertaken to more fully understand consumer preferences and requirements. This led to the launch of a new range of rebranded products in varying pack sizes into the domestic market to more fully satisfy customer purchasing preferences. The relaunch was supported by extensive marketing and promotional activities which resulted in a 6% increase in sales to the domestic market for the full year.

KEY FEATURES

	2017	2016 Restated
Results (K million)		
Revenue	124 035	99 925
Operating profit	18 702	12 955
Net profit for the year	7 080	1 804
Headline earnings	7 080	1 804
Share performance (tambala per share)		
Headline earnings	992	253
Net worth	5 133	4 141
Year-end market price	21 501	20 000
Financial statistics		
Return on average shareholders' equity (%)	17.0	6.0
Return on net assets (%)	19.7	20.5
Interest cover (times)	2.4	1,3

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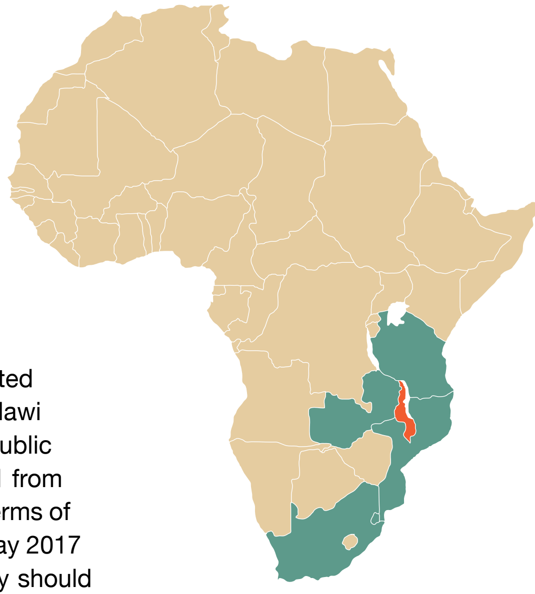
GROUP PROFILE



Illovo Sugar (Malawi) plc (Illovo Malawi / the group) was incorporated in Malawi as a private company (The Sugar Corporation of Malawi (SUCOMA) Limited) on 31 May 1965 and then converted to a public company on 15 September 1997. The name was officially changed from SUCOMA to Illovo Sugar (Malawi) Limited on 11 November 2004. In terms of the new Companies Act 2013, the name was again changed on 23 May 2017 to give effect to the requirements that the name of a public company should end with the abbreviation "plc".

The group is listed on the Malawi Stock Exchange (MSE) and Illovo Sugar Proprietary Limited (Illovo), through Sucoma Holdings Limited, holds 76% of the issued share capital with the balance of the shares being held by the public and other institutional investors. The ultimate holding company is Associated British Foods plc (ABF), in the United Kingdom, which as at 28 June 2016 acquired 100% (previously 51%) of Illovo's issued share capital following approval by minority shareholders in Illovo of an offer by ABF to acquire all of the ordinary shares of Illovo that it did not already own. In this regard, and as advised to shareholders at the August 2016 annual general meeting of members of the company, that in order to align reporting structures and timings of financial reporting periods the statutory year end of Illovo Malawi would be changed to 31 August 2017 and thereafter to end on 31 August of each respective year following completion of the full year financial reporting period to 31 March 2017.

Illovo is a leading, global, cost-competitive African sugar producer and a manufacturer of high-value downstream products and is the continent's biggest sugar producer with extensive agricultural and manufacturing operations in six African countries. Illovo Malawi is the largest sugar producer in the country with significant agricultural and milling assets at the Dwangwa Sugar Estate in the mid-central region at Nkhotakota and at the Nchalo Sugar Estate situated in the south of the country at Chikhwawa.

In a normal season, almost two million tons of sugar cane are grown on both estates which, combined with 360 000 tons of cane grown by Malawian farmers, enables the production of 250 000 tons of sugar. Cane growing operations are significantly enhanced at both estates by access to good soils and secure water sources for irrigation, resulting in generally favourable annual cane yields and sucrose content in cane. Cane cultivated at Dwangwa is irrigated from the Dwangwa and Rupashe Rivers, supplemented by water from Lake Malawi, whilst the Nchalo operation sources its water from the Shire River.

Both factories produce raw and refined sugar with the Nchalo factory also manufacturing value-added speciality sugars. More than 50% of the sugar produced during the year was sold into the local direct consumption market through the company's chain of distribution centres situated throughout Malawi and also into the local industrial and artisanal markets. Around 30% of sugar was sold into markets in the European Union (EU) and the United States of America (USA) while the remaining 20% was sold into neighbouring African regional markets. Both milling operations produce molasses, a by-product of the sugar manufacturing process, which is currently sold as a fermentation raw material to both the Ethanol Company Limited and Presscane Limited fuel alcohol distilleries in Malawi.

Malawi is classified as one of the world's Least Developed Countries on the United Nations Human Development Index. The prevailing low Gross Domestic Product (GDP) per capita results in generally extremely high poverty levels particularly across Malawi's vast rural areas. The group recognises the significant development needs of the communities in which it operates and to meet its strategic intent to be welcomed in the communities in which it operates, Illovo Malawi administers a wide-ranging corporate social responsibility programme and has more recently embarked on shared value initiatives focussing mainly on education and health, together with a broader objective to complement Malawi's national strategy to alleviate poverty and to contribute towards national food security. The group continues to partner with government, non-governmental organisations and other agencies to help address these development issues.

The group also acknowledges its essential role in providing platforms to manage the business activities in all of its operations and continually strives to maintain an environment which meets the needs of current and future generations. Illovo Malawi will continue to develop its business in a socially responsible manner with the ongoing aim of reducing the environmental impact of its operations.

OPERATING LOCATIONS

KEY

	CANE ESTATES AND SUGAR FACTORIES
●	CITIES
○	DISTRIBUTION CENTRES

GROUP STRUCTURE AND SHAREHOLDING

ASSOCIATED BRITISH FOODS
100%

ILLOVO SUGAR GROUP
100%

PUBLIC AND INSTITUTIONAL INVESTORS
16%

SUCOMA HOLDINGS
76%

OLD MUTUAL LIFE ASSURANCE COMPANY
8%

ILLOVO SUGAR MALAWI
100%

DWANGWA SUGAR CORPORATION

CORPORATE INFORMATION

Secretaries / Compliance Officer	:	Malawi Sugar Limited / G S Garson
Business address and registered office	:	Illovo Sugar (Malawi) plc, Churchill Road,Limbe, Malawi
Postal address	:	Private Bag 580, Limbe, Malawi
Telephone	:	+265 (0)1 843 988
Fax	:	+265 (0)1 840 761
E-mail address	:	Illovomalawi@Illovo.co.za
Website address	:	www.Illovosugar.com
Transfer secretaries	:	Standard Bank Limited Transfer Secretaries, Transactional Products and Services, Kaomba Centre, corner Sir Glyn Jones Road & Victoria Avenue, Blantyre, Malawi
Postal address	:	P O Box 1111, Blantyre, Malawi
Telephone	:	+265 (0)1 820 144
E-mail address	:	custodymalawi@standardbank.local
Auditors	:	Deloitte
Attorneys	:	Chisanga and Tomoka
Principal bankers	:	Standard Malawi Limited

DIRECTORATE

Chairman – Non-executive

G B (Gavin) Dalgleish (51)
BScEng(Chem), MScEng(Chem)

Gavin was appointed as a director in November 2011 and assumed the position of Chairman in August 2013. He holds a master's degree in chemical engineering and first joined Illovo in 1988 as a postgraduate student. He has since held a number of technical, business-development, operational and general management positions in Illovo. He also spent three years leading the Australia-based global technology unit of AB Mauri, a yeast business which is a subsidiary of Illovo's holding company, Associated British Foods plc, before returning to Illovo in December 2010. Gavin assumed the position of Operations Director of Illovo in 2012, and was appointed Managing Director of the Illovo group with effect from 1 September 2013. He is also Chairman of the Nomination/Remuneration Committee.

Executive directors

M A (Mark) Bainbridge (49)
BEng(Hons) Engineering

Mark was appointed Managing Director of Illovo Malawi on 1 January 2017. He joined Illovo in June 2013 as the Managing Director of the group's Tanzanian subsidiary, Kilombero Sugar Company. He has had seasoned and extensive multinational experience in sugar manufacturing environments since 1986 and previously served in various senior technical, project and leadership positions for British Sugar in the United Kingdom and AB Sugar in China. Prior to joining Illovo Sugar in 2013, Mark was the Development Director of Bo Tian Sugar Co. China. He is a Trustee of Mary's Meals in Malawi.

L L (Lekani) Katandula (41)
BAcc, FCCA, CA(Mw), CFA, CISA

Lekani was appointed Financial Director in August 2015. Prior to joining the group, he was employed by Deloitte Malawi where he was Audit and Advisory Partner for over 11 years. He has a wealth of technical knowledge and experience in financial standards, reporting systems and leadership having operated in senior managerial and partnership levels in a reputable external audit practice. He currently also serves as a Trustee at Phoenix International School and as a non-executive director of both Alliance Capital Limited and Malawi Telecommunications Limited.

M F (Marc) Pousson (51)
NHDip(Elect HC), GCC(Elect)

Marc was appointed as a director in May 2017. He joined Illovo in 1992 as an engineer-in-training and after successfully completing the programme he held a number of operational, technical and management positions at various operations in the Illovo group. Most recently he spent more than 3 years as Operations Director of Zambia Sugar Plc. Marc has over 20 years' experience in the sugar industry, all with Illovo.

Non-executive directors

M H (Mohammed) Abdool-Samad (46)
BCom, CA(SA)

Mohammed was appointed as a director in November 2011. He was appointed as Financial Director of Illovo in 2011. He holds a BCom degree and qualified as a chartered accountant in 1996. From 1996 to 2000, he held various managerial positions at Deloitte & Touche. In 2001 he joined Anglo American plc, providing risk management and treasury audit services. He was appointed Senior Finance Manager of Anglo Coal South Africa in 2005, Chief Financial Officer in 2006, and after a restructure of the business, Chief Financial Officer of Anglo American Thermal Coal in 2009, responsible for Anglo American's global thermal coal assets. He is Chairman of the Audit Committee and also a member of the Risk Management Committee.

J P (John) Hulley (57)
NatDip(MechEng), MDP (GenMgt)

John was appointed as a director of Illovo Malawi in October 2013. He was appointed to the board of Illovo in September 2013 as its Operations Director. From 1978 until 1993 he served Illovo in various capacities. After leaving Illovo in 1993, John held management positions in other companies in the sugar industry, including a leading engineering and project management consulting company providing services to the sugar industry and other heavy engineering industries. After re-joining the company in 2000, he held management positions in Illovo's South African operations, before being appointed General Manager of Illovo's Swaziland subsidiary, Ubombo Sugar Limited in 2008, and subsequently its Managing Director. He is Chairman of the Risk Management Committee.

A R (Ami) Mpungwe (66)
BA(Hons), PGD International Law and Diplomacy, SMP, LCP

Ami has spent 25 years in the Tanzanian diplomatic service and has consequently during this time accumulated a wealth of political and commercial experience from operating on the African continent. He was the first Tanzanian High Commissioner to South Africa and retired from the service in 1999. He was a previous non-executive director of Illovo Sugar Proprietary Limited and in addition to being appointed as a non-executive director of Illovo Malawi in October 2006, he also still remains on the boards of Illovo's operating subsidiaries in Zambia, at Zambia Sugar Plc which is listed on the Lusaka Stock Exchange and in Tanzania, at Kilombero Sugar Company Limited. He is also a director of a number of other companies in Tanzania. He is a member of the Risk Management Committee and the Nomination/Remuneration Committee.

Independent non-executive directors

M A P (Mathews) Chikaonda (Dr) (62)
DipBus(Dist), BA(Fin&Econ)(Hons), MBA(Fin), PhD (Fin)

Mathews was appointed as a director in October 2006. He was, until his retirement in 2016, the Group CEO of Press Corporation Limited. Prior to this, he served as Assistant Professor of Finance and Associate Professor of Finance (tenured) from 1988 to 1991, and 1992 to 1994, respectively, at Memorial University of Newfoundland in Canada. Thereafter Mathews, served as Deputy Governor of the Reserve Bank of Malawi from August 1994 until January 1995, when he was appointed Governor. He served in this post until March 2000 when he was appointed to the cabinet and served in the government of Malawi as Minister of Finance and Economic Planning until January 2002. Mathews, is a director of Pannar Seed (Malawi) Limited and is also a member of the Leadership Council and a director of the US-based Initiative for Global Development. He also recently served as Chairman on the boards of National Bank of Malawi and Telekom Networks Malawi.

P W (Paul) Guta (45)
BSc(Hons),MSc(StratMgt), CertMkt

Paul was appointed as a director in February 2017. Appointed as the Managing Director of Nedbank Malawi in 2014, a post which he still occupies, Paul previously has served in various business management roles in corporate and retail banking. From 1997 to 2003 he was in the oil industry with BP Malawi (now Puma Energy). He is the 1st Vice-president of the Bankers Association of Malawi and Chairman of the Institute of Bankers of Malawi. He is also currently a board member and Chairman of the Finance Committee of AMREF Health Africa Limited. He is a non-executive director of Lube Masters Limited. He is currently a member of Illovo Malawi's Audit Committee.

P A (Phillip) Madinga (45)
BSocSci(Econ), BBM&A(Hons), MBA

Phillip was appointed as a director in February 2017. He is the Group General Manager, Corporate and Commercial Banking of First Merchant Bank Limited, a financial institution incorporated in Malawi and listed on the Malawi Stock Exchange. Prior to this he was Managing Director of FDH Bank Limited. He also worked for several banks as Executive Head of Corporate and Investment Banking with Standard Bank Limited, Head of Corporate Banking for Loita Bank (now Ecobank), Deputy Head of Credit for Nedbank Malawi Limited and Project Monitoring Officer for Investment and Development Bank of Malawi Limited. He has over 23 years' experience in banking and finance. In his own capacity, Phillip is the board Chairman of Sunbird Tourism Limited. He is also a non-executive director on the board of Axis Pensions Limited and non-executive director of Leasing and Finance Company Limited. He is a member of both Illovo Malawi's Audit Committee and the Nomination/Remuneration Committee.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

Attendance at board and committee meetings during the year ended 31 March 2017

DIRECTOR	Board Meeting		Audit Committee Meeting		Risk Committee Meeting		Nomination/ Remuneration Committee Meeting		Annual General Meeting	
	A	B	A	B	A	B	A	B	A	B
M H Abdool-Samad	4	4	2	2	2	2	N/A	N/A	1	1
M A Bainbridge (1)	1	1	N/A	N/A	N/A	N/A	0	0	0	0
M A P Chikaonda	4	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0
G B Dalgleish	4	4	N/A	N/A	N/A	N/A	1	1	1	1
R J de Allende (2)	3	3	N/A	N/A	N/A	N/A	1	1	1	1
P W Guta (3)	1	1	0	0	N/A	N/A	N/A	N/A	0	0
J P Hulley	4	4	N/A	N/A	2	2	N/A	N/A	1	1
L L Katandula	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1
P A Madinga (4)	1	1	0	0	N/A	N/A	0	0	0	0
S L G Malata (5)	1	1	1	1	N/A	N/A	N/A	N/A	0	0
D B Mawindo (6)	1	1	N/A	N/A	N/A	N/A	1	1	0	0
A R Mpungwe	4	2	N/A	N/A	2	2	1	0	1	1
M F Pousson (7)	0	0	N/A	N/A	N/A	N/A	N/A	N/A	0	0
K M J Tembo (8)	4	3	N/A	N/A	N/A	N/A	N/A	N/A	1	1
G H Williams (9)	3	3	2	2	N/A	N/A	N/A	N/A	1	1

Column A indicates the number of meetings held during the year and column B indicates the number of meetings attended by the director whilst a member of the board/committee.

