Annual Report 2023

SUGAR
ILLOVO
MALAWI

AN ILLOVO SUGAR AFRICA COMPANY

TOGETHER WECAN
PAMODZI NDIZOTHEKA

ILLOVO
THRIVING COMMUNITY

We believe that by working with our stakeholders together we can tackle key local ESG issues that drive positive impact.

Contents

Why We Exist

To create a thriving Malawian community through the provision of affordable food and energy.

What We Will Be

To be a sustainable, resilient, consumer and customer-centric performance focused business that delivers outstanding value for all our stakeholders.

Core Values

INCLUSIVENESS
Embracing Diversity

INTEGRITY
Upholding Our Values

EMPOWERMENT
Empowering Our People

ACCOUNTABILITY
Delivery Focused

COMMITMENT
Working Collaboratively

Our Purpose

Illovo Sugar Malawi (ISM) recognises that for our business to be successful we must evolve alongside the **Malawi market**, whilst creating **shared economic value.**

We will ensure this through our commitment to fulfil our purpose in creating a **thriving Malawian community through the provision of affordable food and energy.**

Integral to this is ensuring the long-term sustainability of the business through its practices that will secure the **business's profit while safeguarding the planet and people.**

Our purpose is supported by the four purpose pillars: **Sugar Market Leader, Sustainable Agriculture, Value and Quality Driven Industry and Community Connected.**

Our impact on society, environment and economy are embedded within our Thriving Community purpose pillars and encompass ESG dimensions.

Purpose Pillars

SUSTAINABLE AGRICULTURE

Creating mutually-beneficial and commercial value from agricultural community projects.

Promote rural economic development and growth by sharing agricultural expertise and facilitating community access to resources, including water, power and farming inputs. We prioritise sustainable cane developments through inclusive growth models and shared value in our supply chain to bring mutual benefit to both business and society.

VALUE AND QUALITY-DRIVEN INDUSTRY

Encouraging innovative commercial community opportunities along our manufacturing value chain.

Unlock national growth in Malawi aligned to the Company's core agri-business expertise.

COMMUNITY CONNECTED

Collaborative and cooperative stimulation of economic activity.

Collective community engagement strengthens the growth and the development of the THRIVING MALAWIAN COMMUNITY, evidenced by increased opportunities which bring about positive socio-economic impact and benefit.

SUGAR MARKET LEADER

Quality branded products consistently delivered to vibrant local markets.

Positioned to serve and meet local customer and consumer needs. This underpins Illovo's market, financial & business sustainability, and license to operate.

ILLOVO
THRIVING
COMMUNITY

Key Indicators

Results (K Billion)

REVENUE	K272.5	46% GROWTH	FY'22 : K186.6
OPERATING PROFIT	K81.9	107% GROWTH	FY'22 : K39,.5
NET PROFIT	K56.8	114% GROWTH	FY'22 : K26.6
NET CASH	K77.2	407% GROWTH	FY'22 : K15.2
CAPITAL INVESTMENT	K25.7	55% GROWTH	FY'22 : K16.6

Share Performance

SHARE PRICE (TAMBALA)	112 142	124% GROWTH	FY'22 : 50 000
HEADLINE EARNINGS (TAMBALA)	7 955	113% GROWTH	FY'22 : 3 733
DIVIDENDS (K MILLION)	18 721	34% GROWTH	FY'22 : 13 955

Performance Statistics (K Tons)

CANE CRUSHED	2 316.8	18% GROWTH	FY'22 : 1 970.3
PRODUCTION	264.1	15% GROWTH	FY'22 : 229.7
DOMESTIC SALES	225.4	6% GROWTH	FY'22 : 213.6
EXPORT SALES	29.4	55% DECLINE	FY'22 : 65.7

