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 2010

FINANCIAL PERFORMANCE

Group statement of comprehensive income

	Audited 31 March 2010 MK'm	Audited 31 March 2009 MK'm
Revenue	28,643	26,090
Operating profit	10,915	9,740
Dividend income	8	-
Net finance cost	(666)	(596)
Profit before taxation	10,257	9,144
Taxation	(3,141)	(2,791)
Net profit for the year	7,116	6,353
Other comprehensive income	-	-
Total comprehensive income	7,116	6,353
Adjusted for:		
Net profit on sale of property, plant and equipment	(8)	(15)
Headline earnings	7,108	6,338
Number of shares in issue ('000)	713,444	713,444
Weighted average number of shares on which net profit per share is based ('000)	713,444	713,444
Net profit per share (tambala)	997	890
Headline earnings per share (tambala)	996	888
Dividend per share (tambala)	700	625

Abridged group statement of cashflows

	Audited 31 March 2010 MK'm	Audited 31 March 2009 MK'm
Operating profit before working capital changes	**8,805**	**7,779**
Working capital requirements	(347)	193
Interest, taxation & dividend	(7,506)	(5,924)
Purchase of property, plant & equipment	(1,731)	(2,111)
Disposal of property, plant & equipment	19	30
Increase in investments	(18)	(30)
Net cash outflow before financing activities	**(778)**	**(63)**

Abridged group statement of changes in equity

	2010	2009
Share capital & premium		
Balance at beginning/end of the year	782	782
Retained profit		
Balance at beginning of the year	12,646	10,146
Net profit for the year	7,116	6,353
Dividends paid	(4,794)	(3,853)
Balance at end of year	14,968	12,646
Capital and reserves	**15,750**	**13,428**

Business segmental analysis

	2010	2009
Revenue		
Sugar production	15,041	13,635
Cane growing	13,602	12,455
	28,643	26,090
Operating profit		
Sugar production	5,663	4,985
Cane growing	5,252	4,755
	10,915	9,740

Abridged group statement of financial position

	2010	2009
ASSETS		
Property, plant & equipment	7,144	5,975
Cane roots	8,190	7,049
Investment and loans	563	545
Non-current assets	15,897	13,569
Current assets	13,774	12,898
Total Assets	**29,671**	**26,467**
EQUITY AND LIABILITIES		
Capital and reserves	15,750	13,428
Deferred taxation	7,239	5,924
Other non-current liabilities	927	936
Current liabilities	5,755	6,179
Total Equity and Liabilities	**29,671**	**26,467**
Depreciation	554	417
Capital expenditure	1,731	2,111

OVERVIEW

The 2009/10 season proved to be operationally challenging compared to the record performance achieved in the previous year. Disappointing agricultural and factory performances resulted in sugar production reducing by approximately 9 000 tons compared to the previous year. Cane production totalled 2.36 million tons against the previous season's 2.33 million tons, which was below expectation considering that an additional area of 1 300 hectares had been planted to cane. In addition sucrose % cane resulted in 5 000 tons less sucrose being delivered to the mill for processing than in the previous season. Sugar production was 295 000 tons against the previous year's record production of 304 000 tons. Regional export prices were strong and despite the drop in sugar output, profit after tax for the year was a record K 7.1 billion, reflecting growth of 12% year on year.

Weather conditions during the season were generally less favourable than normal, particularly during the cane crushing period, and in addition, heavy flowering of the cane crop in the Dwangwa area negatively affected cane quality. Following an expansion in the Dwangwa out-grower area the growers failed to perform to expectation and a decline against their anticipated output was experienced. Lower sucrose % cane at Nchalo also impacted on production.

Both factories experienced reduced mechanical efficiency during the season and although reasonable operating efficiency was maintained, these operations performed below expectation for the year. An enhanced focus on plant maintenance and operations management has addressed these deficiencies.

Sales volumes were constrained by reduced sugar production in the year with overall sugar sales totalling 295 000 tons compared to the previous year's record sales tonnage of 300 000 tons. Domestic sales were slightly down on last year and closed at 195 000 tons for the year. Regional sales, particularly into Zimbabwe, remained healthy and totalled almost 44 000 tons, with good prices being achieved. The balance of export availability was sold into the EU market where, from 1 October 2009, Malawi now enjoys full duty free, quota free access. Export revenue from the EU was however impacted by the final reduction in EU prices which became effective following the final element of EU sugar regime reform from 1 October 2009. Overall export sales accounted for 34% of total sales and ended the year at 100 000 tons.

Sales revenue for the year increased to K 28 billion compared to the previous year's K 26 billion, and with a continued focus on the company's cost base, operating profit increased by 12% to just below K 11 billion. Net profit for the year increased by K 760 million to slightly in excess of K 7 billion.

Following capital expenditure in excess of K 2 billion in 2008/09, a similar amount was again spent during the year to improve overall agricultural and factory operations.

PROSPECTS

Given normal weather conditions and with a further area being developed to cane production at Nchalo and from Malawian out-growers at Dwangwa, coupled with a return to more normal yields from our out-growers, a record cane crop is expected for the coming season.

Higher anticipated crush rates at both factories, and better overall recoveries, linked to improved plant efficiencies should provide the platform for a return to production growth in the coming year. The additional cane crop, together with improved operational performance, should result in increased sugar production, which is expected to exceed 310 000 tons in the coming year.

Emphasis will continue to be placed on the control of costs in all spheres of the business and it is envisaged that operating margins will be at similar levels to the past year. Exchange rate movements and weather will continue to influence profits.

Approximately K 1.2 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 (2009: 240 tambala per share) was paid to shareholders on 8 January 2010.

Notice is hereby given that a second interim dividend of 393 tambala per share (2009: 370 tambala per share) has been declared on the ordinary shares of the company in respect of the year ended 31 March 2010. The dividend is payable on 25 June 2010 to shareholders on the register at the close of business on 14 May 2010.

The Directors will propose at the forthcoming Annual General Meeting of members, to be held on 12 August 2010, to pay a final dividend of 20 tambala per share (2009: 15 tambala per share) bringing the total dividend to 700 tambala per share (2009: 625 tambala per share).

BY ORDER OF THE BOARD
28 April 2010

Malawi Sugar Limited
Secretaries