Note

1. *M A Bainbridge was appointed with effect from 1 January 2017.*
2. *R J de Allende retired with effect from 31 December 2016.*
3. *P W Guta was appointed with effect from 16 February 2017.*
4. *P A Madinga was appointed with effect from 16 February 2017.*
5. *S L G Malata resigned with effect from 5 May 2016.*
6. *D B Mawindo resigned with effect from 5 May 2016.*
7. *M F Pousson was appointed with effect from 31 May 2017.*
8. *K M J Tembo resigned with effect from 31 March 2017.*
9. *G H Williams resigned with effect from 1 February 2017.*

ILLOVO SUGAR (MALAWI) plc

DIRECTORS' REPORT

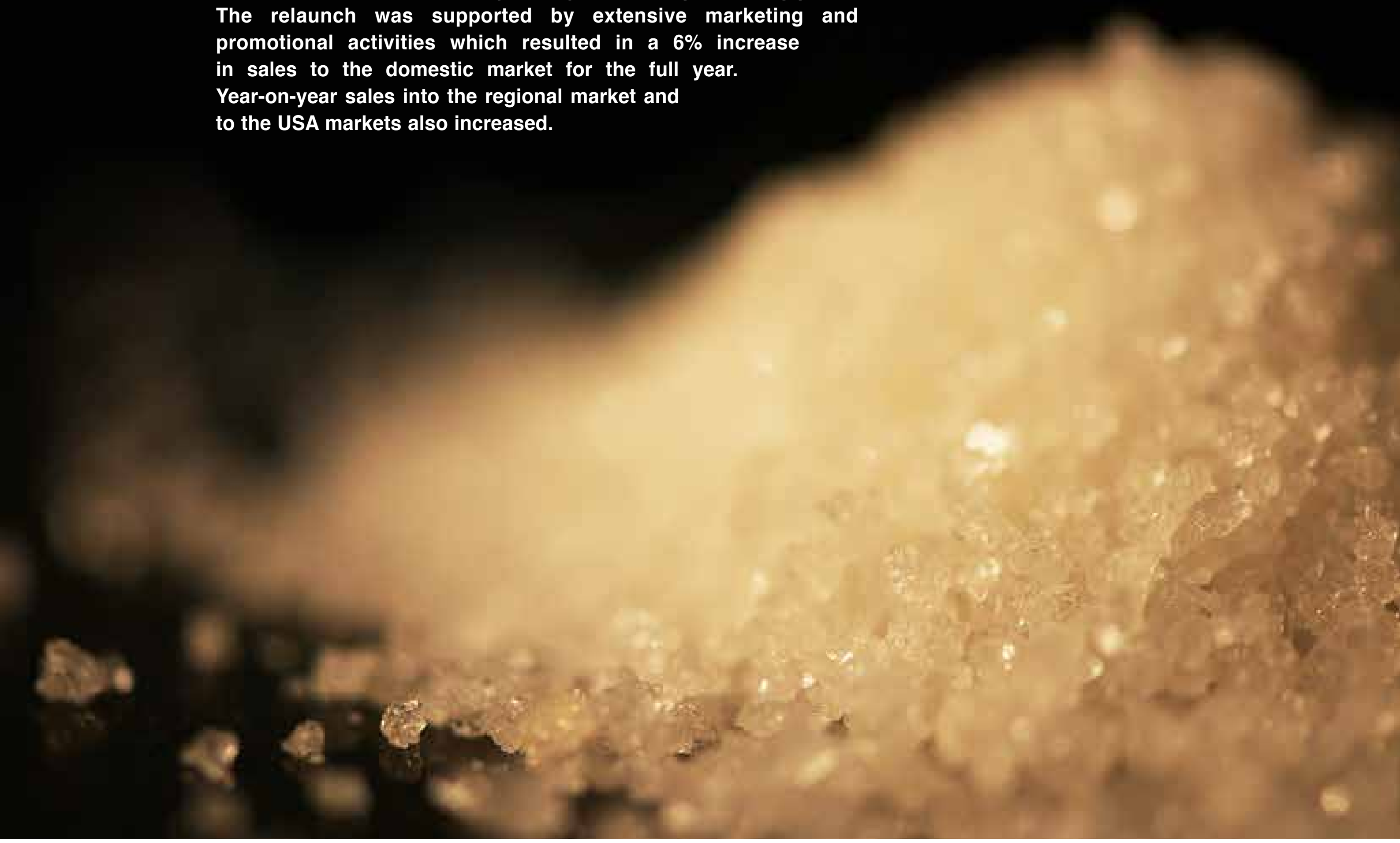
OVERVIEW

Illovo Malawi experienced a challenging 2016/17 production year but strategically took every opportunity to limit further cane and sugar losses by maintaining a strict focus on the group's agricultural and milling operations at both Nchalo and Dwangwa. As a result, total cane supplied by the company's own agricultural operations and by independent outgrowers ended at 2.1 million tons, almost a 7% reduction compared to the previous year, while total sugar production fell approximately 11% to 239 951 tons year-on-year.

Sugar cane production was severely impacted by very dry conditions at the commencement of the 2016/17 season and further, by inconsistent electricity supply to irrigate the crop as declining lake and river water levels impacted upon Escom's ability to generate hydro-electric power for the national grid. The crop became stressed and together with periods of extremely dry and then wet conditions, resulted in a reduction in cane yield and sucrose content in the cane.

With the focus on minimising the negative impact of reduced cane throughput, every effort was placed on the sound operation of the two factories which, with some early mechanical and operational challenges affecting Dwangwa, both performed to expectation for most of the 2016/17 milling season.

The domestic sugar market also presented its challenges at the beginning of the year with poor sales volumes affected by the ongoing illegal importation of sugar which was curbed with the assistance of the Malawi Revenue Authority and the Ministry of Trade, Industry and Tourism. In order to re-stimulate sugar sales within the local market, extensive research was undertaken to more fully understand consumer preferences and requirements. This led to the launch of a new range of rebranded products in varying pack sizes into the domestic market to more fully satisfy customer purchasing preferences. The relaunch was supported by extensive marketing and promotional activities which resulted in a 6% increase in sales to the domestic market for the full year. Year-on-year sales into the regional market and to the USA markets also increased.



Economic conditions during the year remained difficult with foreign exchange and interest rate movements affecting the business. The focus on performance improvement initiatives continued to drive cost reduction and efficiencies throughout the company and included a structural review of the cost base which brought about significant positive impact. On-going efforts by the commercial teams to switch product from lower value EU bulk raw sugar exports to higher value regional markets continued to deliver improved revenues and margin.

Total revenue for the year increased 24% compared to the previous year while operating profit rose 44%. Headline earnings benefited from the change in accounting for cane roots, as advised in the Trading Statement published during February 2017, with the overall headline earnings result improving from last year's restated K 1.8 billion to K 7.1 billion.

Prospects

Normal weather patterns and an anticipated improvement in both lake and river levels positively impacting Escom's power generation operations are expected during the season. Longer term, a combination of agricultural yield improvements at Nchalo, including the phased installation of more efficient irrigation systems and ongoing structural changes within the agronomy sections, together with additional cane planted by outgrowers, are expected to result in improved cane yields and higher sucrose content.

Milling operations at Dwangwa and Nchalo will benefit from efficiency and performance improvements building on this year's successful off-crop programmes which addressed a number of plant inefficiencies. Sugar production for the new year is expected to be marginally higher than last year.

The company will continue to build on this year's successful product rebranding in the local direct consumption market and extend the delivery footprint to the wider consumer market during the year. Exports into Regional, USA and EU specials markets will continue to be an area of focus.

Inflation rates, together with exchange and interest rate movements, are likely to affect profitability in the coming year but continuing performance improvement, cost control initiatives and a focus on resetting the cost base of the business are expected to result in improved operating margins and the generation of positive free cash flows.

CORPORATE GOVERNANCE

COMPLIANCE / GOVERNANCE

The directors are committed to the implementation of, and endorse the Malawi Code II Sector Guidelines for Listed Companies (The Code). As far as it concerns the business of the group The Code guidelines have been adhered to in all material respects for the year ended 31 March 2017 with the following exception which is currently being addressed to ensure full compliance in future:

- Although the board has not formally established a detailed policy regarding related party transactions it ensures that all transactions conducted with related parties are on an "arm's length" basis and in terms of generally accepted accounting practices and standards.

Annual financial statements

The following statement, which should be read in conjunction with the Auditor's Report, is made for the purpose of clarifying to members the respective responsibilities of the directors and the auditors in the preparation of annual financial statements.

The directors are required by the Companies Act, 2013, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs and profit or loss of the group. The directors consider that, in preparing the financial statements, appropriate accounting policies are consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed.

After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence in the year ahead. For this purpose, they continue to adopt the going-concern basis in preparing the financial statements. The external auditors concur with this opinion.

The directors have responsibility for ensuring that the group maintains accounting records which disclose with reasonable accuracy at any time the financial position of the group and which enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2013.

The directors also have responsibility for safeguarding the assets of the group and for the prevention and detection of fraud and other irregularities.

Board of directors

The group has a unitary board of directors that is balanced between executive and non-executive directors.

The board supervises the management of the group's business and affairs and is involved in all decisions that are material to the business. In doing so, the board acts at all times in the best interest of the group.

The board meets at least once in each quarter with additional meetings held when appropriate. At each board meeting a complete update on the affairs and business of the group is presented by executive management.

In addition, the articles of association provide for decisions taken between meetings to be confirmed by way of directors' resolutions.

The roles of the Chairman and the Chief Executive are separated and the Chairman is a non-executive director.

Executive management

Executive management meets regularly to discuss issues material to the operations of the group.

To ensure that there is adequate interaction between management and the board, three members of executive management are directors.

Audit committee

The audit committee comprises of three directors, all of whom are non-executive. The committee meets twice a year with management and has both external and internal auditors in attendance.

The committee sets materiality and reviews annual audited financial statements, the interim financial results and the external and internal auditors' reports and details its findings to the board for consideration when approving the financial statements for delivery to the shareholders.

The audit committee, on behalf of the board, reviews the scope and coverage of internal audit together with its findings.

In terms of section 4 103(e) of the Malawi Stock Exchange listing requirements the audit committee has considered the appropriateness of the experience and expertise of the Financial Director and will report at the annual general meeting of members that they are satisfied that L L Katandula has the relevant experience and expertise in this role.

“The group continued to fortify all sugar for direct consumption within the local market with vitamin A in an effort to contribute to government’s aim to reduce micro-nutrient deficiencies within targeted segments of the community.”

Risk management committee

The risk management committee is chaired by a non-executive director. A comprehensive risk assessment audit is undertaken twice per annum of factors which could have a material impact on the group results.

As well as financial assessment, other audited areas include agricultural, electrical and mechanical risk, health and safety, quality and food safety, environmental compliance and exposure to changes in the economic environment. The reports are reviewed by the committee to ensure that risk identification, mitigation and management are undertaken. A comprehensive enterprise risk management strategy has been adopted by the group with robust risk improvement plans developed and business continuity planning and testing regularly undertaken.

Nomination/Remuneration committee

The nomination/remuneration committee comprises three non-executive directors. The committee is responsible for reviewing compensation of the executive directors and executive management of the group and recommending the appointment / reappointment of directors and annual director’s fees.

Ethical standards

The group has adopted a code of management practices that applies to the group’s management and staff. The code provides a benchmark against which employee conduct can be assessed to ensure that the highest ethical standards are met.

Fraud control

The group has an established and well-publicised fraud hotline that enables employees and members of the public to raise evidence of irregular activity directly with an independent entity.

The group has implemented a comprehensive anti-bribery and corruption policy which has been implemented throughout the organisation to all officers and employees and has adopted a zero-tolerance approach to corruption and fraud.

Internal control

The board has overall responsibility for the group’s systems of internal control and for monitoring their effectiveness. The systems are designed to safeguard the group’s assets and shareholders’ investments.

The group’s external auditors are granted unrestricted access to all information that may be required in the execution of their duties. Reports from the external auditors are regularly monitored to assess the effectiveness of the group’s systems of internal control.

The directors and external auditors have not detected any adverse information that would indicate a material breakdown in systems of internal control during the year under review.

ADVOCACY / STAKEHOLDER ENGAGEMENT / SUSTAINABILITY

Strategic intent

As part of the group's strategic intent, through its Corporate Social Responsibility (CSR) / Creating Shared Value (CSV) committee, it seeks to be welcomed in the communities in which it operates because of what it does, how well it does it and be accepted as a progressive company by all communities and also be cognisant of the rural locations of its operations and the impact that it has on job creation and poverty alleviation in such areas. The group recognises that for CSV to be meaningful and sustainable it requires a conscious effort to incorporate the principles and thinking around shared value into the strategic and day to day operations of the company.

The group continued its close working relationship with government and donor agencies to identify opportunities to work together for greater positive impact on communities within the group's sphere of influence and supported the government's strategy to help reduce infant and maternal mortality by fortifying all sugar for domestic consumption with vitamin A. Illovo Malawi continued its efforts to help address severe national food shortages by growing maize on its estates while several community-focussed construction and rehabilitation projects were undertaken during the year. In an ongoing effort to provide safe drinking water, the group continued to drill and equip boreholes in areas surrounding the estates.

Illovo Malawi plays a significant role within the Malawian economy in terms direct impacts (wages paid to employees, cane payments to outgrowers, tax payments, interest spending and dividends); indirect impacts through its value chain; and induced impacts in the form of increased consumption and spending in the economy as a whole. The group earns valuable foreign exchange through the sales of its export sugar and is also a major source of revenue to the Malawi fiscus both through direct and indirect taxes. Its operations are also of considerable benefit to the overall local economy, providing permanent and seasonal employment for more than 10 000 people. Many local industries, which collectively employ large numbers of people, are dependent upon the group for their ongoing business sustainability.

The group remained a strong supporter of outgrower schemes in terms of capacity, material and various technical inputs. Almost 9% of total revenues were spent during the year procuring sugar cane from outgrowers surrounding both estates. This represented a significant support to the livelihoods of small scale rural farmers, their families and also to the local communities.

The group spent over 17% of its total revenues on remuneration and employee benefits. All employees, including agricultural and factory workers, earn above the national minimum wage and the World Bank's poverty line and well above the Anker living wage calculation.

Infrastructure, normally provided by national government, is generally lacking in the areas of the groups' operations and therefore the group provides housing, water, and electricity, healthcare and schooling assistance to its employees and their dependants. It is estimated that more than 70 000 people live on the group's premises at Dwangwa and Nchalo.

Housing is provided to more than 4 500 employees and their families. The houses are provided with electricity, clean drinking water and services, including sewerage and waste disposal, are provided. On-going housing upgrades and the construction of new housing continued during the year.

In total, 12 company-run clinics operate on both estates which are staffed by medical doctors and other qualified health personnel. On average, these clinics attend to more than 25 000 patients in a month, including members of local communities who do not have access to health care.

During the year, almost 5 000 employees and their dependents attended voluntary HIV / AIDS counselling and testing programmes, with more than 3 000 affected patients registered on the company's "wellness" programme. Clinics also dispense antiretroviral drugs on behalf of the government. The business has entrenched and effective occupational health regimes and continues to look after the well-being of its employees, both in terms of health and the provision of a healthy and safe workplace.

The group continued to fortify all sugar for direct consumption within the local market with vitamin A in an effort to contribute to government's aim to reduce micro-nutrient deficiencies within targeted segments of the community.

There are more than 13 000 pupils attending estate schools which are supported by the group. The group also continued its active involvement in school feeding programmes.

The group believes that an effective staff development programme is important for sustainable development and as a consequence it has instituted staff training programmes as part of its business. The group carries out business understanding programmes that assist in developing effective mechanisms for the sharing of relevant information, which enables employees to gain a better understanding of the business. The group also undertakes discussions with employee representatives which facilitates effective consultation by management with the workforce before taking decisions that affect the workers and also helps in the speedy identification and effective resolution of conflict.

The group maintained its proactive approach towards eliminating child labour and forced labour. Its "Guidelines for the Prevention of Child Labour and Forced Labour" pursue the effective abolition of all forms of child labour, forced labour and human trafficking in accordance with the principles of the International Labour Organisation conventions, the United Nations Global Compact and the UK Modern Day Slavery Act of 2015. This commitment is enshrined in the Illovo Group Code of Conduct and Business Ethics by which all Illovo group companies and its supply chains are bound.

Illovo has made explicit commitments to protect land rights across its operations through its "Guidelines on Land and Land Rights". Through these guidelines, Illovo has adopted a zero-tolerance policy for land grabs throughout

"In total, 12 company-run clinics operate on both estates which are staffed by medical doctors and other qualified health personnel. On average, these clinics attend to more than 25 000 patients in a month, including members of local communities who do not have access to health care, and contractors. "

its operations and calls for all its suppliers to do likewise. The guidelines also call for the company to broadly protect the land rights of others; engage in free, prior and informed consent (FPIC) before acquiring or influencing community and smallholder land rights; perform environmental and social impact assessments of its future land-related actions; use the results of such assessments to shape its consequent land-focused activities; provide for self and supplier monitoring and evaluation across its operations; and put in place grievance mechanisms that enable local communities and individual smallholder farmers to register and track complaints and claims against the company. To implement these commitments, Illovo has formulated a "Road Map on Land Rights" and established a "Land Policy Roundtable Committee" to advise in implementing these land guidelines.

Health and safety / Environment / Quality

Safety standards and methods are continually monitored and updated and safety awareness throughout the group remained an important focus area with awareness and training activities aimed at protecting the safety and well-being of our own employees, external contractors and the wider community continuing throughout the year. Several safety programmes and intensive training and focussed initiatives were implemented during the year with daily briefings being undertaken to re-enforce safety measures and to inculcate a safety mind-set throughout all areas of the business. Regrettably, despite these ongoing efforts, a contractor employed at the Nchalo refinery died in an unfortunate accident during the year.

The group recognises the essential role that a managed and protected environment plays in the growing of sugar cane used in the production of sugar and manages the impact of its activities, striving to maintain an environment which meets the needs of current and future generations and continues to develop its business in a socially responsible manner. Cane fibre or bagasse, the fibrous residue following the extraction process, is used as a bio-renewable fuel source in the factory boilers to produce steam for processing requirements. Both sugar factories have upgraded their waste-water discharge systems, resulting in water from the milling process being settled before being recycled for use as irrigation water on the fields. This process supplements lake / river water demand and reduces the requirement from these sources for crop irrigation. Both estates participate in annual tree planting activities in an effort to retard environmental degradation and soil erosion and continue to make substantial donations of tree seedlings on a regular basis to surrounding communities.

The group also continued to maintain biodiversity corridors throughout its sugar estates. A 400-hectare reserve known as Nyala Park has been set aside within the Nchalo estate boundary and is maintained with species of the original flora and fauna of the Shire Valley.

Quality aspects of the business along the entire value chain remained an area of focus with several continuous improvement projects being implemented to ensure that the strictest standards of food safety and quality are observed in the manufacturing and delivery process. Both agricultural and factory operations retained accreditation under the ISO quality management system. The Nchalo factory retained its Foundation for Food Safety Certification (FFSC) accreditation, under the Food Safety System Certification (FSSC) 22000 standard and also maintained accreditation under the Hazards Analysis and Critical Control Points (HACCP) programme. Dwangwa obtained FSSC 22000 accreditation for refined sugar during the year.

