



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

EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023 (COMPARATIVES ARE FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022)

	GROUP			COMPANY		
	Unaudited 6 month period ended 28-Feb-2023	Unaudited 6 month period ended 28-Feb-2022	Audited Year ended 31-Aug-2022	Unaudited 6 month period ended 28-Feb-2023	Unaudited 6 month period ended 28-Feb-2022	Audited Year ended 31-Aug-2022
FINANCIAL PERFORMANCE						
Condensed consolidated and separate statements of comprehensive income	K'm	K'm	K'm	K'm	K'm	K'm
Revenue	116,734	92,031	186,642	64,027	50,366	102,480
Gross Profit	39,433	17,210	57,018	12,725	3,911	25,870
Fair value change (growing cane)	30,186	9,923	8,298	16,464	4,098	4,676
Other Administrative Expenses	(20,519)	(12,956)	(25,811)	(11,490)	(8,102)	(14,050)
Operating profit	49,100	14,177	39,505	17,699	(93)	16,496
Dividend income	-	-	60	30,000	-	-
Net finance cost	(463)	(816)	(1,087)	(32)	(395)	(292)
Profit before taxation	48,637	13,361	38,478	47,667	(488)	16,204
Taxation	(14,909)	(4,143)	(11,848)	(5,300)	-	(5,079)
Net profit for the period	33,728	9,218	26,630	42,367	(488)	11,125
Other comprehensive income	18	9	89	18	9	(23)
Total comprehensive income	33,746	9,227	26,719	42,385	(479)	11,102
Adjusted for:						
Other comprehensive (income)	(18)	(9)	(89)	(18)	(9)	23
Headline earnings	33,728	9,218	26,630	42,367	(488)	11,125
Number of shares in issue ('000)	713,444	713,444	713,444			
Weighted average number of shares on which net profit per share is based ('000)	713,444	713,444	713,444			
Net profit per share (tambala)	4,727	1,292	3,733			
Headline earnings per share (tambala)	4,727	1,292	3,733			
Dividend per share (tambala)	1,000	1,000	1,956			
Quality of earnings statement						
Operating profit	49,100	14,177	39,505			
Adjust for:						
Change in fair value of growing cane	(30,186)	(9,923)	(8,298)			
Operating profit excluding fair value changes	18,914	4,254	31,207			
Business segmental analysis						
Revenue						
Sugar production	34,815	56,184	109,089			
Cane growing	81,919	35,847	77,553			
	116,734	92,031	186,642			
Operating profit						
Sugar production	16,510	12,361	29,434			
Cane growing	32,590	1,816	10,071			
	49,100	14,177	39,505			
Condensed consolidated and separate statements of financial position						
ASSETS						
Property, plant and equipment	82,731	66,837	76,980	56,024	44,362	51,346
Investment	740	604	740	324	324	324
Non-current assets	83,471	67,441	77,720	56,348	44,686	51,670
Current assets	161,376	83,977	119,670	115,977	57,635	56,867
Total Assets	244,847	151,418	197,390	172,325	102,321	108,537
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	123,665	87,411	100,935	50,364	11,418	18,995
Taxation	41,642	25,748	26,792	41,651	15,009	18,484
Non-current liabilities	9,682	8,933	7,094	5,212	4,975	3,301
Current liabilities	69,859	29,326	62,569	75,098	70,919	67,757
Total shareholders' Equity and Liabilities	244,847	151,418	197,390	172,325	102,321	108,537
Depreciation	4,855	4,839	9,586			
Capital expenditure	8,635	3,958	16,618			

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Condensed consolidated and separate statements of cash flows	K'm	K'm	K'm	K'm	K'm	K'm
Cash generated from operations before working capital changes	53,955	19,016	40,707	21,083	3,464	18,835
Working capital requirements	(31,414)	4,089	14,006	(31,998)	17,086	25,728
Finance costs and taxation	(7,893)	(14,347)	(9,261)	22,533	(13,932)	(4,729)
Net cash flows from operating activities	14,648	8,758	45,452	11,618	6,618	39,834
Net cash flows used in investing activities	(8,635)	(3,958)	(16,479)	(6,204)	(2,222)	(11,754)
Net cash flows before financing activities	6,013	4,800	28,973	5,414	4,396	28,080
Net cash flows used in financing activities	(2,009)	(1,169)	(14,235)	(1,411)	(764)	(13,343)
Increase in cash and cash equivalents	4,004	3,632	14,738	4,003	3,632	14,737
Condensed consolidated and separate statements of changes in equity						
Share capital and premium						
Balance at beginning and end of the period	782	782	782	782	782	782
Retained earnings						
Balance at beginning of the period	99,710	87,035	87,035	18,213	21,042	21,043
Net profit for the period	33,728	9,218	26,630	42,367	(488)	11,125
Dividends	(11,016)	(9,988)	(13,955)	(11,016)	(9,988)	(13,955)
Balance at end of the period	122,422	86,265	99,710	49,564	10,566	18,213
Non-distributable reserve						
Balance at beginning of the period	443	354	354	-	23	23
Cash flow hedges	18	9	(23)	18	47	(23)
Fair value loss on revaluation of investment	-	-	112	-	-	-
Balance at end of period	461	363	443	18	70	-
Shareholders' equity	123,665	87,411	100,935	50,364	11,418	18,995