About Illovo Sugar Malawi

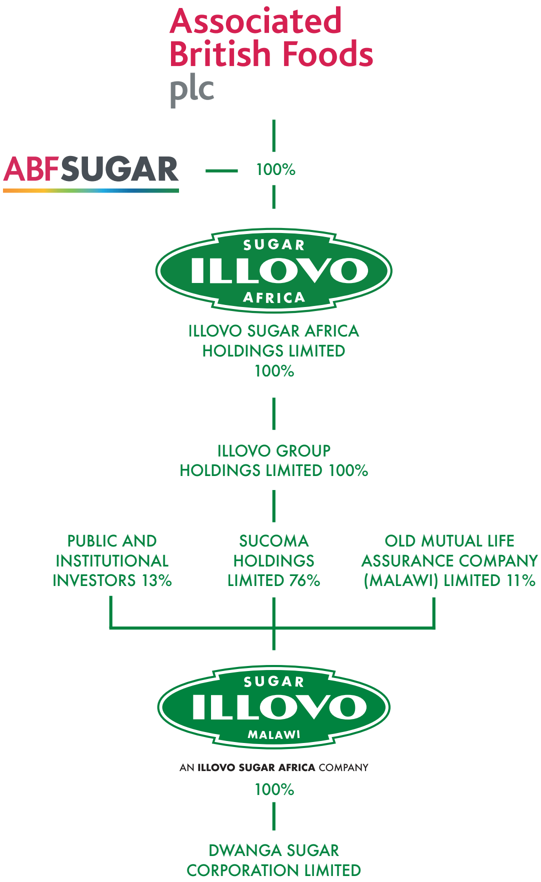
Welcome to Illovo Sugar Malawi

Illovo Sugar 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.

Illovo Group Holdings Limited (Illovo) through SUCOMA Holdings Limited, holds 76% of the issued share capital of Illovo Sugar Malawi 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 acquired full ownership of Illovo Sugar Africa Holdings Limited in 2016.

Ownership Structure



Associated British Foods plc

is a diversified international food, ingredients and retail group with sales revenue of £ 19.8 billion achieved in the year ended 31 August 2023.

ABF Sugar, which manages all of ABF's sugar interests, employs around 35 000 people and operates in 10 countries across 27 locations globally. Its business units consist of AB Sugar China, Azucarera, British Sugar, Vivergo Fuels and Illovo Sugar Africa.

Illovo Sugar Africa is the largest sugar cane producer in Africa and has extensive agribusiness operations in six African countries, including Malawi.

Illovo Sugar Africa, through its business units and their respective operations, manufactures sugar and downstream products from cane supplied by its own agricultural operations and local growers.

Illovo Sugar Malawi aspires to create a thriving Malawian community through the provision of affordable food and energy. It is the country's biggest producer of sugar and plays a major role within the Malawian economy.

It has developed significant agricultural and milling assets at the Dwangwa Sugar Estate in the central region in Nkhotakota and at the Nchalo Sugar Estate situated in the south of the country in Chikwawa.

The Dwangwa factory produces refined and brown sugar, while the Nchalo factory produces brown and value-added specialty sugars. Both operations also produce molasses (a by-product of the sugar manufacturing process), which is currently sold as a fermentation raw material to the two fuel alcohol distilleries in Malawi.

Illovo Sugar Malawi is one of the country's largest single private-sector employers providing permanent, seasonal and casual employment opportunities for over 10 000 people and an additional 5 000 through its supply chain creating a total of 15 000 jobs. The company further supports 7 938 smallholder cane farmers through various smallholder schemes.

Many local industries are dependent upon Illovo Sugar Malawi for their viability, and the employment created by these businesses provides an income base for many families.

During the peak of the growing season, Illovo Sugar Malawi typically cultivates around 2 million tons of sugarcane across both estates, with Malawian growers contributing an average of 470 000 tons. However, during the year in review, lower sugar production was experienced due mainly to Cyclone Freddy, which occurred in mid-March 2023 and affected cane yields and quality.

Product Portfolio

Illovo Sugar Malawi produces a comprehensive range of products, offering the right product, at the right location, to meet consumers' needs, as well as addressing affordability across our various consumer categories.

It is the only refined and specialty sugar manufacturer in Malawi, producing brown and refined sugar, as well as specialty sugars customised to meet customer specifications for domestic and export markets.