VALUE ADDED STATEMENT

The value added statement shows the wealth the group has been able to create through manufacturing, trading and investing operations and its subsequent distribution and reinvestment in the business.

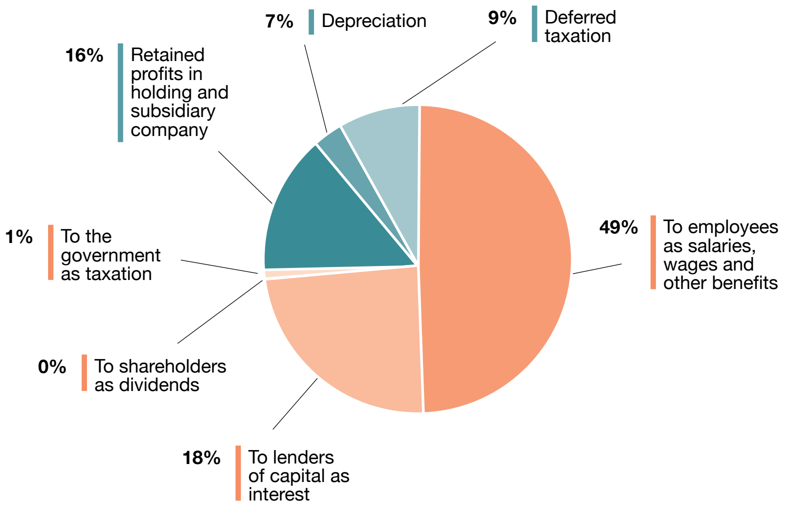
	2017 K million
Wealth created	
Revenue	124 035
Income from investments	63
Paid to growers for cane purchases	(11 057)
Cane growing and manufacturing costs	(69 251)
	43 790
Wealth distributed	
To employees as salaries, wages and other benefits	21 587
To lenders of capital as interest	7 846
To shareholders as dividends	-
To the government as taxation	406
	29 839
Wealth reinvested	
Retained profits in holding and subsidiary company	7 080
Depreciation	2 868
Deferred taxation	4 003
	13 951
	43 790
Analysis of taxes paid to and collected on behalf of the central and local government	
Current taxation	(164)
Customs duties, import surcharges and other taxes	570
Total contribution to central and local government	406
The above amount contributed excludes the following:	
- employees taxation deducted from remuneration	3 349
- net VAT amount collected on behalf of the government	4 331
- withholding tax on dividends	-
	7 680
Total contributed to government	8 086

Wealth distributed (%)

To employees as salaries, wages and other benefits	49
To lenders of capital as interest	18
To shareholders as dividends	-
To the government as taxation	1
	68

Wealth reinvested (%)

Retained profits in holding and subsidiary company	16
Depreciation	7
Deferred taxation	9
	32



FIVE YEAR REVIEW

K million			2017	2016 Restated	2015 Restated	2014 Restated	2013
Statements of profit or loss and other comprehensive income							
Revenue			124 035	99 925	92 508	87 848	63 185
Operating profit			18 702	12 955	18 971	13 558	32 478
Dividend income			63	40	52	82	24
Net finance costs			(7 846)	(10 146)	(3 931)	(1 657)	(2 494)
Profit before taxation			10 919	2 849	15 092	11 983	30 008
Net profit for the year			7 080	1 804	10 411	8 278	20 933
Headline earnings			7 080	1 804	10 411	8 278	20 904
Dividends paid			-	-	(13 199)	(10 524)	(8 810)
Reconciliation of headline earnings							
Net profit for the year			7 080	1 804	10 411	8 278	20 933
Adjusted for :							
Net profit on sale of property, plant and equipment			-	-	-	-	(29)
Headline earnings			7 080	1 804	10 411	8 278	20 904
Statements of financial position							
Shareholders' equity			36 622	29 541	28 175	30 485	32 907
Deferred tax			19 913	15 910	15 013	12 211	13 511
Interest-bearing debt			24 296	38 541	4 150	3	219
Total funding			80 831	83 992	47 338	42 699	46 637
Property, plant and equipment			38 268	32 447	29 259	22 586	11 769
Cane roots			-	-	-	-	14 687
Current assets - cash			146	-	-	1 695	1 714
Current assets - other			63 753	67 244	52 375	38 392	35 710
Total assets			102 167	99 691	81 634	62 673	63 880
Other current liabilities			(21 336)	(15 699)	(34 296)	(19 974)	(17 243)
Net assets			80 831	83 992	47 338	42 699	46 637
Earnings and dividends	Note						
Basic and diluted earnings per share	1	tambala	992.4	252.9	1 459.3	1 160.3	2 934.1
Headline earnings per share	2	tambala	992.4	252.9	1 459.3	1 160.3	2 930.0
Dividends paid and proposed per share		tambala	-	-	750.0	1 850.0	1 465.0
Dividend cover on headline earnings	3	times	-	-	1.9	0.6	2.0
Financial statistics							
Return on average shareholders' equity	4	%	17.0	6.0	35.5	26.1	78.2
Return on net assets	5	%	19.7	20.5	42.1	30.4	83.2
Gearing	6	%	66.1	-	14.7	-	-
Interest cover	7	times	2.4	1.3	4.8	8.2	13.0
Net worth per share	8	tambala	5 133	4 141	3 949	4 273	4 612

	2017	2016	2015	2014	2013
Operational statistics					
Cane harvested (hectares)	19 412	19 198	18 961	19 567	20 179
Nchalo	12 925	12 905	12 602	13 246	13 568
Dwangwa	6 487	6 293	6 359	6 321	6 611
Tons cane per hectare (weighted average)	89	94	103	101	104
Nchalo	82	88	97	97	105
Dwangwa	102	108	113	111	103
Cane crushed (tons)	2 084 725	2 234 264	2 398 991	2 399 926	2 460 735
Nchalo	1 058 720	1 132 523	1 227 088	1 280 346	1 418 834
Dwangwa	662 337	681 145	721 143	704 036	683 168
Outgrowers	363 668	420 596	450 760	415 544	358 733
Sucrose percent (weighted average)	13.98	14.39	14.22	14.26	14.26
Nchalo	13.63	13.93	13.85	13.74	13.72
Dwangwa	14.42	14.98	14.71	15.09	15.20
Outgrowers	14.21	14.68	14.46	14.47	14.58
Sugar produced (tons)	239 951	269 389	282 962	289 013	299 494
Nchalo	128 689	147 987	157 229	163 169	177 108
Dwangwa	111 262	121 402	125 733	125 844	122 386
Analysis of sugar sales by destination (tons)	244 671	255 468	273 244	290 505	293 938
Domestic market	137 606	129 720	169 836	168 461	161 469
Export market	107 065	125 748	103 408	122 044	132 469

Notes

1 Basic and diluted earnings per share
Net profit for the year divided by the weighted average number of ordinary shares in issue.

2 Headline earnings per share
Headline earnings divided by the weighted average number of ordinary shares in issue.

3 Dividend cover on headline earnings
Headline earnings per share divided by dividends per share.

4 Return on average shareholders' equity
Net profit for the year expressed as a percentage of average shareholders' equity.

5 Return on net assets
Operating profit expressed as a percentage of average net operating assets.

6 Gearing
Interest-bearing debt (net of cash) expressed as a percentage of shareholders' equity.

7 Interest cover
Operating profit divided by net financing costs.

8 Net worth per share
Shareholders' equity divided by the number of shares in issue at the end of the year.

ILLOVO SUGAR (MALAWI) plc

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

STATUTORY INFORMATION

1. NATURE OF BUSINESS

The principal activities of the group are the growing of sugar cane and the manufacturing of sugar. This is more fully described under the group profile appearing on page 2.

2. REVIEW OF OPERATIONS

Detailed commentary is given in the directors' report on pages 7 to 8.

3. ACQUISITIONS

There were no acquisitions of investments in the current year.

4. SHARE CAPITAL

Full details of the current authorised and issued share capital are set out in the consolidated and separate statements of changes in equity on page 36 of the financial statements. There have been no changes in the current year.

5. SHAREHOLDERS

An analysis of shareholders and their shareholdings is given on page 67. The register of members reflects six beneficial shareholdings equal to or greater than 1% of the issued ordinary share capital. Details are given on page 67.

6. DIVIDENDS

Due to the adverse trading conditions and related cash flow constraints of the group no dividends were declared (2016: K nil).

The directors of the wholly owned and only subsidiary of the company, Dwangwa Sugar Corporation Limited, did not pay any dividends (2016: K nil) to the company during the year.

7. ILLOVO SUGAR MALAWI EMPLOYEES' SHARE PURCHASE SCHEME

During the year under review the trustees of the scheme disposed of 5 400 shares (2016: 0 shares) and purchased 250 360 shares (2016: 0 shares) in the company bringing the total number of shares held to 982 106 shares (2016: 737 146 shares).

8. SUBSIDIARY COMPANY

Information concerning the subsidiary of the company is set out in note 8 to the financial statements.

9. SECRETARIES AND DIRECTORATE

The names of the secretaries and compliance officer together with the company's business and postal addresses and the directors in office at the date of this report, are set out on pages 4 and 5 to 6 respectively.

The resignations of S L G Malata and D B Mawindo as directors on 5 May 2016 were reported at the previous annual general meeting. In their stead P W Guta and P A Madinga were appointed as independent non-executive directors effective 16 February 2017.

During the year R J de Allende retired from the board effective 31 December 2016. K M J Tembo and G H Williams resigned from the board effective 31 March 2017 and 1 February 2017 respectively.

M A Bainbridge and M F Pousson were appointed to the board as executive directors effective 1 January 2017 and 31 May 2017 respectively.

In terms of the company's articles of association, a third of the non-executive directors retire by rotation at the forthcoming annual general meeting. Accordingly, Messrs M H Abdool-Samad and J P Hulley will retire and being eligible, and after consideration and recommendation by the Nomination/Remuneration Committee, they offer themselves for re-election.

In terms of the Companies Act 2013 and Malawi Code II Sector Guidelines for Listed Companies to re-elect A R Mpungwe, who has served on the board in excess of six years as an independent non-executive director, and who also retires by rotation in terms of the articles of association, and who, being eligible and on recommendation of the Nomination/ Remuneration Committee, offer himself for re-election and to re-elect M A P Chikaonda, who has served on the board in excess of six years as an independent non-executive director and on recommendation of the Nomination/Remuneration Committee, offers himself for re-election.

The beneficial interests of the directors holding office in the issued ordinary share capital of Illovo Sugar (Malawi) plc were as follows:

	2017		2016	
	Direct	Indirect	Direct	Indirect
S L G Malata	105 759		105 759	
M H Abdool-Samad		0		62 000
G B Dalgleish		0		172 000
J P Hulley		0		92 000
G H Williams		0		17 000

S L G Malata resigned from the board on 5 May 2016. No change in the interest of directors has occurred between the year-end and the date of approval of these financial statements.

The register of shares of the company is available for inspection at the registered office.

10. DIRECTORS' FEES

At the last annual general meeting held on 19 August 2016 shareholders approved the fees payable to each director and the chairman to be K 2 600 000 per annum with effect from 1 April 2016. At the forthcoming annual general meeting, it will be proposed that such fees be increased to K 3 000 000 per annum for the ensuing year.

11. HOLDING COMPANY

SUCOMA Holdings Limited (incorporated in Mauritius) is the holding company of Illovo Sugar (Malawi) plc (incorporated in Malawi) with a 75.98% interest in its issued share capital. Illovo Sugar (Pty) Limited (incorporated in the Republic of South Africa) owns 100% shareholding in Illovo Group Holdings Limited which in turn, owns 100% shareholding in SUCOMA Holdings Limited. The ultimate holding company is Associated British Foods plc (incorporated in the United Kingdom).

12. AUDITOR

Deloitte will continue in office in accordance with the provisions of the Companies Act, 2013.

13. SPECIAL RESOLUTIONS

There were no special resolutions adopted during the financial year.

14. POST BALANCE SHEET / YEAR END EVENTS

In terms of the new Companies Act 2013 the name of the group was changed on 23 May 2017 to give effect to the requirements that the name of a public company should end with the abbreviation plc.

M F Pousson was appointed to the board as an executive director with effect from 31 May 2017.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Illovo Sugar (Malawi) plc are responsible for the preparation and the integrity of the annual financial statements of the group and the company and the objectivity of other information presented in the annual financial statements. In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures.

The going-concern basis has been adopted in preparing these financial statements. The directors have no reason to believe that the group and the company will not be a going-concern in the foreseeable future.

The group's external auditors, Deloitte, audited the financial statements and the auditor's report is represented on pages 21 to 23.

The annual financial statements of the group and the company which appear on pages 24 to 66 were approved by the board of directors on 31 May 2017 and are signed on its behalf by:

G B Dalgleish
Chairman

M Bainbridge
Managing Director

31 May 2017

P.O.Box 187
Blantyre
Malawi

Deloitte & Touche Public Accountants
Registered Auditors
First Floor
Indebank House
Kaohsiung Road
Blantyre
Malawi

Tel : +265 (0) 1 822 277
: +265 (0) 1 820 506
Fax : +265 (0) 1 821 229
Email : btdeloitte@deloitte.co.mw
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ILLOVO SUGAR (MALAWI) plc

Opinion

We have audited the consolidated and separate financial statements of Illovo Sugar (Malawi) plc and its subsidiary Dwangwa Sugar Corporation Limited (the Group). These financial statements comprise the consolidated and separate statements of comprehensive income, the consolidated and separate statements of financial position as at 31 March 2017, and consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of the Group as at 31 March 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, so far as concerns the members of the company.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated and separate financial statements.

Valuation of growing cane (consolidated)
Under IFRS, the Group is required to fair value its growing cane.

As disclosed in note 10, the carrying value of the growing cane balance amounted to K 35 137 million. The value of growing cane is based on the estimated sucrose content of the growing cane, which is then valued at the estimated sucrose price for the following season less the estimated costs for harvesting and transport. Significant management judgment is required in estimating the expected cane yield, the average maturity of the cane, the estimated sucrose content, exchange rates and the estimated selling prices for the various sugar markets which is necessary to determine the sucrose price.

Accordingly the carrying value of growing cane is considered to be a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the fair value.

In considering the appropriateness of the valuation of growing cane, we performed various procedures, including but not limited to the following:

- We assessed the appropriateness of the principles used in the valuation of growing cane and cane roots, and analysed the significant assumptions used by management in their valuation models.
- We tested a selection of data inputs underpinning the carrying value of growing cane, including estimated cane yields, mill operational efficiencies, estimated sucrose content, estimated sucrose prices, exchange rates within the Group's various markets, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof.
- We assessed the appropriateness of the disclosures about the impact of the sensitivity of the various assumptions, in particular the estimated sucrose content and estimated sucrose price for growing cane.

Based on our procedures, we noted no exceptions and consider management's key assumptions used in the valuation models to be within a reasonable range and management's disclosures to be appropriate.

Cane roots restatement (consolidated)

As disclosed in note 7, the carrying value of cane roots balance amounted to K 10 562 million. Cane roots were previously measured at fair value with any resultant gain or loss accounted for in profit and loss.

IAS 41 Agriculture was revised in respect of bearer plants. The revised standard was effective for financial years beginning on or after 1 January 2016. Cane roots would therefore be accounted for under IAS 16 property, plant and equipment. Illovo Sugar (Malawi) plc has implemented the revised standard for the year ended 31 March 2017. Therefore, cane roots for prior years have been restated to realign the change in accounting policy of cane roots valuation from fair value model under IAS 41 to cost model under IAS 16.

Cane roots are initially measured at cost representing the amount of cash paid in exchange for the activities and services necessary to plant the cane roots. The planting of cane roots is accounted for in the same way as a self-constructed item of property, plant and equipment.

IFRS requires that the amounts for the impact of the change in accounting policy be accounted for and disclosed in accordance with relevant accounting standards.

Since cane roots are significant to the financial statements as a whole and the value is dependent on correct costs being capitalised, we determined cane roots valuation and related restatements as a result of the change in accounting policy to be a key audit matter. Our procedures included the assessment of the appropriateness of the costs capitalised to cane roots and the related useful lives used. We also assessed the correctness of the restatement computations and adjustment thereof.

We assessed the appropriateness of the prior year historical costs and disclosures regarding the change in accounting policy. We assessed the appropriateness of the revised cane roots accounting policy, including disclosures, in accordance with IAS 16: Property, Plant and Equipment.

No exceptions were noted and the accounting and disclosures pertaining to the subject matter were found to be reasonable and in accordance with International Financial Reporting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act, Corporate Governance Report, Value Added Statement and Five Year Review, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Partners: NT Uka JS Melrose VW Beza CA Kapenda MC Mwenelupembe (Mrs.)
Associate of Deloitte Africa, a member of **Deloitte Touche Tohmatsu**

Auditor's Responsibilities for the audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Chartered Accountants
Madalo Mwenelupembe
Partner
31 May 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the group conform to International Financial Reporting Standards (IFRS) and have been consistently applied. The financial statements have been prepared in accordance with IFRS. The principal accounting policies adopted are set out below.

1.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of growing cane and financial instruments. No other procedures are adopted to reflect the impact on the financial statements of specific price changes or changes in the general level of prices.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1 to the financial statements.

