



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

EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

FINANCIAL PERFORMANCE	GROUP			COMPANY			GROUP			COMPANY		
	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million
<b>Revenue</b>	92,031	74,462	163,259	50,366	41,860	98,217						
Operating profit	14,177	10,580	31,941	(93)	2,784	19,954						
Dividend income	-	-	71	-	-	-						
Net finance cost	(816)	(1,732)	(2,674)	(395)	(1,009)	(1,354)						
Profit before taxation	13,361	8,848	29,338	(488)	1,775	18,600						
Taxation	(4,143)	(2,731)	(8,869)	-	(532)	(7,775)						
Net profit for the period	9,218	6,117	20,469	(488)	1,243	10,825						
Other comprehensive income	9	27	109	9	27	124						
Total comprehensive income	9,227	6,144	20,578	(479)	1,270	10,949						
Adjusted for:												
Other comprehensive (income)	(9)	(27)	(109)	(9)	(27)	(124)						
Headline earnings	9,218	6,117	20,469	(488)	1,243	10,825						
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)	1,292	857	2,869									
Headline earnings per share (tambala)	1,292	857	2,869									
Dividend per share (tambala)	1,000	-	600									
<b>Quality of earnings statement</b>												
Operating profit	14,177	10,580	31,941									
Adjusted for:												
Change in fair value of growing cane	(9,923)	(8,829)	(6,034)									
Operating profit excluding fair value changes	4,254	1,751	25,907									
<b>Business segmental analysis</b>												
Revenue												
Sugar production	56,184	44,542	92,321									
Cane growing	35,847	29,920	70,938									
	92,031	74,462	163,259									
Operating profit												
Sugar production	12,361	11,614	24,782									
Cane growing	1,816	(1,034)	7,159									
	14,177	10,580	31,941									
<b>Condensed consolidated and separate statements of financial position</b>												
Assets												
Property, plant and equipment	66,837	60,047	67,648	44,362	43,326	45,641						
Investment	604	494	604	324	324	324						
Non-current assets	67,441	60,541	68,252	44,686	43,650	45,965						
Current assets	83,977	88,575	96,273	57,635	88,958	79,930						
<b>Total Assets</b>	<b>151,418</b>	<b>149,116</b>	<b>164,525</b>	<b>102,321</b>	<b>132,608</b>	<b>125,895</b>						
Shareholder's Equity and Liabilities												
Shareholder's equity	87,411	76,591	88,171	11,418	15,022	21,847						
Taxation	25,748	22,062	21,273	15,009	22,771	15,009						
Non-current liabilities	8,933	5,572	8,146	4,975	178	3,595						
Current liabilities	29,326	44,891	46,935	70,919	94,637	85,444						
<b>Total shareholder's Equity and Liabilities</b>	<b>151,418</b>	<b>149,116</b>	<b>164,525</b>	<b>102,321</b>	<b>132,608</b>	<b>125,895</b>						
Depreciation	4,839	4,864	9,120									
Capital expenditure	3,958	1,880	8,873									

Condensed consolidated and separate statements of cash flows

	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million
Cash generated from operations before working capital changes	19,016	15,444	34,671	3,464	6,122	21,915
Working capital requirements	4,089	(6,682)	3,588	17,086	255	8,312
Finance costs, taxation and Dividend paid	(14,347)	(4,576)	(5,544)	(13,932)	(3,859)	(1,868)
Net cash flows from operating activities	8,758	4,186	32,715	6,618	2,518	28,359
Net cash flows used in investing activities	(3,958)	(1,880)	(8,453)	(2,222)	(1,208)	(5,584)
Net cash flows before financing activities	4,800	2,306	24,262	4,396	1,310	22,775
Net cash flows used in financing activities	(1,169)	(6,231)	(7,578)	(764)	(5,236)	(6,091)
Increase/(Decrease) in cash and cash equivalents	3,632	(3,925)	16,684	3,632	(3,926)	16,684

Condensed consolidated and separate statements of changes in equity

	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million	Unaudited 6 months ended 28-Feb-2022 K' million	Unaudited 6 months ended 28-Feb-2021 K' million	Audited 12 months ended 31-Aug-2021 K' million
<b>Share capital and premium</b>						
Balance at beginning and end of the period	782	782	782	782	782	782
<b>Retained earnings</b>						
Balance at beginning of the period	87,035	70,847	70,847	21,042	14,498	14,498
Net profit for the period	9,218	6,117	20,469	(488)	1,243	10,825
Dividends	(9,988)	(1,427)	(4,281)	(9,988)	(1,427)	(4,281)
Balance at end of the period	86,265	75,537	87,035	10,566	14,314	21,042
<b>Non-distributable reserve</b>						
Balance at beginning of the period	354	245	245	23	(101)	(101)
Cash flow hedges	9	27	124	47	27	124
Fair value loss on revaluation of investment	-	-	(15)	-	-	-
Balance at end of period	363	272	354	70	(74)	23
Shareholder's equity	87,411	76,591	88,171	11,418	15,022	21,847

