

**ILLOVO SUGAR (MALAWI) LIMITED**



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

**EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

<b>FINANCIAL PERFORMANCE</b>	<b>Audited 31 March 2011 MK'm</b>	<b>Audited 31 March 2010 MK'm</b>
<b>Group statement of comprehensive income</b>		
Revenue	<b>30 809</b>	<b>28 643</b>
Operating profit	<b>9 736</b>	<b>10 915</b>
Dividend income	<b>10</b>	<b>8</b>
Net finance cost	<b>(567)</b>	<b>(666)</b>
Profit before taxation	<b>9 179</b>	<b>10 257</b>
Taxation	<b>(2 754)</b>	<b>(3 141)</b>
Net profit for the year	<b>6 425</b>	<b>7 116</b>
Other comprehensive income	<b>-</b>	<b>-</b>
Total comprehensive income	<b>6 425</b>	<b>7 116</b>
Adjusted for:		
Net profit on sale of property, plant and equipment	<b>(11)</b>	<b>(8)</b>
Headline earnings	<b>6 414</b>	<b>7 108</b>
Number of shares in issue ('000)	<b>713 444</b>	<b>713 444</b>
Weighted average number of shares on which net profit per share is based ('000)	<b>713 444</b>	<b>713 444</b>
Net profit per share (tambala)	<b>901</b>	<b>997</b>
Headline earnings per share (tambala)	<b>899</b>	<b>996</b>
Dividend per share (tambala)	<b>630</b>	<b>700</b>

	<b>Audited 31 March 2011 MK'm</b>	<b>Audited 31 March 2010 MK'm</b>
<b>Abridged group statement of cashflows</b>		
Operating profit before working capital changes	<b>8 512</b>	<b>8 805</b>
Working capital requirements	<b>(280)</b>	<b>(347)</b>
Interest, taxation & dividend	<b>(7 221)</b>	<b>(7 506)</b>
Purchase of property, plant & equipment	<b>(1 246)</b>	<b>(1 731)</b>
Disposal of property, plant & equipment	<b>20</b>	<b>19</b>
Decrease/(increase) in investments	<b>563</b>	<b>(18)</b>
Borrowings repaid	<b>(47)</b>	<b>(75)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>301</b>	<b>(853)</b>

	<b>Audited 31 March 2011 MK'm</b>	<b>Audited 31 March 2010 MK'm</b>
<b>Abridged group statement of changes in equity</b>		
<b>Share capital &amp; premium</b>		
Balance at beginning/end of the year	<b>782</b>	<b>782</b>
<b>Retained profit</b>		
Balance at beginning of the year	<b>14 968</b>	<b>12 646</b>
Net profit for the year	<b>6 425</b>	<b>7 116</b>
Dividends declared	<b>(4 994)</b>	<b>(4 794)</b>
Balance at end of year	<b>16 399</b>	<b>14 968</b>
<b>Capital and reserves</b>		
	<b>17 181</b>	<b>15 750</b>

<b>Business segmental analysis</b>		
<b>Revenue</b>	<b>Audited 31 March 2011 MK'm</b>	<b>Audited 31 March 2010 MK'm</b>
Sugar production	<b>16 135</b>	<b>15 040</b>
Cane growing	<b>14 674</b>	<b>13 603</b>
	<b>30 809</b>	<b>28 643</b>
<b>Operating profit</b>		
Sugar production	<b>5 978</b>	<b>5 663</b>
Cane growing	<b>3 758</b>	<b>5 252</b>
	<b>9 736</b>	<b>10 915</b>

**OVERVIEW**  
Difficult operating conditions were experienced at both estates during the past season. Despite a decline in average cane yields experienced at Dwangwa and carry-over of cane at Nchalo due to unseasonal wet weather which delayed crushing and which prevented completion of cane harvesting for the season, total cane production for the year including production from Malawian small-holder farmers was 2.4 million tons which equaled last season's volume.

Lower than normal sucrose levels generally across all operations, both own estate and small-holders, translated into a 2% decrease in overall tons sucrose production compared to the previous season. In addition cane quality in general declined. These difficult operating conditions resulted in performance challenges at both factories, resulting in a 4% decline in sugar production from the previous season's 295 000 tons to 282 000 tons.