1.2 Accounting framework

The consolidated and separate financial statements (collectively referred to as "the financial statements") have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB); the interpretations applicable to companies reporting under IFRS as developed by the IFRS Interpretations Committee and issued after approval by the IASB; the Companies Act of Malawi, 2013; and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The basis of preparation is consistent with the prior year, except for the adoption of the new and revised standards which have been disclosed in note 2. The adoption of these standards has had no significant impact on the consolidated and separate financial statements.

1.3 Underlying concepts

The financial statements are prepared on the going-concern basis.

Assets and liabilities, as well as income and expenses, are not offset unless specifically permitted by an accounting standard.

Financial assets and financial liabilities are offset, and the net amount reported, only when a legally enforceable right to set off the amounts exists and the intention is to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The financial statements have been prepared on the historical cost basis except for biological assets and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in 1.4 below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of International Accounting Standard (IAS) 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.

Level 2 inputs: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices).

Level 3 inputs: Unobservable inputs for the asset or liability.

1.5 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred, have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.6 Foreign currencies

The individual financial statements of the group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Malawi Kwacha (K), which is the functional currency of the group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Consolidated Financial Statements

1.7 Basis of consolidation

The separate financial statements reflect the interest in entities controlled by the company at cost less any provision for impairment.

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the company and all entities controlled by the company as if they are a single economic entity.

Control is achieved when the company has power over the entity; is exposed, or has rights to, variable returns from its involvement with the entity; and has the ability to use its power to affect its returns. The company reassesses whether or not it controls an entity if the facts and circumstances indicate that there are changes to one or more of these elements.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately from the group's equity therein. On acquisition, the non-controlling interests are measured as their proportionate share of the fair value of the entity's identifiable assets and liabilities. Subsequent to acquisition, the non-controlling interests are allocated a proportionate share of the subsidiary's profit or loss and each component of other comprehensive income even if this will result in the non-controlling interest having a deficit balance, unless there is doubt as to the recoverability of the deficit balance.

A change in the group's ownership interest in a subsidiary that does not result in the group losing control is accounted for as an equity transaction. The carrying amounts of the group's interest and the non-controlling interest are adjusted to reflect the change in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets and liabilities of the subsidiary (ie, reclassified to profit or loss). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, and when applicable the cost on initial recognition of an investment in an associate or joint venture.

When necessary, adjustments are made to the financial statements of a subsidiary to bring the accounting policies into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

1.8 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value.

Fair value is calculated as the sum of the acquisition date fair values of the assets transferred by the group, the liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except for:

- Deferred taxation assets or liabilities that are measured in accordance with IAS 12 Income Taxes;
- Assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 19 Employee Benefits;
- Liabilities or equity instruments related to share-based payments arrangements of the acquiree, or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree, are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is recognised as an asset, is stated at cost less impairment losses and is not amortised. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Statement of financial position

1.9 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Owner-occupied properties and investment properties in the course of construction are carried at cost, less any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value. Cost includes professional fees and, for qualifying assets, borrowings costs capitalised in accordance with the group's accounting policy.

Depreciation is charged so as to write-off the cost of assets to their residual value over their useful estimated lives, using the straight-line method. Depreciation commences when the assets are ready for their intended use and is calculated at rates appropriate in terms of management's current assessment of useful lives and residual values. Freehold land is not depreciated.

The group's depreciation rates are as follows:

Buildings	60 years
Cane roots	7 years
Plant, machinery and equipment	3 – 60 years
Vehicles	5 – 15 years

The methods of depreciation, useful lives and residual values are reviewed annually.

Management considers market conditions and projected disposal values when assessing residual values and maintenance programmes and technological innovations when assessing useful lives.

Leasehold properties and assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Any gain or loss arising on the derecognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.10 Inventory

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method, except in the case of downstream products where the first in first out basis is used.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Redundant and slow-moving inventories are identified and written down to their net realisable values.

1.11 Investment property

An investment property is land, a building or part of a building held by the owner to earn rentals or for capital appreciation or for both.

The cost model is applied in accounting for investment property (ie, the investment property is recorded at cost less any accumulated depreciation and impairment losses).

1.12 Factory overhaul costs

Factory overhaul costs represent expenditure actually incurred on plant and equipment for the overhaul of the factory in preparation for the new sugar season commencing after the year-end. This expenditure is written off in full over its expected useful life being the duration of one sugar season.

1.13 Biological assets

Biological assets are measured at fair value less costs to sell.

Growing cane

The fair value of growing cane is determined as the estimated sucrose content in the sugar cane at 31 March, valued at the estimated sucrose price for the following season.

The estimated sucrose price is adjusted for the estimated costs of harvesting the sugar cane and transporting it from the field to the mill.

The sucrose content is estimated in tons and is adjusted by a factor to reflect the growth of the cane at 31 March (ie the cane growth percentage). The cane growth percentage reflects the long-term average climate and agricultural conditions at each operation and will not fluctuate for year-on-year changes in milling season length or weather events (eg floods or drought). Rather, such changes are embodied in the fair value through a revision to the estimated sucrose content to which the cane growth percentage is applied.

1.14 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, for which it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

1.15 Post-retirement obligations

The group provides retirement benefits for its employees through two defined contribution plans, the SUCOMA Group Pension Scheme and the Illovo Sugar (Malawi) plc Pension Fund. Contributions by group companies to defined contribution retirement plans are recognised as an expense in the year in which the related services are rendered by employees.

1.16 Deferred income

Deferred income is recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the deferred income is intended to compensate.

1.17 Deferred taxation

Deferred taxation is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are only recognised to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for all taxable temporary differences, unless specifically exempt.

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

1.18 Financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value including transaction costs. However, transaction costs in respect of financial instruments designated as held "at fair value through profit or loss" are expensed.

Financial assets and financial liabilities are accounted for "at fair value through profit or loss" where the financial asset or financial liability is either held-for-trading or is designated as "at fair value through profit or loss".

Financial assets

A financial asset is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Trade and other receivables are classified as "loans and receivables" and are measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as "loans and receivables" and measured at amortised cost.

Investments are classified as "held-to-maturity" where the group has the expressed intention and ability to hold the investment to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest rate method, less any impairment losses recognised to reflect irrecoverable amounts.

Other investments are classified as "available-for-sale" and are measured at fair value with any gains or losses being recognised through other comprehensive income. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Fair value, for this purpose, is market value if the investment is listed on a publicly quoted exchange, or a value arrived at by using appropriate valuation models if unlisted.

Financial liabilities

A financial liability is a contractual obligation to deliver cash, or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Interest-bearing bank loans and overdrafts are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of the borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Trade and other payables are initially measured at fair value and are subsequently measured at amortised costs, using the effective interest rate method.

Derivative financial instruments

The group enters into derivative financial instruments, largely foreign exchange forward contracts, to manage its exposure to foreign exchange rate risks.

The use of financial derivatives is governed by the group's policies, which provide written principles on the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivative financial instruments embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Equity

Equity instruments issued by the company are recorded at the value of the proceeds received, net of direct issue costs.

Debt and equity instruments are classified as either financial liabilities or as equity based on the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Statement of profit or loss and other comprehensive income

1.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Cash and settlement discounts, rebates, sales taxes and other indirect taxes are excluded from revenue.

Where the group acts as agent and is remunerated on a commission basis, only the commission is included in revenue. Where the group acts as principal, the total value of business handled is included in revenue.

Revenue from sale of goods is recognised when the group has transferred the significant risks and rewards of ownership of the goods, the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the group and the costs of the transaction can be measured reliably. The recognition date usually coincides with when the title of the goods has passed to the customer and the goods have been delivered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Where extended terms are granted, interest received is accounted for over the term until payment is received.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.20 Material items

Material items cover those amounts that are not considered to be of an operating or trading nature and generally include impairments of goodwill; impairments of non-current assets; profits and losses on the disposal of immovable property (ie, land and buildings); gains and losses on the destruction of property, plant and equipment in an insurable event; and profits and losses on the disposal or closure of businesses.

1.21 Employee benefit costs

The cost of providing employee benefit costs is accounted for in the period in which the benefits are earned by employees.

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal and constructive obligation to make such payments as a result of past performance and a reliable estimate of the obligation can be made.

1.22 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.23 Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt from taxation, expenses that are not deductible for taxation purposes, and items that are taxable in other financial years. The charge for current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation is recognised in profit or loss except when it relates to items credited or charged to other comprehensive income, in which case deferred taxation is also recognised in other comprehensive income.

Transactions and events

1.24 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

In the capacity of a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognised on a straight-line basis over the term of the lease.

In the capacity of a lessee

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

1.25 Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.26 Hedge accounting

The group designates certain hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows is recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

Gains or losses on the cash flow hedge of a forecast transaction or firm commitment, previously recognised in other comprehensive income and accumulated in equity, are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss. However, if the cash flow hedge results in the recognition of a non-financial asset or a non-financial liability, then the associated gains or losses accumulated in equity are included in the initial measurement of that asset or liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any gain or loss recognised in other comprehensive income and accumulated in equity remains in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gains or losses are recognised immediately in profit or loss.

The effective portion of any gains or losses on hedging instruments designated as hedges of net investments in foreign operations is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognised immediately in profit or loss. On disposal of the foreign operation, the gains or losses are reclassified to profit or loss.

1.27 Earnings per share

The calculation of basic and diluted earnings per share is based on the net profit attributable to the shareholders and the weighted average number of ordinary shares in issue during the year. Where new equity shares are issued for no consideration, the profit is apportioned over the shares in issue after the issue and the corresponding figures for the earlier periods are adjusted accordingly.

1.28 Dividend per share

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the company's board of directors.

Dividends for the year that are declared after the reporting date are dealt with in a note.

The calculation of dividend per share is based on the dividends declared to shareholders during the period divided by the number of ordinary shares of shareholders on the date of payment.

1.29 Comparative figures

When accounting policies are changed with retrospective effect comparative figures are restated in accordance with the new policies. In addition, comparative figures are adjusted to conform to changes in presentation in the current year.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Standards and interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the group has adopted those new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and are effective for annual reporting periods beginning on 1 April 2016.

The group has restated certain transactions and balances presented in the financial statements to reflect the effect of the revised International Financial Reporting Standards (IFRS) relating to IAS 16 Property, plant and equipment.

2.2 Standards and interpretations in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective:

EFFECTIVE DATE	STANDARD, AMENDMENT OR INTERPRETATION
Annual periods beginning on or after 1 January 2018.	IFRS 9 Financial Instruments IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

EFFECTIVE DATE	STANDARD, AMENDMENT OR INTERPRETATION
Annual periods beginning on or after 1 January 2018.	IFRS 15 Revenue from Contracts with Customers IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
Annual periods beginning on or after 1 January 2019.	IFRS 16 Leases IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets have a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
Annual periods beginning on or after 1 January 2018.	Classification and Measurement of Share-based Payment Transactions • Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and • an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

EFFECTIVE DATE	STANDARD, AMENDMENT OR INTERPRETATION
Annual periods beginning on or after 1 January 2018.	Transfers of Investment Property (Amendments to IAS 40) The amendments to IAS 40 Investment Property: • Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.
The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.	Annual Improvements to IFRS Standards 2014–2016 Cycle Makes amendments to the following standards: • IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose. • IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
Annual reporting periods beginning on or after 1 January 2018.	IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability; and • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The directors anticipate that other than amendments to IFRS 9, IFRS 15 and IFRS 16 Leases, these standards and interpretations in future periods will have no significant impact on the financial statements of the company.

Amendments to IFRS 9 Financial Instruments will impact the measurement of financial instruments. IFRS 15 Revenue from Contracts with Customers will affect recognition of revenue. IFRS 16 Leases will result in capitalisation of long term leases currently being recognised in the statement of financial position as operating leases, with corresponding lease obligations also recognised on the statement of financial position. These obligations are currently disclosed in the note 21.

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

		GROUP			COMPANY		
		2017	2016	2015	2017	2016	2015
			Restated	Restated		Restated	Restated
	Notes	K million	K million	K million	K million	K million	K million
Revenue	3	124 035	99 925	92 508	67 039	55 094	52 286
Operating profit	4	18 702	12 955	18 971	4 675	3 433	8 479
Dividend income		63	40	52	-	-	5 000
Finance costs	5	(7 923)	(10 188)	(3 985)	(4 210)	(7 833)	(2 514)
Interest income	5	77	42	54	77	42	54
Profit/(loss) before taxation		10 919	2 849	15 092	542	(4 358)	11 019
Taxation	6	(3 839)	(1 045)	(4 681)	(646)	1 166	(1 933)
Net profit/(loss) for the year		7 080	1 804	10 411	(104)	(3 192)	9 086
Other comprehensive income							
Items that may be reclassified to profit and loss in subsequent years:							
Cash flow hedges		1	(586)	644	1	(586)	644
Tax effect of the cash flow hedges		-	148	(165)	-	148	(165)
		1	(438)	479	1	(438)	479
Total comprehensive income/(loss) for the year		7 081	1 366	10 890	(103)	(3 630)	9 565
Basic and diluted earnings per share (tambala)	23	992	253	1 459			

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2017

		GROUP			COMPANY		
		2017	2016	2015	2017	2016	2015
	Notes	K million	Restated K million	Restated K million	K million	Restated K million	Restated K million
ASSETS							
Non-current assets							
Property, plant and equipment	7	38 268	32 447	29 259	26 681	22 943	21 416
Investments	8	-	-	-	324	324	324
		38 268	32 447	29 259	27 005	23 267	21 740
Current assets							
Inventories	9	11 807	11 760	7 499	6 345	6 707	4 489
Growing cane	10	35 137	32 309	28 425	19 430	19 396	16 954
Factory overhaul costs	11	3 161	3 002	3 297	1 884	2 004	2 366
Trade and other receivables	12	11 911	13 631	11 379	11 165	13 569	10 644
Amount due from related parties	16.8.1	1 626	6 183	1 068	1 626	6 183	1 068
Derivative financial assets	18	22	93	586	22	93	586
Bank balances and cash	13	89	266	121	88	265	120
Taxation receivable		146	-	-	-	-	947
		63 899	67 244	52 375	40 560	48 217	37 174
Total assets		102 167	99 691	81 634	67 565	71 484	58 914
EQUITY AND LIABILITIES							
Shareholders' equity							
Share capital and premium		782	782	782	782	782	782
Hedging reserves		(24)	(25)	413	(24)	(25)	413
Retained earnings		35 864	28 784	26 980	9 845	9 949	13 142
		36 622	29 541	28 175	10 603	10 706	14 337
Non current liabilities							
Long-term borrowings from related parties	16.9	22 333	19 444	-	22 333	19 444	-
Deferred tax	14	19 913	15 910	15 013	9 173	8 363	9 677
		42 246	35 354	15 013	31 506	27 807	9 677
Current liabilities							
Trade and other payables	15	16 345	12 500	14 368	12 208	9 876	11 216
Amount due to related parties	16.8.2	4 935	3 052	19 068	9 798	3 851	19 498
Short-term borrowings	17	-	10 269	-	-	10 269	-
Bank overdrafts	13	1 963	8 828	4 150	1 963	8 828	4 150
Derivative financial liabilities	18	56	128	36	56	128	36
Taxation payable		-	19	824	1 431	19	-
		23 299	34 796	38 446	25 456	32 971	34 900
Total equity and liabilities		102 167	99 691	81 634	67 565	71 484	58 914

The responsibilities of the group's directors with regard to the preparation of the financial statements are set out on page 21. The financial statements on pages 23 to 59 were approved and authorised for issue by the board of directors on 31 May 2017 and were signed on its behalf by:

G B Dalgleish (Chairman)

M Bainbridge (Managing Director)

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital K million	Share Premium K million	Hedging Reserves K million	Retained Earnings K million	Total K million
GROUP					
Balance at 31 March 2015 as previously stated	14	768	413	40 639	41 834
Adjustments related to the restatement of cane roots	-	-	-	(13 659)	(13 659)
Balance at 31 March 2015 as restated	14	768	413	26 980	28 175
Total comprehensive income for the year			(438)	1 804	1 366
- profit for the year as restated			-	1 804	1 804
- cash flow hedges			(438)	-	(438)
Balance at 31 March 2016 as restated	14	768	(25)	28 784	29 541
Balance at 31 March 2016 as previously stated	14	768	(25)	46 149	46 906
Adjustments related to the restatement of cane roots	-	-	-	(17 365)	(17 365)
Balance at 31 March 2016 as restated	14	768	(25)	28 784	29 541
Total comprehensive income for the year			1	7 080	7 081
- profit for the year			-	7 080	7 080
- cash flow hedges			1	-	1
Balance at 31 March 2017	14	768	(24)	35 864	36 622
COMPANY					
Balance at 31 March 2015 as previously stated	14	768	413	22 675	23 870
Adjustments related to the restatement of cane roots	-	-	-	(9 534)	(9 534)
Balance at 31 March 2015 as restated	14	768	413	13 141	14 336
Total comprehensive income for the year			(438)	(3 192)	(3 630)
- loss for the year			-	(3 192)	(3 192)
- cash flow hedges			(438)	-	(438)
Balance at 31 March 2016 as restated	14	768	(25)	9 949	10 706
Balance at 31 March 2016 as previously stated	14	768	(25)	22 236	22 993
Adjustments related to the restatement of cane roots	-	-	-	(12 287)	(12 287)
Balance at 31 March 2016 as restated	14	768	(25)	9 949	10 706
Total comprehensive income for the year			1	(104)	(103)
- loss for the year			-	(104)	(104)
- cash flow hedges			1	-	1
Balance at 31 March 2017	14	768	(24)	9 845	10 603