In the current financial year, slightly over 264 000 tons of sugar were produced, with 173 310 tons fortified with vitamin A sold into the local direct consumption market under the renowned Tseketseke brand.

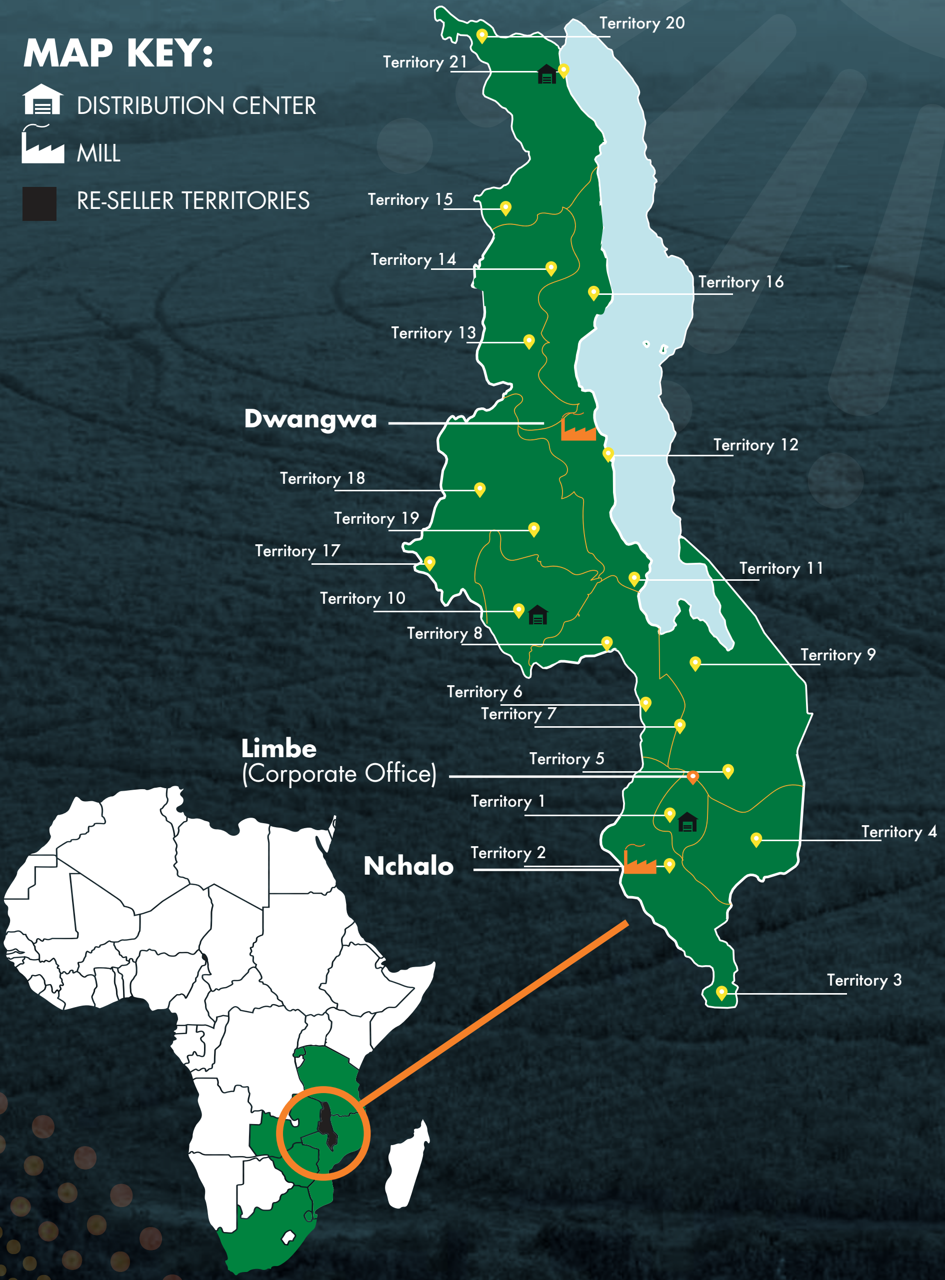
These sales, together with local artisanal and industrial market sales, were effected through the company's established distribution channels and reseller territories.