OVERVIEW

In the first six months of this financial year ended 28th February 2023, the Group registered turnover of K116.7 billion compared to K92 billion over the same period in prior year and a profit before tax of K48.6 billion compared to K13 billion over the same period in prior year.

Agricultural operations progressed well in the final months of the March 2023 cane crushing season at both estates producing good quality sugarcane, even though frequent power outages affected irrigation especially at Nchalo, prior to the onset of the rainy season. Deliveries of cane from growers also supported the milling operations to be within expectation. Plant mechanical challenges delayed production at certain times during the period. Fuel shortages in the country hampered agricultural, factory and sales logistical operations, resulting in additional costs for doing business. The crushing season was extended to close on 16th December 2022 for Dwangwa and 19th December 2022 for Nchalo against the backdrop of a late start of the rainy season. The country started registering significant rainfall towards the end of December 2022 and this contributed

significantly to cane growth; the Group recognized that the extended crushing season might impact cane age especially at Nchalo in the coming March 24 crushing season.

Off-crop maintenance works were embarked upon immediately after the crushing season closure to prepare the mills for the March 24 crushing season. Capital project works progressed according to plan. Adequate sugar inventory had been accumulated to avoid stock-outs and lost sales during the off-crop maintenance period. Sugar sales therefore continued normally, mostly focused on the domestic market, with additional assurances being made to all customers on sustainable supply. The Route to Consumer initiative for delivery of sugar to the last mile customer continued to deliver increased sales growth and coupled with reduced arbitrage at the borders with Mozambique and Zambia, ensured achievement of volume and revenue targets and successful pursuit of commercial imperatives.

The country experienced the spread of cholera mostly in the urban areas in January and February 2023 and this negatively impacted on livelihoods in the surrounding communities. Illovo Sugar Malawi stepped in to support government

initiatives aimed at curbing the spread of cholera through impactful donations. All staff were also provided with appropriate health and preventative training and were encouraged to take cholera vaccines to ensure that they and their families and surrounding communities remained safe.

Tropical Cyclone Freddy impacted the southern region of the country immediately after the half year closure and caused significant loss of lives and property. The damage to the Nchalo Estate was not as severe as it was when Cyclone Ana affected Malawi in January 2022. Repair and maintenance works are underway to ready the estate for the March 2023 crushing season. In keeping with its commitment to contribute to a Thriving Malawian community, Illovo Sugar Malawi donated sugar and various commodities to Cyclone affected communities in Blantyre and Chikwawa to assist them during this recovery time. It is hoped that the recovery efforts currently being pursued will ensure an early return to reasonably normal lives for those affected.

PROSPECTS

It is expected that the repair and rehabilitation efforts that have been undertaken on the EGENCO infrastructure will yield positive results in terms of generation of sufficient power to the entire country. The Group intends to leverage the same to ensure that both agricultural and factory operations achieve excellent output, coupled with preventive plant maintenance programs. It is hoped that agricultural improvement initiatives will continue to further improve agricultural performance for the benefit of the entire business and hopefully, conducive weather patterns will further support the agricultural activities.

The business commits to continue supplying its valued customers with sugar in various affordable pack sizes and formats both on the domestic and export front. Various commercial initiatives and promotions will be undertaken to support the Route to Consumer efforts and ensure revenue and profit growth into the foreseeable future.

Scarcity of foreign currency, rising inflation, high interest rates and volatile exchange rates will continue to have a notable impact on the profitability of the business. The Group intends to continue applying significant efforts to ensure that cost management and efficient operations remain focus areas for the benefit of the ultimate consumers and shareholders.

DIVIDENDS

Notice is hereby given that an interim dividend of 1,080 tambala (2022: 556 tambala) per share has been declared in respect of the six-month period ended 28th February 2023.

Jimmy Lipunga
Board Chairman

Lekani Katandula
Managing Director

11 May 2023