ANALYSIS OF SHARE CAPITAL AND PREMIUM

	GROUP AND COMPANY 2017 K million	2016 K million
Authorised share capital		
1 000 000 000 (2016: 1 000 000 000) ordinary shares of 2 tambala each	20	20
Issued share capital		
713 444 391 (2016: 713 444 391) ordinary shares of 2 tambala each	14	14
Share premium	768	768
	782	782

The hedging reserve arises in respect of foreign currency forward sales contracts in place at 31 March which mature in the new financial year.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	GROUP 2017 K million	GROUP 2016 Restated K million	COMPANY 2017 K million	COMPANY 2016 Restated K million
Cash flows from operating activities					
Cash operating profit	a	18 557	11 404	6 435	2 642
Working capital requirements	b	11 799	(29 217)	15 722	(26 883)
Cash generated from/(utilised in) operations		30 356	(17 813)	22 157	(24 241)
Finance costs	c	(5 303)	(6 846)	(3 254)	(4 491)
Interest income	5	77	42	77	42
Taxation (paid)/ recovered	d	(1)	(805)	3 241	966
Net cash inflows/(outflows) from operating activities		25 129	(25 422)	22 221	(27 724)
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(8 699)	(5 652)	(5 728)	(3 271)
Proceeds on disposal of property, plant and equipment		195	130	195	91
Dividends received		63	40	-	-
Net cash outflows from investing activities		(8 441)	(5 482)	(5 533)	(3 180)
Net cash inflow/(outflows) before financing activities		16 688	(30 904)	16 688	(30 904)
Cash flows from financing activities					
Long-term borrowings received	16.9	-	16 371	-	16 371
Short-term borrowings (repaid)/ received	17	(10 000)	10 000	(10 000)	10 000
Net cash (outflows)/ inflows from financing activities		(10 000)	26 371	(10 000)	26 371
Net increase/(decrease) in cash and cash equivalents		6 688	(4 533)	6 688	(4 533)
Cash and cash equivalents at beginning of year		(8 562)	(4 029)	(8 563)	(4 030)
Cash and cash equivalents at end of year	13	(1 874)	(8 562)	(1 875)	(8 563)
Comprising of:					
Bank balances and cash	13	89	266	88	265
Bank overdrafts	13	(1 963)	(8 828)	(1 963)	(8 828)
		(1 874)	(8 562)	(1 875)	(8 563)

NOTES TO THE CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	GROUP 2017 K million	GROUP 2016 Restated K million	COMPANY 2017 K million	COMPANY 2016 Restated K million
a Cash operating profit is calculated as follows:					
Operating profit		18 702	12 955	4 675	3 433
Add back: Depreciation of property, plant and equipment	7	2 868	2 409	1 986	1 687
Profit on disposal of property, plant and equipment		(185)	(76)	(192)	(36)
Change in fair value of growing cane	10	(2 828)	(3 884)	(34)	(2 442)
Cash operating profit		18 557	11 404	6 435	2 642
b Working capital requirements comprise the following:					
Movement in inventories		(47)	(4 261)	362	(2 218)
Movement in factory overhaul costs		(159)	295	120	362
Movement in trade and other receivables		1 720	(2 252)	2 404	(2 925)
Movement in amounts due to/from holding company and fellow subsidiaries		6 440	(21 131)	10 504	(20 762)
Movement in trade and other payables		3 845	(1 868)	2 332	(1 340)
Working capital requirements		11 799	(29 217)	15 722	(26 883)
c Finance costs paid:					
Interest charged on:					
Long-term borrowings	16.9	(2 534)	(1 025)	(1 578)	(1 025)
Short-term borrowings	17	(1 069)	(308)	(1 069)	(308)
Bank short-term facilities	5	(1 630)	(5 174)	(565)	(2 916)
Other - Illovo Sugar Limited: Procurement	16.10.3	(70)	(339)	(42)	(242)
Interest expense on bank borrowings, short-term and long-term debt		(5 303)	(6 846)	(3 254)	(4 491)
d Taxation paid is reconciled to the amounts disclosed in the statements of comprehensive income as follows:					
Amounts (payable)/recoverable at beginning of year		(19)	(824)	(19)	947
Per statements of comprehensive income (excluding deferred taxation)		164	-	1 829	-
Amounts (recoverable)/payable at end of year		(146)	19	1 431	19
Taxation (paid)/recovered		(1)	(805)	3 241	966

1. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements made by management

In the process of applying the group's accounting policies, management has made the following judgement, apart from those involving estimations, that affect the amounts recognised in the financial statements and related disclosures:

Impairment of assets

In making its judgement, management assesses at each reporting date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

Key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date:

Property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual values over their anticipated useful lives using the straight-line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 7 to the financial statements.

Growing cane valuation

Growing cane is valued at the estimated sucrose content, valued at the estimated sucrose price for the following season, less the estimated costs for harvesting and transport. The estimated sucrose content requires management to assess the expected cane and sucrose yields for the following season considering weather conditions and harvesting programmes. In reviewing the estimated sucrose price, management is required to assess into which markets the forthcoming crop will be sold and establish domestic and export prices as well as the related foreign currency exchange rates. The carrying value of growing cane is disclosed in note 10 to the financial statements.

Provision for doubtful debts

Allowances for doubtful debts are recognised against trade receivables of more than 60 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Operating segments

Segment reporting is presented in respect of the group's business segments.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segmental capital expenditure represents the costs incurred during the period to acquire segment assets that are expected to be used for more than one year.

Management has determined the business segments and reports on the operating segments as follows:

Cane growing - Growing of sugar cane for use in the sugar production process.
Sugar production - Manufacture and sale of sugar from sugar cane.

There are no other key assumptions concerning the future, or key sources of estimation uncertainty at the reporting date, that management have assessed as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2a. Change in accounting policy

The group has restated certain transactions and balances presented in the financial statements to reflect the effect of the revised International Financial Reporting Standards relating to IAS 16 Property, plant and equipment and IAS 41 Agriculture.

IAS 16 Property, plant and equipment: Bearer plants

As a result of the amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture, the group has revised its accounting policy with respect to the treatment of cane roots. The amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16 and not at fair value as previously measured.

Cane roots meet the definition of a bearer plant and have had the following impact on the group:

- Cane roots are no longer separately disclosed on the statement of financial position, rather cane roots have been included as a separate category within the property, plant and equipment note.
- Cane roots are measured using the cost model and not at fair value, with the definition of replant costs aligned to that of the requirements of IAS 16.
- The cost of replanting fields is no longer recognised in profit or loss however, is capitalised to property, plant and equipment.

The impact of the application of the above revised standards on the group's financial results and financial position is disclosed below.

Statement of comprehensive income

	For the year ended 31 March 2016		
GROUP	Previously reported K million	Restatement effect of IAS 16 K million	Restated K million
Revenue	99 925	-	99 925
Cost of sales	(49 694)	(5 293)	(54 987)
Gross profit	50 231	(5 293)	44 938
Distribution expenses	(13 761)	-	(13 761)
Administrative expenses	(18 222)	-	(18 222)
Operating profit	18 248	(5 293)	12 955
Dividend income	40	-	40
Net financing costs	(10 146)	-	(10 146)
Profit before taxation	8 142	(5 293)	2 849
Taxation	(2 632)	1 587	(1 045)
Profit for the year	5 510	(3 706)	1 804
Statement of other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Adjustments in respect of cash flow hedges	(586)	-	(586)
Tax effect of cash flow hedges	148	-	148
Total comprehensive income for the year	5 072	(3 706)	1 366

2b. Change in accounting policy (continued)

Statement of comprehensive income

COMPANY	Previously reported K million	Restatement effect of IAS 16 K million	Restated K million
	For the year ended 31 March 2016		
Revenue	55 094	-	55 094
Cost of sales	(29 839)	(3 934)	(33 773)
Gross profit	25 255	(3 934)	21 321
Distribution expenses	(7 561)	-	(7 561)
Administrative expenses	(10 327)	-	(10 327)
Operating profit	7 367	(3 934)	3 433
Net financing costs	(7 791)	-	(7 791)
Loss before taxation	(424)	(3 934)	(4 358)
Taxation	(15)	1 181	1 166
Loss for the year	(439)	(2 753)	(3 192)
Statement of other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Adjustments in respect of cash flow hedges	(586)	-	(586)
Tax effect of cash flow hedges	148	-	148
Total comprehensive loss for the year	(877)	(2 753)	(3 630)

2c. Change in accounting policy (continued)

Statement of financial position	As at 31 March 2016			As at 31 March 2015		
GROUP	Previously reported K million	Restatement effect of IAS 16 K million	Restated K million	Previously reported K million	Restatement effect of IAS 16 K million	Restated K million
ASSETS						
Non-current assets	57 253	(24 806)	32 447	48 772	(19 513)	29 259
Property, plant and equipment	24 951	7 496	32 447	22 945	6 314	29 259
Cane roots	32 302	(32 302)	-	25 827	(25 827)	-
Current assets	67 244	-	67 244	52 375	-	52 375
Inventories	11 760	-	11 760	7 499	-	7 499
Growing cane	32 309	-	32 309	28 425	-	28 425
Trade and other receivables	13 631	-	13 631	11 379	-	11 379
Factory overhaul costs	3 002	-	3 002	3 297	-	3 297
Amount due from related parties	6 183	-	6 183	1 068	-	1 068
Derivative financial assets	93	-	93	586	-	586
Cash and cash equivalents	266	-	266	121	-	121
Total assets	124 497	(24 806)	99 691	101 147	(19 513)	81 634
EQUITY AND LIABILITIES						
Shareholders'equity	46 906	(17 365)	29 541	41 834	(13 659)	28 175
Share capital and premium	782	-	782	782	-	782
Hedging reserves	(25)	-	(25)	413	-	413
Retained earnings	46 149	(17 365)	28 784	40 639	(13 659)	26 980
Total equity	46 906	(17 365)	29 541	41 834	(13 659)	28 175
Non-current liabilities	42 795	(7 441)	35 354	20 867	(5 854)	15 013
Long-term borrowings	19 444	-	19 444	-	-	-
Deferred taxation	23 351	(7 441)	15 910	20 867	(5 854)	15 013
Current liabilities	34 796	-	34 796	38 446	-	38 446
Short-term borrowings	10 269	-	10 269	-	-	-
Trade and other payables	12 500	-	12 500	14 368	-	14 368
Bank overdraft	8 828	-	8 828	4 150	-	4 150
Taxation payable	19	-	19	824	-	824
Amount due to related parties	3 052	-	3 052	19 068	-	19 068
Derivative financial liabilities	128	-	128	36	-	36
Total liabilities	77 591	(7 441)	70 150	59 313	(5 854)	53 459
Total equity and liabilities	124 497	(24 806)	99 691	101 147	(19 513)	81 634

2d. Change in accounting policy (continued)

Statement of financial position	As at 31 March 2016			As at 31 March 2015		
COMPANY	Previously reported K million	Restatement effect of IAS 16 K million	Restated K million	Previously reported K million	Restatement effect of IAS 16 K million	Restated K million
ASSETS						
Non-current assets	40 820	(17 553)	23 267	35 358	(13 618)	21 740
Property, plant and equipment	17 736	5 207	22 943	17 067	4 349	21 416
Cane roots	22 760	(22 760)	-	17 967	(17 967)	-
Investments	324	-	324	324	-	324
Current assets	48 217	-	48 217	37 174	-	37 174
Inventories	6 707	-	6 707	4 489	-	4 489
Growing cane	19 396	-	19 396	16 954	-	16 954
Trade and other receivables	13 569	-	13 569	10 644	-	10 644
Factory overhaul costs	2 004	-	2 004	2 366	-	2 366
Amount due from related parties	6 183	-	6 183	1 068	-	1 068
Derivative financial assets	93	-	93	586	-	586
Cash and cash equivalents	265	-	265	120	-	120
Taxation recoverable	-	-	-	947	-	947
Total assets	89 037	(17 553)	71 484	72 532	(13 618)	58 914
EQUITY AND LIABILITIES						
Shareholders'equity	22 993	(12 287)	10 706	23 870	(9 533)	14 337
Share capital and premium	782	-	782	782	-	782
Hedging reserves	(25)	-	(25)	413	-	413
Retained earnings	22 236	(12 287)	9 949	22 675	(9 533)	13 142
Total equity	22 993	(12 287)	10 706	23 870	(9 533)	14 337
Non-current liabilities	33 073	(5 266)	27 807	13 762	(4 085)	9 677
Long-term borrowings	19 444	-	19 444	-	-	-
Deferred taxation	13 629	(5 266)	8 363	13 762	(4 085)	9 677
Current liabilities	32 971	-	32 971	34 900	-	34 900
Short-term borrowings	10 269	-	10 269	-	-	-
Trade and other payables	9 876	-	9 876	11 216	-	11 216
Bank overdraft	8 828	-	8 828	4 150	-	4 150
Taxation payable	19	-	19	-	-	-
Amount due to related parties	3 851	-	3 851	19 498	-	19 498
Derivative financial liabilities	128	-	128	36	-	36
Total liabilities	66 044	(5 266)	60 778	48 662	(4 085)	44 577
Total equity and liabilities	89 037	(17 553)	71 484	72 532	(13 618)	58 914

2e. Change in accounting policy (continued)

Statement of cash flow

GROUP	For the year ended 31 March 2016 Previously reported K million	Restatement effect of IAS 16 K million	Restated K million
Cash flows from operating activities			
Cash operating profit	8 981	2 423	11 404
Working capital requirements	(29 217)	-	(29 217)
Cash utilised in operations	(20 236)	2 423	(17 813)
Net financing costs	(6 804)	-	(6 804)
Taxation paid	(805)	-	(805)
Net cash outflows from operating activities	(27 845)	2 423	(25 422)
Cash flows from investing activities			
Purchase of property, plant and equipment	(3 229)	(2 423)	(5 652)
Proceeds on disposal of property, plant and equipment	130		130
Dividend income	40	-	40
Net cash outflows from investing activities	(3 059)	(2 423)	(5 482)
Net cash outflows before financing activities	(30 904)	-	(30 904)
Cash flows from financing activities			
Long-term borrowings raised	16 371	-	16 371
Short-term borrowings raised	10 000	-	10 000
Net cash inflows from financing activities	26 371	-	26 371
Net decrease in cash and cash equivalents	(4 533)	-	(4 533)
Cash and cash equivalent at beginning of year	(4 029)	-	(4 029)
Cash and cash equivalent at end of year	(8 562)	-	(8 562)

2f. Change in accounting policy (continued)

Statement of cash flow

COMPANY	For the year ended 31 March 2016 Previously reported K million	Restatement effect of IAS 16 K million	Restated K million
Cash flows from operating activities			
Cash operating profit	906	1 736	2 642
Working capital requirements	(26 883)	-	(26 883)
Cash utilised in operations	(25 977)	1 736	(24 241)
Net financing costs	(4 449)	-	(4 449)
Taxation paid	966	-	966
Net cash outflows from operating activities	(29 460)	1 736	(27 724)
Purchase of property, plant and equipment	(1 535)	(1 736)	(3 271)
Proceeds on disposal of property, plant and equipment	91	-	91
Net cash outflows from investing activities	(1 444)	(1 736)	(3 180)
Net cash outflows before financing activities	(30 904)	-	(30 904)
Cash flows from financing activities			
Long-term borrowings raised	16 371	-	16 371
Short-term borrowings raised	10 000	-	10 000
Net cash inflows from financing activities	26 371	-	26 371
Net decrease in cash and cash equivalents	(4 533)	-	(4 533)
Cash and cash equivalent at beginning of year	(4 030)	-	(4 030)
Cash and cash equivalent at end of year	(8 563)	-	(8 563)

	GROUP		COMPANY	
	2017 K million	2016 K million	2017 K million	2016 K million
3. Revenue				
Revenue represents the proceeds receivable from the sale of:				
Sugar	119 132	96 337	64 006	52 881
Molasses and other products	4 903	3 588	3 033	2 213
	124 035	99 925	67 039	55 094
Analysed by market segment:				
Domestic market	79 900	61 593	43 255	34 053
EU market	19 534	21 418	10 590	11 757
USA market	6 370	3 591	3 416	1 971
Regional market	18 231	13 323	9 778	7 313
	124 035	99 925	67 039	55 094

	GROUP 2017 K million	GROUP 2016 K million Restated	COMPANY 2017 K million	COMPANY 2016 K million Restated
4. Operating profit				
Revenue	124 035	99 925	67 039	55 094
Cost of sales	(69 144)	(54 987)	(42 854)	(33 774)
Distribution expenses	(14 068)	(13 761)	(7 400)	(7 561)
Administration expenses	(22 121)	(18 222)	(12 110)	(10 326)
Operating profit after changes in fair value of biological assets	18 702	12 955	4 675	3 433
Less fair value adjustments:				
- growing cane (see note 10)	(2 828)	(3 884)	(34)	(2 442)
Operating profit before changes in fair value of biological assets	15 874	9 071	4 641	991
Operating profit has been determined after taking into account the following items:				
Depreciation (see note 7)	(2 868)	2 409	(1 986)	(1 687)
Profit on disposal of property, plant and equipment	185	76	192	36
Amortisation of factory overhaul costs (see note 11)	(3 002)	(3 297)	(2 005)	(2 366)
Directors' fees	(7)	(9)	(7)	(9)
Auditor's remuneration:				
- statutory audit fees	(56)	(73)	(44)	(47)
- fees for other services	(40)	(45)	(28)	(29)
- expenses	(8)	(9)	(8)	(9)
Operational support service fees (see note 16.10.1)	(2 117)	(2 113)	(1 276)	(1 268)
Operating lease charges	(726)	(554)	(647)	(447)
Contribution to retirement benefit funds	(866)	(665)	(668)	(507)
Foreign exchange gains (trading balances)	(3 235)	442	(1 645)	898

	Note	GROUP 2017 K million	GROUP 2016 restated K million	COMPANY 2017 K million	COMPANY 2016 restated K million
5. Finance costs					
Interest charged on:					
Long-term borrowings (see note 1 below)		(2 375)	(1 005)	(1 419)	(1 005)
Short-term borrowings (see note 2 below)		(800)	(577)	(800)	(577)
Bank short-term facilities		(1 630)	(5 174)	(565)	(2 916)
Other - Illovo Sugar Limited: Procurement		(70)	(339)	(42)	(242)
Foreign exchange losses recognised in finance costs		(3 048)	(3 093)	(1 384)	(3 093)
Interest expense on bank borrowings, short-term and long-term debt		(7 923)	(10 188)	(4 210)	(7 833)
Interest income					
Interest income on short-term bank deposits		77	42	77	42

Note 1 Interest on long-term borrowings from related parties is disclosed in note 16.10.