The balance of sugar produced was exported to regional African, European Union (EU) markets and also markets in the United States of America (USA).

Illovo Sugar Malawi is a major contributor to the Malawian tax collections through direct and indirect taxes, and as an outcome of its export sales, it generates valuable foreign exchange for the country.

Our export market is mature, and we have been supplying our products to Botswana, Burundi, DRC, Kenya, Rwanda, South Africa, UAE, Zimbabwe, various European countries, the UK and the USA, for more than 50 years.

Operating Locations



Celebrations, Rewards and Recognition

In May 2022, we celebrated our 25 year anniversary since we were listed on the Malawi Stock Exchange. Over the past 25 years, our company has played a key role in the development of the capital market and has provided investment opportunities to the people of Malawi. We have also prioritised a sustainable financial future by implementing business practices that support economic growth, reduce environmental impacts, and enhance the well-being of our local communities. This achievement has been made possible through strong collaboration with our various stakeholders.

The following achievements demonstrated the remarkable success and recognition received by our company in the 2022/23 financial year.

33rd Malawi International Trade Fair (May 2023)

- Best Exporter
- Best Manufacturer

Employers' Consultative Association of Malawi (ECAM) Employer of the Year Award (December 2022)

- Managing Crisis
- Safety In the Workplace
- Corporate Social Responsibility
- Youth Employment and Skills Development
- Largest Employer
- Best Employer of the Year Award

18th National Agricultural Fair (October 2022)

- Best Agro-Processor Award

Illovo Group Performance Awards (September 2023)

- Human Resources Award
- Commercial Award
- Edward Namboya Financial Management Award
- Risk Management Award
- Best Country Award

ESG at Illovo Sugar Malawi plc

Our ESG priorities, derive from the ABF Sugar Global Mind, Local Champions framework, which aims to create a global mindset, by leveraging on the ABF Sugar group business network to tackle key local ESG issues that drive positive impact. The Global Mind, Local Champions framework is built on the premise of three guiding pillars that are: building rural economies, creating thriving and healthy communities and consuming resources responsibly.

We aspire to create high-quality food and energy products that serve as catalysts to drive environmental, social, and economic benefits within Malawi. We believe this can be realised by delivering on our purpose to create a Thriving Malawian Community which is upheld by four key pillars: ensuring **Sustainable Agricultural** Practices, becoming **Sugar Market Leader**, ensuring **Value and Quality Driven Industry**, and remaining **Community Connected**.

The Company's ESG impacts are embedded within our Thriving Community purpose pillars and our reporting is intended to provide all stakeholders with an understanding of our commitment to addressing ESG issues within our operations as we pursue the fulfillment of our purpose.

We are committed to fostering sustainable development and creating a better future for our business, customers and greater Malawian community. In 2022/23 we focused on activities that were geared towards addressing these key areas:

1. Engaging and supporting our employees, which includes a continued drive towards diversity and inclusion.
2. Prioritising the safety, health and well-being of our employees and contractors.
3. Provision of safe and affordable products.
4. The reduction of end to end supply chain water and CO2 footprint in line with ABF Sugar's commitment to reduce these by 30%.
5. Building vibrant and diverse working environments that enhances prosperity within the Malawian community by aligning our efforts to the Malawi vision 2063 agenda for industrialisation, agriculture productivity and commercialisation.
6. Tackling of plastic and waste management.

The Illovo Sugar Africa group of companies also recently commissioned an independent sustainability consultancy, to undertake an update of the socio-economic impact assessments carried out for Illovo Sugar Africa and its subsidiaries in 2013, 2017 and 2021. These assessments form a deeper understanding of the company's impact in its communities and these have been used as basis for validation of key impact areas to be reported on for FY 2022/23. These impact assessments can be accessed through www.illovosugarafrica.com/sustainability .

Unifying for excellence: serving customers, consumers and empowering communities. Together we can achieve more.