Domestic sugar sales volumes for the year declined from the previous year and totaled 171 000 tons for the year reflecting a 12% drop in demand. Fuel shortages during the year at times negatively impacted on transporters ability to move sugar to the required locations timeously, and price hikes by transporters related mainly to fuel price increases continued to impact negatively on the cost base of the company. Encouragingly export sugar sales volumes increased during the year and totalled over 107 000 tons against the previous year's 100 000 tons. Sales into Europe and the region increased compared to last year with a continuing strong demand from Zimbabwe. Reliance was again placed on the company's ability to produce quality products which it is able to ship timeously to export customers.

Total revenue from the sale of sugar and molasses increased by 7% over the previous year and totalled K 30.81 billion. This was despite the drop in sugar production and operational difficulties experienced at both factories. Full advantage, after supplying the local market, was taken of premium prices being offered within the region, and the optimisation of various export markets was managed to maximise the revenue stream against a background of a stable Kwacha / Dollar exchange rate and a weaker Euro which suppressed export earnings.

Ultimately profit after tax decreased by 10% from K 7.12 billion in 2009/10 to K 6.43 billion in 2010/11, despite interventions and improvements to business practices and cost control measures implemented by the company. Abnormally high increases in input costs, particularly electricity and fuel, higher employee costs and the strengthening of the Rand against the Kwacha increased the overall cost of production and negatively affected profits.

Almost K 1.25 billion was again invested in capital projects during the year to further consolidate agricultural and factory operations.

**DIRECTORATE**

There were no changes to the Directorate during the year.

**PROSPECTS**

On-going small-holder development at Kasinthula, to supply the Nchalo factory, and a more modest expansion of land at Dwangwa, on both estate and small-holder land, will result in additional cane supply to the factories in the coming year and given a return to more normal weather conditions and an expected recovery to previously achieved cane and sucrose yields from the company's own cane and that of the small-holders, an increase in the overall sucrose deliveries is expected for the coming year.

Enhanced offcrop maintenance programmes at both factories should improve operational efficiencies in the new season. The achievement of rated factory crush rates, together with improved plant efficiencies should ensure that sugar production increases over the past year by approximately 10%.

Domestic market sugar sales are anticipated to reflect growth over the past year, and export sales are also anticipated to show an increase. Market opportunities will continue to be explored to maximise revenue streams.

Exchange rate movements will continue to influence profits and an on-going emphasis will continue to be placed on the control of costs in all areas of the business.

Approximately K 1.5 billion will be spent on capital projects during the coming year to further secure the ongoing growth of the company.

**DIVIDENDS**

An interim dividend of 287 tambala per share (2010: 287 tambala per share) was paid to shareholders on 31 December 2010.

Notice is hereby given that a second interim dividend of 323 tambala per share (2010: 393 tambala per share) has been declared on the ordinary shares of the company in respect of the year ended 31 March 2011. The dividend is payable on 1 July 2011 to shareholders on the register at the close of business on 20 May 2011.

The Directors will propose at the forthcoming Annual General Meeting of members, to be held on 12 August 2011, to pay a final dividend of 20 tambala per share (2010: 20 tambala per share) bringing the total dividend to 630 tambala per share (2010: 700 tambala per share).

BY ORDER OF THE BOARD  
5 May 2011

Malawi Sugar Limited  
Secretaries

<b>Abridged group statement of financial position</b>		
<b>ASSETS</b>	<b>Audited 31 March 2011 MK'm</b>	<b>Audited 31 March 2010 MK'm</b>
Property, plant & equipment	<b>7 989</b>	<b>7 144</b>
Cane roots	<b>9 230</b>	<b>8 190</b>
Investment and loans	<b>-</b>	<b>563</b>
Non-current assets	<b>17 219</b>	<b>15 897</b>
Current assets	<b>15 905</b>	<b>13 774</b>
<b>Total Assets</b>	<b>33 124</b>	<b>29 671</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	<b>17 181</b>	<b>15 750</b>
Deferred taxation	<b>7 947</b>	<b>7 239</b>
Other non-current liabilities	<b>954</b>	<b>927</b>
Current liabilities	<b>7 042</b>	<b>5 755</b>
<b>Total Equity and Liabilities</b>	<b>33 124</b>	<b>29 671</b>
Depreciation	<b>396</b>	<b>554</b>
Capital expenditure	<b>1 246</b>	<b>1 731</b>