Note 2 Interest on short-term borrowings is disclosed in note 17.

	Note	GROUP 2017 K million	GROUP 2016 restated K million	COMPANY 2017 K million	COMPANY 2016 restated K million
6. Taxation					
Current tax		(164)	-	(164)	-
Deferred tax - Current year charge	14	4 003	1 045	810	(1 166)
Total income tax recognised in the current year		3 839	1 045	646	(1 166)
		%	%		
Reconciliation of rate of taxation:					
Malawi corporation rate of taxation		30.0	30,0		
Add/(less) increase in charge for year due to:					
Prior year over provision		-	(0.1)		
Exempt income		(1.7)	(0.2)		
Disallowable expenditure		6.9	7.0		
Effective rate of taxation		35.2	36.7		

For income tax purposes the Malawi Revenue Authority treats the group as one tax paying entity.

7. Property, plant and equipment

GROUP

	Land and buildings K million	Vehicles and aircraft K million	Plant, equipment and furniture K million	Capital work in progress K million	Cane roots Restated K million	Total Restated K million
Cost						
Opening balance at 1 April 2015 as previously stated	2 853	5 189	12 452	7 591	25 827	53 912
Restatement in respect of bearer plants	-	-	-	-	(17 082)	(17 082)
Opening balance at 1 April 2015 as restated	2 853	5 189	12 452	7 591	8 745	36 830
Additions	37	273	755	2 164	2 423	5 652
Transfers	205	123	4 385	(4 713)	-	-
Disposals	-	(205)	(6)	-	(500)	(711)
Closing balance at 31 March 2016 as restated	3 095	5 380	17 586	5 042	10 668	41 771
Opening balance at 1 April 2016 as restated	3 095	5 380	17 586	5 042	10 668	41 771
Additions	888	814	1 825	595	4 577	8 699
Transfers	1 060	144	1 695	(2 899)	-	-
Disposals	-	(121)	-	-	(559)	(680)
Closing balance at 31 March 2017	5 043	6 217	21 106	2 738	14 686	49 790
Depreciation						
Opening balance at 1 April 2015 as previously stated	463	1 445	3 232	-	-	5 140
Restatement in respect of bearer plants	-	-	-	-	2 431	2 431
Opening balance at 1 April 2015 as restated	463	1 445	3 232	-	2 431	7 571
Charge for the year	52	516	600	-	1 241	2 409
Disposals	-	(151)	(5)	-	(500)	(656)
Closing balance at 31 March 2016 as restated	515	1 810	3 827	-	3 172	9 324
Opening balance at 1 April 2016 as restated	515	1 810	3 827	-	3 172	9 324
Charge for the year	63	483	811	-	1 511	2 868
Disposals	-	(111)	-	-	(559)	(670)
Closing balance at 31 March 2017	578	2 182	4 638	-	4 124	11 522
Net book value						
Closing balance at 31 March 2016 as restated	2 580	3 570	13 759	5 042	7 496	32 447
Closing balance at 31 March 2017	4 465	4 035	16 468	2 738	10 562	38 268

Expenditure on assets under construction is intially shown as capital work in progress and is transferred to the relevant class of asset when commissioned.

The group's sugar and cane growing activities are situated on land under 99 year lease from the government of Malawi as follows:

	2017 Hectares	2016 Hectares
Commencement:		
1 January 1965	4 763	4 763
1 March 1966	4	4
1 October 1974	12 391	12 391
1 March 1977	13 300	13 300
1 July 1992	3 767	3 767

The register of land and buildings is open for inspection at the registered office.
The group has restated the presentation and disclosure of cane roots transactions and balances in the financial statements as highlighted in note 2.

	Land and buildings K million	Vehicles and aircraft K million	Plant, equipment and furniture K million	Capital work in progress K million	Cane roots Restated K million	Total Restated K million
7. Property, plant and equipment						
COMPANY						
Cost						
Opening balance at 1 April 2015 as previously stated	2 204	3 261	8 861	6 307	17 966	38 599
Restatement in respect of bearer plants	-	-	-	-	(11 778)	(11 778)
Opening balance at 1 April 2015 as restated	2 204	3 261	8 861	6 307	6 188	26 821
Additions	23	225	165	1 122	1 736	3 271
Transfers	205	123	4 065	(4 393)	-	-
Disposals	-	(140)	(6)	(2)	(474)	(622)
Closing balance at 31 March 2016 as restated	2 432	3 469	13 085	3 034	7 450	29 470
Opening balance at 1 April 2016 as restated	2 432	3 469	13 085	3 034	7 450	29 470
Additions	-	582	215	1 293	3 638	5 728
Transfers	1 060	144	1 695	(2 899)	-	-
Disposals	-	(66)	(1)	-	(474)	(541)
Closing balance at 31 March 2017	3 492	4 129	14 994	1 428	10 614	34 657
Depreciation						
Opening balance at 1 April 2015 as previously stated	319	976	2 271	-	-	3 566
Restatement in respect of bearer plants	-	-	-	-	1 840	1 840
Opening balance at 1 April 2015 as restated	319	976	2 271	-	1 840	5 406
Charge for the year	40	344	426	-	877	1 687
Disposals	-	(86)	(6)	-	(474)	(566)
Closing balance at 31 March 2016 as restated	359	1 234	2 691	-	2 243	6 527
Opening balance at 1 April 2016 as restated	359	1 234	2 691	-	2 243	6 527
Charge for the year	50	394	485	-	1 057	1 986
Disposals	-	(63)	-	-	(474)	(537)
Closing balance at 31 March 2017	409	1 565	3 176	-	2 826	7 976
Net book value						
Closing balance at 31 March 2016 as restated	2 073	2 235	10 394	3 034	5 207	22 943
Closing balance at 31 March 2017	3 083	2 564	11 818	1 428	7 788	26 681

Expenditure on assets under construction is intially shown as capital work in progress and is transferred to the relevant class of asset when commissioned.

The company's sugar and cane growing activities are situated on land under 99 year lease from the government of Malawi as follows:	2017 Hectares	2016 Hectares
Commencement:		
1 January 1965	4 763	4 763
1 March 1966	4	4
1 October 1974	12 391	12 391
1 July 1992	3 767	3 767

The register of land and buildings is open for inspection at the registered office.
The group has restated the presentation and disclosure of cane roots transactions and balances in the financial statements as highlighted in note 2.

	GROUP		COMPANY	
	2017 K million	2016 K million	2017 K million	2016 K million
8. Investments				
Investment in subsidiary company				
The only subsidiary of the company is Dwangwa Sugar Corporation Limited, a company registered in Malawi.				
Interest in the subsidiary is as follows:				
Issued capital			42	42
Effective percentage holding			100%	100%
Shares at cost			324	324
The directors' valuation of the shares based on the net asset value of the company at end of year.			26 343	18 287
Other investments				
Unlisted investment at cost:				
Ethanol Company Limited	0.2	0.2		
210 000 Ordinary shares of K 1 each, representing 7.64% of issued share capital				
	0.2	0.2		
The directors' valuation of the shares based on the net asset value of the company at end of year.	418	349		

The fair value of the other investments is determined using inputs that are unobservable, the net asset value was the best information available in the circumstances and therefore fall into the level 3 fair value category.

	GROUP 2017 K million	GROUP 2016 K million	COMPANY 2017 K million	COMPANY 2016 K million
9 . Inventories				
Consumables	5 317	4 185	2 976	2 443
Sugar	6 490	7 575	3 369	4 264
	11 807	11 760	6 345	6 707

The group deducted stock provisions of K 31 million (2016: K 43 million) to arrive at these numbers.

	GROUP		COMPANY	
	2017 K million	2016 K million	2017 K million	2016 K million
10. Growing cane				
The carrying value of growing cane can be reconciled as follows:				
Carrying value at beginning of year	32 309	28 425	19 396	16 954
Change in fair value	2 828	3 884	34	2 442
Carrying value at end of year	35 137	32 309	19 430	19 396

The fair value of the growing cane is determined using inputs that are unobservable, using the best information available in the circumstances for using the growing cane and therefore fall into the level 3 fair value category.

The following are the key assumptions in the valuation of growing cane:

Expected area to harvest the following season (ha)	19 701	19 990	12 993	12 950
Estimated yield (tons cane/ha)	87	95	78	91
Average maturity of cane at 31 March	68%	68%	71%	71%

A 1% change in the inflation could increase or decrease the fair value of the growing cane to the following values:

	2017 K million	2017 K million	2017 K million	2017 K million
	+ 1%	-1%	+ 1%	-1%
Estimated sucrose content	36 895	33 381	20 366	18 426
Estimated sucrose price	37 372	32 903	20 629	18 163

	2017 K million	2016 K million	2017 K million	2016 K million
11. Factory overhaul costs				
Balance at beginning of year	3 002	3 297	2 004	2 366
Capitalised during the year	3 161	3 002	1 885	2 004
Amortised during the year	(3 002)	(3 297)	(2 005)	(2 366)
Balance at end of year	3 161	3 002	1 884	2 004

12. Trade and other receivables				
Trade and other receivables	9 631	10 800	9 631	10 800
Other receivables and prepayments	2 280	2 831	1 534	2 769
	11 911	13 631	11 165	13 569

Trade and other receivables include debtors denominated in foreign currencies amounting to K 4 435 milllion (2016: K 3 077 million). The provision for doubtful debts as at 31 March 2017 is nil (2016: nil). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The foreign debtors are denominated in the following currencies:

European Euro	3 658	2 271	3 658	2 271
South African Rand	12	-	12	-
United States Dollar	765	806	765	806
	4 435	3 077	4 435	3 077

The age analysis of trade receivables is as follows:

Not past due	6 319	9 548	6 319	9 548
Past due by 30 days	1 687	742	1 687	742
Past due by 60 days	1 130	372	1 130	372
Past due by 90 days	189	51	189	51
Past due by 120 days and over	306	87	306	87
	9 631	10 800	9 631	10 800

	GROUP		COMPANY	
	2017 K million	2016 K million	2017 K million	2016 K million

13. Cash and cash equivalents

The group and the company have overdraft and guarantee facilities with various Malawian banking institutions. Local facilities attract interest rates of between 22.0% and 34.0% (2016: 22.0% and 37.0%).

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Bank balances are made up of the following currencies:				
European Euro	61	61	61	61
Malawi Kwacha	7	184	6	183
South African Rand	8	8	8	8
United States Dollar	13	13	13	13
	89	266	88	265
Bank overdraft balances are made up of the following currencies:				
Malawi Kwacha	1 963	8 828	1 963	8 828
Total cash and cash equivalents	(1 874)	(8 562)	(1 875)	(8 563)
Unsecured bank overdraft facilities, reviewed annually payable on demand:				
Amount used	1 963	8 828	1 963	8 828
Amount unused	12 937	26 872	12 937	26 872
Total bank overdraft facility	14 900	35 700	14 900	35 700

The overdraft financing and short-term borrowings outlined in note 17 were used to supplement the business operational cash flow requirements. The overdraft facilities are unsecured. The related finance costs are outlined in note 5.

14. Deferred tax

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
The movement in the year is analysed below:				
Balance at beginning of year	15 910	20 867	8 363	13 762
Restatement in terms of bearer plants	-	(5 854)	-	(4 085)
Balance at beginning of year - restated	15 910	15 013	8 363	9 677
Current year other comprehensive income (relief)/charge	-	(148)	-	(148)
Charged to profit or loss - current year (see note 6)	4 003	1 045	810	(1 166)
Charged to profit or loss - prior year (see note 6)	-		-	-
Balance at end of year	19 913	15 910	9 173	8 363
Analysis of deferred tax liability:				
Excess capital allowances over depreciation	5 535	6 646	3 892	4 749
Growing cane	10 541	9 693	5 829	5 819
Tax losses	(938)	(944)	(2 291)	(2 521)
Other	4 775	515	1 743	316
Balance at end of year	19 913	15 910	9 173	8 363

15. Trade and other payables

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Trade payables	4 338	4 230	3 324	2 837
Other payables and accruals	12 007	8 270	8 884	7 039
	16 345	12 500	12 208	9 876

The other payables and accruals include K 238 million (2016: K 245 million) in respect of government grants received from IrishAID and United Nations Children's Fund through the Malawi government in 2013. The money was used by the group to buy equipment for fortifying domestic sugar with vitamin A.

Government Grants	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
At beginning of year	245	252	208	213
Amortised during the year	(7)	(7)	(5)	(5)
At end of year	238	245	203	208

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
The foreign creditors are denominated in the following currencies:				
Great Britain Pound	-	17	-	17
South African Rand	88	379	77	327
United States Dollar	571	1 406	571	1 406
	659	1 802	648	1 750

16. Related parties

Illovo Sugar (Malawi) plc (the group), in the ordinary course of business, enters into various transactions with related parties.

16.1 Holding companies

The group is controlled by the following entities:

Names	Type	Effective ownership interest	
		2017	2016
Sucoma Holdings Limited, incorporated in Mauritius	Immediate holding company	75,98%	75,98%
Illovo Group Holdings Limited, incorporated in Mauritius	Intermediate holding company	75,98%	75,98%
Illovo Sugar Proprietary Limited, incorporated in South Africa	Illovo group holding company	75,98%	75,98%
Associated British Foods plc, incorporated in United Kingdom	Ultimate holding company	75,98%	39,02%

16.2 Ultimate holding company

Associated British Foods plc holds 100% (2016: 51.35%) of the issued share capital of Illovo Sugar Proprietary Limited (formerly Illovo Sugar Limited) and therefore has an effective ownership interest of 75.98% (2016: 39.02%) in the group.

A limited number of costs were incurred by Associated British Foods plc on behalf of the group for which it was reimbursed with no margin charged. These costs are disclosed in note 16.10.1 below.

16.3 Illovo group holding company

Illovo Sugar Proprietary Limited holds 100% of the issued share capital of Illovo Group Holdings Limited which in turns owns 100% of the issued share capital of Sucoma Holdings Limited and therefore has an effective ownership interest of 75.98% in Illovo Sugar (Malawi) plc.

16.3.1 Transactions and balances with Illovo Sugar Proprietary Limited (ISPL) related to procurement services

The group utilises a centralised procurement office located in Johannesburg, South Africa, to share in the benefit of the bulk purchasing power that arises from ISPL combining the procurement requirements of six operations to negotiate preferential supply arrangements. On receipt of an order from the group, the centralised procurement office sources and purchases the required goods and services from third party suppliers. The cost of the goods and services procured, together with any transport costs, is recovered from the group and is disclosed in note 16.10.1 below. No mark-up is charged on the recovery of the procurement expenditure and any pricing benefit negotiated with the third party supplier by the centralised procurement office is passed on to the group. The goods and services procured can either be capital or revenue in nature.

The trading balance owing in respect of procurement expenditure on goods and services (as disclosed in note 16.8.2 below) is unsecured, is repayable within 30 days of statement and only bears interest if the repayment terms have been exceeded, after which a market-related interest (9% per annum) is charged (as disclosed in note 16.10.3 below). Interest is not raised on goods that have not been received, or damaged in transit and for which there are legitimate queries pending. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

16.3.2 Other transactions and balances with ISPL

Operational support service fees are charged to the group in order to recover the costs of providing technical support, business support and operating a centralised procurement office. Technical support includes services rendered to monitor and improve agricultural and manufacturing performance as well as technical engineering services. Business support covers the provision of a range of services including legal, taxation, treasury, governance, human resources and information technology. The services provided by the centralised procurement office are detailed above. Operational support service fees charged to the group during the current and prior year are disclosed in note 16.10.1. Operational support service fees are charged on a cost-plus basis, allowing a margin of 8% with the exception of procurement services for which the margin is 15%.

Various third party costs incurred by the group are paid for on its behalf by ISPL for which it is reimbursed with no mark-up charged. The recovered costs are disclosed in note 16.10.1.

The trading balance owing by the group as disclosed in note 16.8.2 represents amounts outstanding for transactions detailed above. The trading balance is unsecured, has no fixed repayment terms and does not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debts and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

Certain senior employees of the group participated in the ISPL share-based incentive scheme. As a result of Associated British Foods plc acquiring a 100% shareholding in ISPL, the share-based incentive scheme was settled with the settlement amount payable to the participants over a two year period. The settlement of the scheme resulted in an increase in the cash-settled share-based payment liability of K 223.9 million (2016: K 5.5 million).