Sugar Market Leader

Illovo Sugar Malawi's purpose goes beyond building market preference — it extends to providing safe, nutritious and affordable food to consumers. Through rich commercial insights and collaborative efforts with production and distribution partners, the company ensures that its products not only meet market demands but are also affordable, safe and of high quality. By consistently serving customers with quality products in the formats they require and at a price they can afford, Illovo Sugar Malawi fulfills its purpose of delivering food that is delicious, fortified with vitamin A for direct consumer consumption and accessible to all. This commitment enhances the company's market, financial, and business sustainability, as well as its license to operate.

In addition, Illovo Sugar Malawi is committed to aligning its sustainability agenda with Malawi's 2063 agenda, specifically focusing on the pillars of industrialisation, agriculture productivity, and commercialisation. In the 2023 financial year, the company has made significant progress in advancing this agenda. Despite facing climate challenges such as flooding, the company's steady production growth and financial performance have significantly contributed to the country's economic growth through its tax contributions, revenue performance in the domestic market, distribution channels, innovations and provision of employment opportunities.

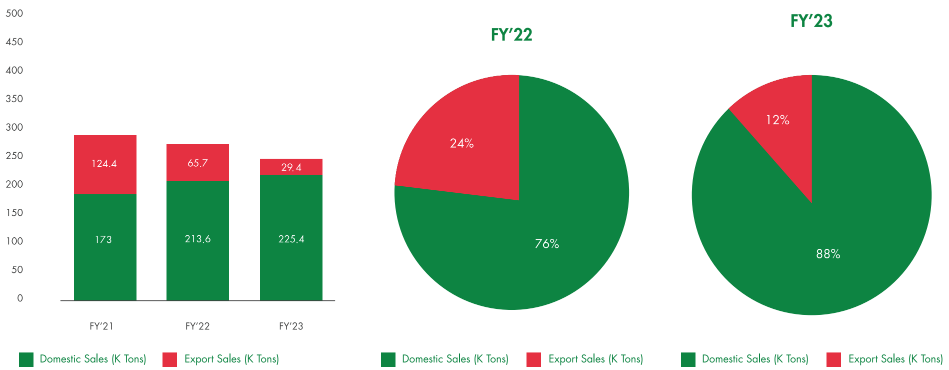
Commercial Highlights

Revenue Performance

Despite facing severe challenges such as volatile exchange rates, fuel shortages, rising costs and climate related issues, Illovo Sugar Malawi's revenue has grown consistently over the past three financial years.

This consistent performance has enabled the company's stable financial position, which has allowed it to provide economic opportunities for its employees, growers and other stakeholders in the value chain.

Sales by Market



Providing Fortified and Affordable Food

We believe that our products have a role to play as part of a healthy balanced diet and as such, we fortify our sugar with vitamin A, which is an essential micro-nutrient which assists the body to function properly – from enabling the function of sight, growth and development, through to skin maintenance, immune functions and reproduction. In the 2022/23 financial year Illovo Sugar Malawi spent K 1.18 billion on this ongoing fortification initiative.

In addition Illovo Sugar Malawi values the importance of educating consumers about sugar and health. We launched a Making Sense of Sugar website, a dedicated resource for all Malawians, which informs about the facts on sugar and the role it can play as part of a healthy balanced diet. This based on current and robust science. The website can be accessed through https://makingsenseofsugar.com/mw/ .

Generating Market Opportunities through our Route to Consumer

We have successfully redesigned our route to market to put customers' needs at its heart. We have developed tailored routes to market, which are less reliant on third parties and therefore more direct to consumers, enabling us to minimise price variations across different regions and improve connections with distributors and stockists. The result is a significant increase in sugar sales to both consumers and industrial customers across the country.

Since 2020, we have developed and implemented a standardised process to replace the varying routes to market across the country. One of the most important changes is our improved delivery network. This has eliminated the need for customers to travel to our warehouses to collect stock, mitigating price disparities arising from

transportation costs being added to the selling price of our sugar.