OVERVIEW

During the six month period ended 28th February 2022, agricultural and factory operations registered commendable output at both estates even though Dwangwa experienced some intermittent plant reliability challenges towards the end of the cane crushing season, which necessitated an extension of the crushing season into December 2021. An improvement in power supply from the Electricity Generation Company (EGENCO) in the first four months coupled with favourable weather conditions benefitted agricultural operations resulting in high overall tonnage of cane per hectare. The extended dry weather enabled a one month extension of factory operations at Dwangwa, even though this had an adverse impact on the agricultural operations requiring increased irrigation of the sugarcane which in turn resulted in a higher electricity cost. Infestations of yellow aphid and red spidermite due to the heatwave were a cause for concern, and immediate and costly pest control measures had to be pursued to contain the same.

Grower cane yields at both estates were within expectation. The Group will continue providing the required financial and operational support to ensure sustainable supply of grower cane. Nchalo closed the crushing season on 12th November 2021 having registered excellent factory throughput in the season, and Dwangwa closed on 13th December 2021. Both mills immediately started their offcrop maintenance programs, attending to matters that had led to plant downtime in the just ended season as well as preparing the machinery for improved crushing in the subsequent season. Implementation of capital projects to support factory recoveries and cane yield improvements per hectare continue to be the main strategic area of focus for the group.

The country had a late start to the rainy season and experienced heavy rains between January and early March 2022 including the effects of two cyclones, Ana and Combe. Cyclone Ana brought in extensive flooding in the Chikwawa area, negatively impacting lives for the surrounding communities and some of the staff at Nchalo Estate. The main access road to the estate and beyond was cut off, and agricultural operations and offcrop maintenance had to be stalled for several days. EGENCO power generation was lost as Kapichira Hydro-Electric Power Plant was damaged by the cyclone, necessitating extended usage of diesel generators for provision of power to the estate. The business has assessed

the overall impact of the damage and planned on recovery procedures to ensure continued profitability against this backdrop.

The Ministry of Health reported a welcome reduction in COVID-19 infections over the period under review. The business also noted a marked reduction in the adverse impact of the pandemic on its operations and continued to be cautious of any future variants that might be disruptive.

Domestic sugar sales improved significantly, buoyed by the Iponyeninso Kwakuya promotion, continued execution of the Route to Consumer strategy for delivery of sugar to the last mile customer, general sales activation initiatives, and reduced price arbitrage with neighbouring countries due to the depreciation of the Malawi Kwacha against major trading currencies. Interventions by the Malawi Revenue Authority and the Ministry of Home Affairs further assisted to reduce illegal imports of sugar into the country. Sugar exports to Europe, the United States of America and the Africa region registered a slight reduction against a background of challenging logistics due to COVID-19 impacts on trade, rescheduling of vessels at port, and availability of containers for shipping. There was however a marked improvement in demand for sugar especially in the eastern Africa region which the business continued to enjoy.

The business continues to focus on revenue growth, cost reduction, operational excellence and optimized application of all its available resources to enhance value and growth in profitability. A relentless pursuit of unparalleled quality in all product formats and pack sizes as well as achievement of ultimate customer satisfaction remain key to the Illovo brand. The business endeavours to consistently contribute significantly to the thriving Malawian community and the country's public finances.

PROSPECTS

It is expected that medium-term agricultural operations and yields will improve following recovery from the impact of the cyclone. In the short term reduced power supply from EGENCO following the damage to Kapichira Hydro-Electric Power Plant is anticipated to adversely impact operations. However a return to better weather patterns and the benefits of drip irrigation are expected to further support the

agricultural yield improvement programs. Following the successful offcrop maintenance program, additional focus on optimal factory recovery and preventive maintenance should enable both plants achieve better throughput for the rest of the year.

The business will continue to invest in commercial and logistical operations through commendable product and service quality, direct delivery of sugar to the end consumer, refinement of approaches to the very challenging deep water and other export markets, marketing promotions and other sales activation initiatives as it tries to maximize value for all its stakeholders.

Inflation, bank interest rates and exchange rates for the Malawi Kwacha against major trading currencies will continue to have a notable impact on profitability for the business. The Group will however continue to apply significant effort at cost reduction, operational efficiency, and sales growth in the interest of continued increase in profitability and a marked contribution to a thriving Malawian community.

DIVIDENDS

Directors have resolved that an interim dividend of 556 tambala (2021:400 tambala) per share in respect of the ordinary shares of the company for the six month period ending 28 February 2022 be paid to the shareholders appearing in the register of the company as at close of business on 17 June 2022. Payment date for the interim dividend is 30 June 2022.

Gavin Dalgleish  
Chairman

Lekani Katandula  
Managing Director

12 May 2022