As a result of liquidity constraints, long-overdue trading balances owing for goods and services procured and operational support services were refinanced with a long-term loan. Failure to refinance these balances would have adversely disrupted operations and approval of the refinancing was obtained from the Malawi Stock Exchange and Reserve Bank of Malawi in advance. The long-term loan from ISPL of K 18.708 billion (2016: K 15.984 billion) (R 345 million) is unsecured and attracts interest at a market-related interest rate being the prime interest rate in South Africa (as quoted by Standard Bank of South Africa) plus 200 basis points per annum. The loan was received on 22 September 2015 and is repayable in a single instalment on 31 October 2020. The loan balance and the related interest are disclosed in note 16.9 and note 16.10.3.

16.4 Intermediate holding company

Transactions and balances with Illovo Group Holdings Limited (IGHL)

Some third party costs incurred by the group are paid for on its behalf by IGHL for which it is reimbursed with no mark-up charged. The recovered costs are disclosed in note 16.10.1.

The trading balance owing by the group as disclosed in note 16.8.2 represents amounts outstanding for the reimbursement of various costs with no mark-up. The trading balance is unsecured, has no fixed repayment terms and does not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

As a result of liquidity constraints, long-overdue trading balances owing to Illovo Group Marketing Services Limited for export commissions and logistic cost recoveries were refinanced with a long-term loan. Failure to refinance these balances would have adversely disrupted operations and approval of the refinancing was obtained from the Malawi Stock Exchange and Reserve Bank of Malawi in advance. The long-term loan from IGHL of K 3.625 billion (2016: K 3.460 billion) ($ 5 million) is unsecured and attracts interest at a market-related interest rate, being the six-month US LIBOR rate plus 400 basis points per annum. The loan was received on 22 September 2015 and is repayable in a single instalment on 31 October 2020. The loan balance and the related interest are disclosed in note 16.9 and note 16.10.3.

16.5 Immediate holding company

Transactions between the group and Sucoma Holdings Limited (SHL) relate to payment of dividends. No dividends have been paid to shareholders, including SHL, in either the current year or the prior year. There are no outstanding balances owing to or by SHL.

16.6 Transactions and balances with fellow subsidiaries

Illovo Group Marketing Services Limited (IGMSL)

IGMSL is the group's appointed agent to coordinate and manage the marketing, sale and distribution of all the group's export sugar for which it received a 1% commission which is disclosed in note 16.10.1. The year-on-year increase in commissions paid to IGMSL relates to higher regional sales volumes and higher export prices related to the weaker currency.

Third party export logistics costs incurred by the group are paid for on its behalf by IGMSL which it is reimbursed as disclosed in note 16.10.1.

Trading balances owing to the group as disclosed in note 16.8.1 represent proceeds received from export customers over the year-end cut-off which, as a result, were not able to be remitted to the group. Trading balance owing by the group as disclosed in note 16.8.2 represent amounts outstanding, after the refinance process above, for commissions and logistic costs yet to be reimbursed. All trading balances with IGMSL are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

Mitra Sugar Limited (Mitra)

Mitra had long-term supply contracts with third parties in preferential European markets. The group accessed these contracts through its agent, IGMSL. Mitra charged IGMSL a handling fee per ton of sugar exported and no margin was retained by Mitra on these sales. IGMSL absorbed the handling fee as part of its commission and did not on charge this to the group. The sales volumes committed by Mitra to third party customers, and the resultant obligations, have been fulfilled and the long-term supply contracts have ended.

There were no sales through Mitra contracts during the current year.

East African Supply (Pty) Limited

East African Supply (Pty) Limited recovers the cost of air services provided to the group necessary to facilitate the provision of operational support and director services by ISPL (refer to note 16.10.1).

The trading balances owing by the group as disclosed in note 16.8.2 represent amounts outstanding for air services. The trading balances are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised.

Other cost recoveries

The group recovers operational costs incurred on behalf of fellow subsidiary companies such as Kilombero Sugar Company Limited, Ubombo Sugar Limited and Zambia Sugar plc. In addition, fellow subsidiary companies also recover costs incurred on the group's behalf. The recovered costs are disclosed in note 16.10.1.

The outstanding balances between the group and fellow subsidiary companies such as Kilombero Sugar Company Limited, Ubombo Sugar Limited and Zambia Sugar plc arising from cost recoveries are disclosed in notes 16.8.1 and 16.8.2. The balances are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

Sales transactions

During the current and prior year, amounts of sugar as disclosed in note 16.10.2 were sold to Azucarera Ebro SLU, Czarnikow Group Limited, Illovo Sugar (South Africa) Limited, Kilombero Sugar Company Limited and The Silver Spoon Company Limited (a trading division of British Sugar plc) on either the same commercial terms and conditions that would be available to third party customers or on more favourable commercial terms to the group (eg pre-export financing).

The outstanding trading balances between the group and fellow subsidiary companies arising from sugar sales are disclosed in note 16.8.1. The trading balances are unsecured, but have repayment terms in line with those applicable to third party customers (ie interest is payable on overdue accounts). No expense has been recognised in the current or prior year in respect of a bad or doubtful debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

16.7 Subsidiary companies

The company owns 100% of the issued share capital of Dwangwa Sugar Corporation Limited (DSCL), a company registered in Malawi.

The outstanding trading balances between the company and DSCL are disclosed in note 16.8.2. The trading balances are unsecured, have no fixed repayment terms and do not bear interest. No expense has been recognised in the current or prior year in respect of a bad or doubtful debts and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

		Note	GROUP 2017 K million	GROUP 2016 K million	COMPANY 2017 K million	COMPANY 2016 K million
16.8	Amounts due from/ (to) related parties					
16.8.1	Amount due from related parties:					
	Azucarera Iberia S.L.	2	1 122	-	1 122	-
	Illovo Group Marketing Services Limited	2	504	6 127	504	6 127
	Illovo Sugar (South Africa) Limited	2	-	43	-	43
	Kilombero Sugar Company Limited	2	-	13	-	13
			1 626	6 183	1 626	6 183
	Amounts due from related parties are denominated in the following currencies:					
	European Euro		1 626	6 127	1 626	6 127
	South African Rand		-	43	-	43
	United States Dollar		-	13	-	13
			1 626	6 183	1 626	6 183
16.8.2	Amounts due to related parties:					
	Dwangwa Sugar Corporation Limited	3	-	-	5 817	1 591
	Holding company and fellow subsidiaries		4 935	3 052	3 981	2 260
			4 935	3 052	9 798	3 851
	East African Supply (Pty) Limited	2	10	7	10	7
	Illovo Group Holdings Limited	1	-	7	-	7
	Illovo Group Marketing Services Limited	2	2 416	664	2 416	664
	Illovo Sugar Proprietary Limited - Corporate Division	1	215	91	204	59
	Illovo Sugar Proprietary Limited - Procurement Division	1	2 286	1 960	1 343	1 201
	Illovo Sugar Proprietary Limited (Share-based payments)	1	-	125	-	125
	Illovo Sugar (South Africa) Limited	2	6	192	6	192
	Zambia Sugar plc	2	2	5	2	5
	Ubombo Sugar Limited	2	-	1	-	-
			4 935	3 052	3 981	2 260

Amounts due to Dwangwa Sugar Corporation Limited are denominated in Malawi Kwacha.

Amounts due to holding company and fellow subsidiaries are denominated in the following currencies:

	GROUP 2017 K million	GROUP 2016 K million	COMPANY 2017 K million	COMPANY 2016 K million
European Euro	2 067	634	2 067	634
South African Rand	2 517	2 376	1 563	1 584
United States Dollar	351	42	351	42
	4 935	3 052	3 981	2 260

Note
1 - Holding companies (refer to note 16.1)
2 - Fellow subsidiaries of holding companies
3 - Subsidiary of Illovo Sugar (Malawi) plc

	GROUP		COMPANY	
	2017 K million	2016 K million	2017 K million	2016 K million

16.9 Long-term borrowings from related parties

	Year of repayment	Effective interest rate (%)	Group 2017 K million	Group 2016 K million	Company 2017 K million	Company 2016 K million
Illovo Group Holdings Limited	2020	US LIBOR plus 4	3 625	3 460	3 625	3 460
Illovo Sugar Proprietary Limited	2020	South African prime rate plus 2	18 708	15 984	18 708	15 984
Total borrowings			22 333	19 444	22 333	19 444
Less:						
Current portion			-	-	-	-
Long-term portion			22 333	19 444	22 333	19 444

	GROUP			GROUP		
	2016 K million	2016 K million	2016 K million	2017 K million	2017 K million	2017 K million
	Illovo Group Holdings Limited	Illovo Sugar Proprietary Limited	Total	Illovo Group Holdings Limited	Illovo Sugar Proprietary Limited	Total
Balance at the start of year	-	-	-	3 460	15 984	19 444
Amount advanced	2 550	13 821	16 371	-	-	-
Interest charged	76	929	1 005	172	2 203	2 375
Interest paid	(40)	(985)	(1 025)	(216)	(2 318)	(2 534)
Foreign exchange losses recognised in finance costs	874	2 219	3 093	209	2 839	3 048
Balance at end of year	3 460	15 984	19 444	3 625	18 708	22 333
Long-term loans from holding companies are denominated in the following currencies:						
	-	15 984	15 984	-	18 708	18 708
South African Rand	3 460	-	3 460	3 625	-	3 625
United States Dollar	3 460	15 984	19 444	3 625	18 708	22 333

	COMPANY			COMPANY		
	2016 K million	2016 K million	2016 K million	2017 K million	2017 K million	2017 K million
	Illovo Group Holdings Limited	Illovo Sugar Proprietary Limited	Total	Illovo Group Holdings Limited	Illovo Sugar Proprietary Limited	Total
Balance at the start of year	-	-	-	3 460	15 984	19 444
Amount advanced	2 550	13 821	16 371	-	-	-
Interest charged	76	929	1 005	103	1 316	1 419
Interest paid	(40)	(985)	(1 025)	(147)	(1 431)	(1 578)
Foreign exchange losses recognised in finance costs	874	2 219	3 093	209	2 839	3 048
Balance at end of year	3 460	15 984	19 444	3 625	18 708	22 333
Long-term loans from holding companies are denominated in the following currencies:						
	-	15 984	15 984	-	18 708	18 708
South African Rand	3 460	-	3 460	3 625	-	3 625
United States Dollar	3 460	15 984	19 444	3 625	18 708	22 333

The foreign currency denominated loans will be repaid using future foreign currency export proceeds earned from EU, USA and regional markets to minimise any realised exchange losses.

16 .10 Related party transactions

				GROUP		COMPANY	
				2017 K million	2016 K million	2017 K million	2016 K million
16 .10.1	The annual payment transactions with related parties are as follows:	Note	Transaction				
	Associated British Foods plc	1	Cost recoveries	9	35	9	35
	East African Supply (Pty) Limited	2	Flight charge recoveries	103	71	103	71
	Illovo Group Holdings Limited	1	Cost recoveries	2	17	2	17
	Illovo Group Marketing Services Limited	2	Export agency commission	554	428	554	428
	Illovo Group Marketing Services Limited	2	Logistics cost recoveries	3 690	2 520	3 690	2 520
	Illovo Sugar Limited - Corporate Division	1	Operational support service fees	2 117	2 113	1 276	1 268
	Illovo Sugar Limited - Corporate Division	1	Cost recoveries	873	802	571	579
	Illovo Sugar Limited - Procurement Division	1	Procurement of goods and services	10 676	9 138	6 121	5 776
	Kilombero Sugar Company Limited	2	Cost recoveries	53	15	53	15
	Ubombo Sugar Limited	2	Cost recoveries	11	9	5	9
	Zambia Sugar plc	2	Cost recoveries	35	51	35	51
				18 123	15 199	12 419	10 769
16 .10.2	The annual sugar sales transactions with related parties are as follows:						
	Azucarera Ebro SLU	3		3 754	3 732	3 754	3 732
	Czarnikow Group Limited	4		4 734	1 864	4 734	1 864
	Illovo Sugar (South Africa) Limited	2		860	2 118	860	2 118
	Kilombero Sugar Company Limited	2		-	455	-	455
	The Silver Spoon Company, a trading division of British Sugar plc	3		-	77	-	77
				9 348	8 246	9 348	8 246
16 .10.3	The annual interest payable with related parties is as follows:		Effective interest rate (%)				
	Illovo Group Holdings Limited	1	LIBOR plus 400 basis points	172	76	103	76
	Illovo Sugar Limited - Corporate Division	1	Prime rate plus 200 basis points	2 203	929	1 316	929
	Illovo Sugar Limited - Procurement Division	1	9% on overdue balances	70	339	42	242
				2 445	1 344	1 461	1 247
16.10.4	The annual sugar sales transactions to third party customers through supply contracts held by related parties are as follows:						
	Mitra Sugar Limited	2		-	8 418	-	8 418

Note
1 - Holding company
2 - Fellow subsidiaries of Illovo Sugar Proprietary Limited
3 - Fellow subsidiaries of Associated British Foods plc
4 - Associate of Associated British Foods plc
5 - The compensation of key management personnel is disclosed in note 25

	Effective interest rate (%)	GROUP 2017 K million	GROUP 2016 K million	COMPANY 2017 K million	COMPANY 2016 K million
17. Short-term borrowings					
Nico Asset Managers Limited	25.14%	-	5 102	-	5 102
Old Mutual Investment Group	28.40%	-	5 167	-	5 167
		-	10 269	-	10 269

	GROUP AND COMPANY 2017 K million Nico Asset Managers Limited	GROUP AND COMPANY 2017 K million Old Mutual Investment Group	GROUP AND COMPANY 2017 K million Total
Balance at start of year	5 102	5 167	10 269
Amount advanced	-	-	-
Interest charged	377	423	800
Interest paid	(479)	(590)	(1 069)
Amount paid	(5 000)	(5 000)	(10 000)
Balance at end of year	-	-	-

	2016 K million	2016 K million	2016 K million
Balance at start of year	-	-	-
Amount advanced	5 000	5 000	10 000
Interest charged	410	167	577
Interest paid	(308)	-	(308)
Balance at end of year	5 102	5 167	10 269

Nico Asset Managers Limited loan

At the beginning of the year, the amount due to Nico Asset Managers Limited was K 5.102 billion. The applicable interest rate to Nico Asset Managers Limited loan was an average yield for the preceding 182 days treasury bill as per treasury bill auction results plus a premium of 200 basis points per annum. Interest was payable on a monthly basis in arrears. The loan was repaid on 28 August 2016.

Old Mutual Investment Group Limited loan

The amount due to Old Mutual Investment Group was K 5.167 billion at the inception of this financial year. The applicable interest rate to Old Mutual Investment Group Limited loan was an average yield for the preceding 182 days treasury bill as per treasury bill auction results plus a premium of 250 basis points per annum. Interest was payable on a quarterly basis in arrears. The loan was repaid on 10 August 2016.

18. Derivative financial instruments

	GROUP 2017 K million	GROUP 2016 K million	COMPANY 2017 K million	COMPANY 2016 K million
Forward exchange contracts - designated as cash flow hedges	(34)	(35)	(34)	(35)
Comprising:				
Assets	22	93	22	93
Liabilities	(56)	(128)	(56)	(128)
At end of year	(34)	(35)	(34)	(35)

The financial instrument liabilities relate to foreign exchange contracts designated as cash flow hedges to cover expected European Euro and United States Dollar export proceeds.

The fair values of derivative financial instruments are determined using inputs that are observable either directly (ie as prices) or indirectly (ie derived from prices), other than quoted prices in an active market and therefore fall into the level 2 fair value category. Additional disclosures concerning the derivative financial instruments used to manage currency risk have been provided in note 28.4.

	GROUP		COMPANY	
	2017 K million	2016 K million	2017 K million	2016 K million
19. Capital commitments				
Contracted	410	535	410	535
Approved but not contracted	1 501	1 803	1 501	1 803
	1 911	2 338	1 911	2 338

Capital expenditure commitments are to be financed from internal resources and existing facilities.

20. Contingent liabilities

Various claims of an industrial relations nature totalling K 1.828 billion (2016: K 1.044 billion) have been made against the group in the ordinary course of business, the outcome of which is uncertain.

A minority shareholder of the company (the plaintiff) commenced legal action alleging that the affairs of the company are being conducted in a manner that is prejudicial and/or oppressive to the plaintiff. While the plaintiff has sought various items of relief, the amount of damages claimed has not been specified. The action is being defended.

21. Operating lease commitments

						GROUP AND COMPANY	
	2018 K million	2019 K million	2020 K million	2021 K million	2022 onwards K million	2017 Total K million	2016 Total K million
GROUP							
Land and buildings	137	137	137	137	1 604	2 152	2 310
Motor vehicles	84	84	84	84	-	336	1 300
Computer equipment	317	140	54	31	-	542	564
	538	361	275	252	1 604	3 030	4 174
COMPANY							
Land and buildings	125	125	125	125	927	1 427	1 573
Motor vehicles	-	-	-	-	-	-	1 160
Computer equipment	230	112	51	31	-	424	381
	355	237	176	156	927	1 851	3 114

22. Exchange rates and inflation

The year-end buying and selling rates of the foreign currencies most affecting the performance of the group are stated below, together with the increase in the consumer price index for the year, which represents an official measure of inflation.