We have also expanded our geographic footprint by appointing new distributors, opening new containers in strategic locations and significantly scaling up our secondary distribution. This combination of improved delivery and an expanded footprint has transformed market penetration and ensures easier and more reliable access in rural areas.

These improvements have resulted in a significant increase in our domestic sales, which increased substantially over the last three years.

Looking ahead, we are committed to refining our processes to promote closer and stronger relationships with our customers, improve the availability of sugar in the domestic market and grow volume and value for our stakeholders.

Introducing the 90g "Shuga Mtape" Prepack

In response to economic challenges and continuing high inflation rates in Malawi, in the 2023 financial year, we introduced a 90g mini-pack called 'Shuga Mtape' in November 2022. This pack specifically targets the lowest income consumer segment, ensuring some affordability for this segment. One of the key motivations behind this innovation was to address the hygiene risk associated with the manual repacking process used by traders to transfer sugar from larger bags into smaller tie bags. By offering pre-packaged 90g servings, we have effectively eliminated these hygiene concerns.

This breakthrough has not only improved sugar penetration into rural households but also represents our first venture into mini-pack formats and strip-pack solutions. The successful launch of 'Shuga Mtape' exemplifies our unwavering commitment to innovation and meeting the diverse needs of consumers across different segments.

Marketing and Advertising Initiatives

As a customer and consumer-centric business, we are dedicated to running various marketing initiatives that aim to build brand awareness, boost overall sales and foster an emotional connection with our brand.

To enhance our presence and effectiveness, we have increased our advertising efforts on radio, TV and billboards. This has resulted in significant improvements in our effective equity score, which according to our brand health tracker, has been growing year on year for the past three years.

To drive annual sales growth, we have been executing impactful campaigns that target customers and consumers across different key segments. One of our current campaigns, known as the 'Tseketseke kuma last ndi Illovo Promotion', has not only rewarded over 10 000 participants with various prizes but has also strengthened the bond between the company and our customers and consumers.

Our consumer campaign, 'Everyday Chef' has also played a vital role in cultivating brand loyalty and promoting product usage. Through this campaign, we aimed to position ourselves as an essential ingredient in everyday cooking. We utilised various marketing channels, including digital media, print advertisements and targeted promotions.

These marketing initiatives have not only facilitated direct engagement with our customers and consumers but have also expanded our brand reach and presence. By leveraging technology and implementing offline activations, we successfully transcended geographical barriers and achieved simultaneous engagement across the country.

Looking ahead, we remain committed to innovative marketing strategies that resonate with our target audience and drive brand growth. These initiatives align with our objective of delivering sustainable value to our esteemed investors and stakeholders.

Our Commitment to Quality

Illovo Sugar Malawi has internal quality control systems that are designed in line with the Malawi Bureau of Standards (MBS) and relevant international standards requirements to ensure consistent checks and balances. Both our mills are certified to a Global Food Safety Initiative (GFSI), Food Safety System Certification (FSSC 22000).

In addition, our factories have Kosher and Halaal certification. Our products exported to the United States of America comply with the US Food and Drug Administration (FDA) standards.

Illovo Sugar Malawi strives to be a customer-led business which consistently delivers a secure supply of products that are quality assured, safe to consume and that meet our customers' needs.

Across our operations and value chain, an all-encompassing culture built on quality and food safety has been embedded with a clear focus on the continual improvement of management systems and processes. This is underpinned by a rigorous approach that targets assurance and control for product quality and food safety, regular auditing and reviews, education, training and investment.

In the past year, Illovo Sugar Malawi has implemented the 'Quality Way' to drive a step change in ways of working and behaviours. This has delivered a major improvement in 'Right First Time' quality for our business, resulting in enhanced on-shelf presence for retail packs and significant reductions in the level of customer complaints received.


TRUSTED
ILLOVO
QUALITY
ALINAFE DISCOUNT SHOP
TRUSTED
ILLOVO
QUALITY
ndi Illovo


Russell Hobbs

Economic Impact

Illovo Sugar Malawi plays a crucial role in contributing to Malawi's economy. The company contributes towards significant local economic impact by providing numerous opportunities along its value chain. These include not only opportunities for our sugar cane growers but also the supporting industries that supply Illovo Sugar Malawi and the small local businesses such as transportation, harvesting and retail that have emerged around the sugar estates.