	GROUP AND COMPANY	
	2017 K million	2016 Restated K million
Kwacha/European Euro	790.3	773.5
Kwacha/South African Rand	55.7	45.8
Kwacha/United States Dollar	734.1	683.2
Overall Consumer Price Inflation	15.8%	22.1%

The averages for the year of the buying and selling rates of the foreign currencies most affecting the performance of the group are stated below, together with the increase in the consumer price index for the year, which represents an official measure of inflation.

	2017	2016
Kwacha/European Euro	781.9	622.6
Kwacha/South African Rand	52.4	41.0
Kwacha/United States Dollar	716.6	561.8
Overall Consumer Price Inflation - average	19.0%	22.7%

	GROUP AND COMPANY 2017 K million	2016 Restated K million

23. Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the group is based on the following data:

	2017 K million	2016 Restated K million
Earnings		
Earnings for the purposes of basic and diluted earnings per share	7 080	1 804
Number of shares ('000s)		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	713 444	713 444
Basic and diluted earnings per share (tambala)	992	253
Reconciliation of headline earnings:		
Net profit for the year	7 080	1 804
Headline earnings	7 080	1 804
Headline earnings per share (tambala)	992	253

24. Dividend per share

Dividend per share is calculated by dividing the total dividends declared in the year by the weighted average number of ordinary shares in issue during the year.

	2017	2016
First interim dividend paid (for current year)	-	-
Second interim dividend paid (for previous year)	-	-
Final dividend paid (for previous year)	-	-
	-	-
Number of shares in issue ('000s)	713 444	713 444
Weighted average number of shares on which dividend per share is based ('000s)	713 444	713 444
Dividend paid per share (tambala)	-	-

The board of directors on 31 May 2017 did not recommend payment of any dividend for the year ended 31 March 2017 (2016: nil).

25. Compensation of key management personnel

The remuneration of directors and key management during the year was as follows:

	2017	2016
Short-term benefits	2 078	1 835
Post-retirement benefits	227	158
Other long-term benefits	508	387
	2 813	2 380

The remuneration of directors and key executives is determined by the Nomination/Remuneration committee having regard to the performance of individuals and market trends.

26. Retirement benefit plans

The group operates two defined contribution plans. The SUCOMA Group Pension Scheme, which is managed internally by Trustees, is a defined contribution scheme and the contributions by employees and the group are 7.5% (2016: 7.5%) and 12.5% (2016: 12.5%) of the fund member's basic pensionable salaries, respectively. The Illovo Sugar (Malawi) plc Pension Fund, which is managed internally by Trustees, is also a defined contribution scheme and the contributions by employees and the group are 5.0% (2016: 5.0%) and 12.5% (2016: 12.5%) of the fund member's basic pensionable salaries, respectively. The trustees are employees of the group. The administration of both pension funds has been subcontracted to Nico Life Insurance Company Limited. Nico Asset Managers Limited is the investment manager for the two funds.

The total expense recognised in profit or loss of K 865.6 million (2016: K 664.9 million) represents contributions payable to these plans by the group.

27. Segmental analysis

The primary business segments of the group are classified into sugar production and cane growing as follows:

GROUP
Year to 31 March 2017

	Sugar production K million	Cane growing K million	TOTAL K million
Revenue	73 718	50 317	124 035
Operating profit	19 006	(304)	18 702
Interest revenue	46	31	77
Dividend income	30	33	63
Interest expense	(4 754)	(3 169)	(7 923)
Income tax expense	(1 743)	(2 096)	(3 839)
Statements of financial position			
Non-current assets	20 256	28 574	48 830
Property, plant and equipment	20 256	18 012	38 268
Current assets	24 903	38 850	63 753
Inventories	9 044	2 763	11 807
Growing cane	-	35 137	35 137
Factory overhaul costs	3 161	-	3 161
Trade and other receivables	10 961	950	11 911
Amount due from related parties	1 626	-	1 626
Derivative financial assets	22	-	22
Cash and cash equivalents	89	-	89
Taxation receivable	146	-	146
Current liabilities	11 840	11 459	23 299
Trade and other payables	9 821	6 524	16 345
Amount due to related parties	-	4 935	4 935
Bank overdrafts	1 963	-	1 963
Derivative financial liabilities	56	-	56
Taxation payable	-	-	-
Non-current liabilities	17 315	24 931	42 246
Long-term borrowings	11 166	11 167	22 333
Deferred taxation	6 149	13 764	19 913
Net assets value	16 004	31 034	47 038
Property, plant and equipment transactions are categorised as follows:			
Purchases during the year	1 888	6 811	8 699
Depreciation	513	2 355	2 868

GROUP
Year to 31 March 2016

	Sugar production K million	Cane growing K million Restated	TOTAL K million Restated
Revenue	58 782	41 143	99 925
Operating profit	14 122	(1 167)	12 955
Interest revenue	25	17	42
Dividend income	24	16	40
Interest expense	(6 113)	(4 075)	(10 188)
Income tax expense	(1 579)	534	(1 045)
Statements of financial position			
Non-current assets	16 716	15 731	32 447
Property, plant and equipment	16 716	15 731	32 447
Current assets	31 940	35 304	67 244
Inventories	9 411	2 349	11 760
Growing cane	-	32 309	32 309
Factory overhaul costs	3 002	-	3 002
Trade and other receivables	12 986	645	13 631
Amount due from related parties	6 183	-	6 183
Derivative financial assets	93	-	93
Cash and cash equivalents	265	1	266
Current liabilities	19 845	14 951	34 796
Trade and other payables	2 846	9 654	12 500
Amount due to related parties	3 052	-	3 052
Short-term borrowings	10 269	-	10 269
Bank overdrafts	3 531	5 297	8 828
Derivative financial liabilities	128	-	128
Taxation payable	19	-	19
Non-current liabilities	16 441	18 913	35 354
Long-term borrowings	7 778	11 666	19 444
Deferred taxation	8 663	7 247	15 910
Net assets value	12 370	17 171	29 541
Property, plant and equipment transactions are categorised as follows:			
Purchases during the year	2 105	3 547	5 652
Depreciation	517	1 893	2 409

The geographical segment of the group's business has not been prepared because all the group's operations are held within Malawi. There were no significant non-cash transactions during the current or prior years.

	GROUP		COMPANY	
	2017 K million	2016 K million	2017 K million	2016 K million

28. Financial instruments

Introduction and overview

The group has exposure to the following risks arising from its transactions in financial instruments:

- Capital
- Treasury
- Foreign currency
- Interest rate
- Credit
- Liquidity

This note, in addition to notes 12,13,15,16 ,17 and 18 presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for identification, measurement, monitoring and controlling risk and the group's management of capital.

28.1 Categories of financial instruments

	Group 2017 K million	Group 2016 K million	Company 2017 K million	Company 2016 K million
Financial assets				
Loans and receivables (including cash and cash equivalents)	13 794	20 173	12 901	20 110
Financial liabilities				
At amortised cost	45 632	54 221	46 358	52 396
The details of financial liabilities at amortised costs are as follows:				
Long-term borrowings	22 333	19 444	22 333	19 444
Trade and other payables	16 345	12 500	12 208	9 876
Related parties	4 935	3 052	9 798	3 851
Short-term borrowings	-	10 269	-	10 269
Bank overdrafts	1 963	8 828	1 963	8 828
Other financial liabilities	56	128	56	128
	45 632	54 221	46 358	52 396

28.2 Capital risk management

The group manages its capital to ensure that it remains a going concern whilst maximising the returns to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt (which includes short-term borrowings net of cash and cash equivalents) and equity.

28.3 Treasury risk management

A treasury risk management committee, consisting of senior executives in the group, meets periodically to analyse currency and interest rate exposures and formulate treasury management strategies in the light of prevailing market conditions and current economic forecasts. This committee operates within group policies approved by the board.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The group does not enter into nor trade in financial instruments, including derivative financial instruments, for speculative purposes.

28.4 Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts, where possible. Foreign currency exposures are carefully monitored and management utilises foreign currency export proceeds to settle foreign currency denominated costs.

The carrying amounts of the group's unhedged and uncovered foreign currency denominated assets and monetary liabilities at the reporting date are as follows:

	GROUP 2017 K million	GROUP 2016 K million	COMPANY 2017 K million	COMPANY 2016 K million
Assets				
European Euro	5 284	8 398	5 284	8 398
South African Rand	12	43	12	43
United States Dollar	765	819	765	819
	6 061	9 260	6 061	9 260
Liabilities				
Great Britain Pound	-	17	-	17
European Euro	2 067	634	2 067	634
South African Rand	21 303	18 739	20 348	17 895
United States Dollar	4 547	4 908	4 547	4 908
	27 917	24 298	26 962	23 454

28.4.1 Foreign currency sensitivity analysis

The group is largely exposed to the European Euro, South African Rand and United States Dollar. The following table details the group's sensitivity to a 10% increase and decrease in the Malawi Kwacha (K) against the relevant foreign currencies. A 10% movement is the usual sensitivity rate used when reporting foreign currency risk internally to key personnel and represents management assessment of the change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive/(negative) number below denotes an increase/(decrease) in profit before tax where the Kwacha weakens/ strengthens against the relevant currency.

	European Euro impact		South African Rand impact		United States Dollar impact	
	2017 K million	2016 K million	2017 K million	2016 K million	2017 K million	2016 K million
Profit or loss	322	776	(2 129)	(1 870)	(378)	(409)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the average exposure during the year. Purchases from foreign suppliers are seasonal with higher purchases towards the last quarter of the year in order to meet demand.

28.5 Interest rate risk management

Taking cognisance of the seasonality of the group's cash flow and long-term interest rate forecasts, the risk management committee positions the group's interest rate exposures according to expected movements in local and international interest rates.

28.5.1 Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates on the financial assets and liabilities at the reporting date and a 5% interest rate change taking place at the beginning of the year.

If interest rates had been 500 basis points higher/lower and all other variables held constant, the group's profit before tax for the year ended 31 March 2017 would move by K 419 million (2016: K 1 671 million).

28.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The group uses other publicly available financial information and its own as a means of mitigating the risk of financial loss from defaults and also uses other publicly available financial information and its own trading records to rate its major customers. The group's exposure and the performance of its counterparties are continuously monitored.

Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee insurance cover is purchased.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any one time during the year. The credit risk on liquid funds is limited because the counterparties are reputable banks.

There are no off-statement financial position credit exposures.

The highest credit exposure outside the bank balances was K 6 847 million (2016: K 7 985 million) in relation to domestic trade receivables.

28.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity requirements. The group manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows and matching of the maturity profiles of financial assets and liabilities. Included in note 13 is a listing of additional undrawn facilities that the group has access to if the need arises.

The group liquidity position has improved significantly from the previous year (see the consolidated and separate statements of cash flows on page 22) culminating in a drop in finance costs from K 10.1 billion to K 7.9 billion. Whilst this is a good development, the closing net debt position of K 24.3 billion (2016: K 38.5 billion) remains significantly higher than our typical levels of close to nil. Focus will continue on cashflow generation strategies to bring the net debt position to more sustainable levels before considering the resumption of dividend payments.

28.7.1 Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the actual cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table below shows both interest and principal cash flows.

	Weighted average effective rate	1 year	1 - 5 years	Total
	%	K million	K million	K million
2017				
Bank overdraft	30.5	1 963	-	1 963
Long-term borrowings	10.6	-	22 333	22 333
		1 963	22 333	24 296
2016				
Bank overdraft	30.5	8 828	-	8 828
Short-term borrowings	26.8	10 269	-	10 269
Long-term borrowings	9.8	-	19 444	19 444
		19 097	19 444	38 541

The group's non-financial assets are interest-free and their maturity period is indefinite.

The following table details the group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	1-3 months	3 months to 1 year	1 - 5 years	5+ years	Total
	K million	K million	K million	K million	K million
31 March 2017					
Trade and other receivables	11 911	-	-	-	11 911
Bank balances and cash	89	-	-	-	89
	12 000	-	-	-	12 000
31 March 2016					
Trade and other receivables	13 631	-	-	-	13 631
Bank balances and cash	266	-	-	-	266
	13 897	-	-	-	13 897

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The group has access to other unutilised financing facilities as described in note 13. The group expects to meet its obligations arising from operating cash flows and proceeds of maturing financial assets.

ANALYSIS OF SHAREHOLDERS

31 March 2017

Category			Shareholders Number	Shareholders %	Ordinary Shares Number held	Ordinary Shares % of shares issued
Individuals						
1	–	5 000	1 625	74.37	2 164 708	0.30
5 001	–	10 000	245	11.21	2 034 397	0.29
10 001	–	50 000	207	9.47	4 102 373	0.58
50 001	–	100 000	20	0.92	1 559 781	0.22
100 001	–	200 000	24	1.10	3 429 714	0.48
200 001	–	500 000	25	1.15	7 940 911	1.11
500 001	–	and over	39	1.78	692 212 507	97.02
			2 185	100.00	713 444 391	100.00
Banks and nominees			52	2.38	13 889 804	1.95
Holding company			61	2.79	542 528 843	76.04
Individuals			1 932	88.42	33 053 282	4.63
Insurance, investment and trust companies			48	2.20	26 322 528	3.69
Other corporate bodies			52	2.38	21 991 851	3.08
Pension and provident funds			40	1.83	75 658 083	10.61
			2 185	100.00	713 444 391	100.00

Shareholders holding 1% or more of the total equity

SUCOMA Holdings Limited	542 084 186	75.98
Old Mutual Life Assurance Company (Malawi) Limited	59 073 471	8.28
Ramesh Haridas Savjani	14 821 735	2.08
First Merchant Bank Limited	12 915 541	1.81
Press Trust	11 665 750	1.64
National Investment Trust Limited	8 107 611	1.14

SHAREHOLDERS' DIARY

Financial / Statutory

Financial year-end	March
Annual general meeting	August

Reports and profit statements

Profit announcement for the year	May
Annual report and financial statements	August
Interim report	October

Change of statutory year end

Members were advised at the annual general meeting of the company on 19 August 2016 that, in order to align reporting processes with Associated British Foods plc, the statutory year end of the group would be moved to end on 31 August of each year with effect from the 2017 reporting period. Accordingly, the group will next publish financial statements for the five month period ending 31 August 2017.

NOTICE OF MEETING

Notice is hereby given that the 52nd annual general meeting of members of the company will be held at Country Club Limbe, Limbe, Malawi on Wednesday, 23 August 2017 at 14h30 to transact the following business:

1 Financial statements

To receive and adopt the annual financial statements for the year ended 31 March 2017.

2. Election of Directors

To confirm the appointment of M A Bainbridge and M F Pousson as executive directors and the appointment of P W Guta and P A Madinga as independent non-executive directors.

To re-elect A R Mpungwe, who has served on the board in excess of six years as an independent non-executive director, and who also retires by rotation in terms of the articles of association, and who, being eligible and on recommendation of the Nomination/Remuneration Committee, offers himself for re-election.

To re-elect M A P Chikaonda, who has served on the board in excess of six years as an independent non-executive director and on recommendation of the Nomination/Remuneration Committee, offers himself for re-election.

3. Ordinary business

To consider and, if deemed fit, to pass with or without modification the following ordinary resolutions:

3.1 That unless otherwise determined by the company in general meeting, each director shall be entitled to remuneration for his/her services as such at the rate of K 3 000 000 per annum and that the remuneration herein determined shall be payable by the company every four months in arrears with effect from 1 April 2017.

3.2 That Deloitte be re-appointed as auditors for the August 2017 financial year and that the directors be authorised to fix their remuneration.

3.3 That no final dividend for the year ended 31 March 2017 as recommended by the directors be declared.

4. Other business

To transact such other business as may be transacted at an annual general meeting of members.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy need not be a member of the company. Proxy forms should be forwarded to reach the company's registered office or the office of the transfer secretaries not later than 16h00 on Wednesday, 16 August 2017.

By order of the board
Malawi Sugar Limited
Secretaries
Limbe, Malawi
31 May 2017

FORM OF PROXY FOR THE 52ND ANNUAL GENERAL MEETING

I/We ____
(Name/s in block letters)

of ____
(Address)

being the shareholder/member of the abovenamed company and entitled to

Number of votes ________ (1 share = 1 vote)

do hereby appoint

1. ____________________ of ____________________ or failing him/her;

2. ____________________ of ____________________ or failing him/her;

3. the chairman of the meeting as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the company to be held at Country Club Limbe, Limbe, Malawi on Wednesday, 23 August 2017 at 14h30 and at any adjournment thereof as follows:

Agenda Item		Mark with X where applicable		
		For	Against	Abstain
1.	Adoption of 2017 annual financial statements.			
2.	Election of directors.			
3.1	Determination of directors' remuneration.			
3.2	Re-appointment of Deloitte as auditors.			
3.3	Declaration of final dividend.			

Signed at ____________________ on this ____________ day of ____________________ 2017

Signature ____

Assisted by me (where applicable) (see note 3) ______________________________

Full name/s of signatory/ies if signing in a representative capacity (see note 4) ____________________

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his/her guardian.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the company has already recorded that authority.
5. In order to be effective, proxy forms must reach the registered office of the company (Illovo Sugar (Malawi) plc, Illovo House, Churchill Road, Private Bag 580, Limbe, Malawi) or the transfer secretaries (Standard Bank Limited Transfer Secretaries, Transactional Products and Services, Kaomba Centre, corner Sir Glyn Jones Road & Victoria Avenue, P O Box 1111, Blantyre, Malawi) by no later than 16h00 on Wednesday, 16 August 2017.
6. The delivery of the duly completed proxy form shall not preclude any member or his/her duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
7. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, or whose name is not deleted, shall be regarded as the appointed proxy.

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