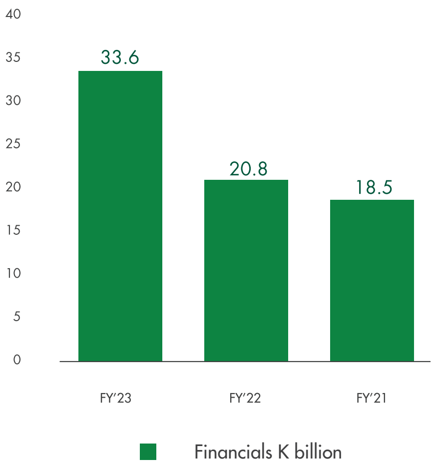
The company provides significant employment opportunities within our own operations and along our supply chain, as well as having wider impacts in the communities where we operate and the Malawi economy. Our impacts include the employment of workers on Illovo Sugar Malawi's farms and factories, as well as the company's tax payments, interest spending, shareholder dividends, investments and other financial contributions. Impacts in the value chain can be seen in the large number of independent growers in our supply chain. These growers deliver their cane to our mills through cane supply agreements and are paid for their produce.

Illovo Sugar Malawi in the 2022/23 financial year employed a total of 10 457 employees. Out of this total workforce 4 994 are permanent employees, representing approximately 48% of the total, while 5 463 are seasonal and contracted workers.

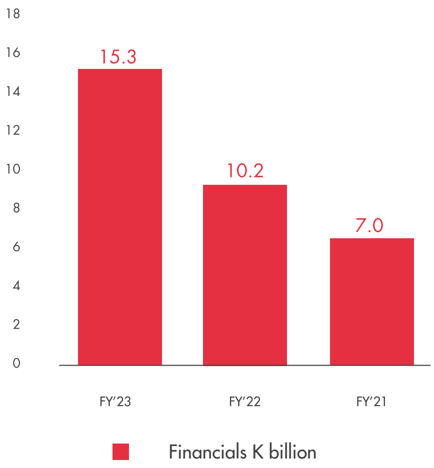
Other impacts include payments to other suppliers and distributors, as well as the effects on businesses that sell Illovo Sugar Malawi products or use them in their operations. In addition, the spending by both direct and indirect employees, leads to increased consumption and employment in other sectors of the economy. Illovo Sugar Malawi's impacts also encompass the employment opportunities provided in the rural economy as an indirect result of the value chain and include the creation of Small to Medium-sized (SME) service providers, themselves also rural employers.

Economic Impact Highlights

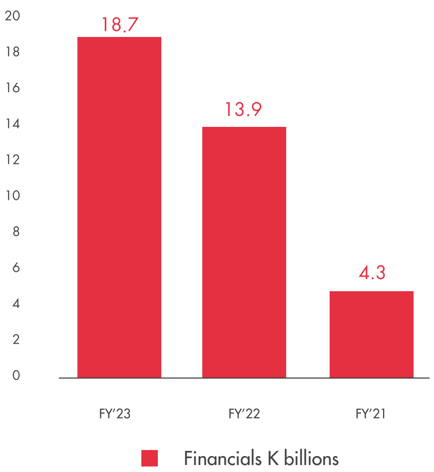
Payments to Growers



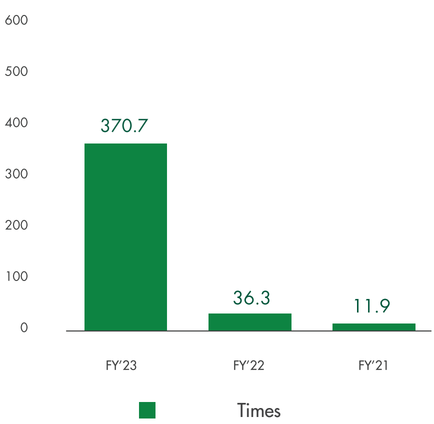
Incentives to Distributors

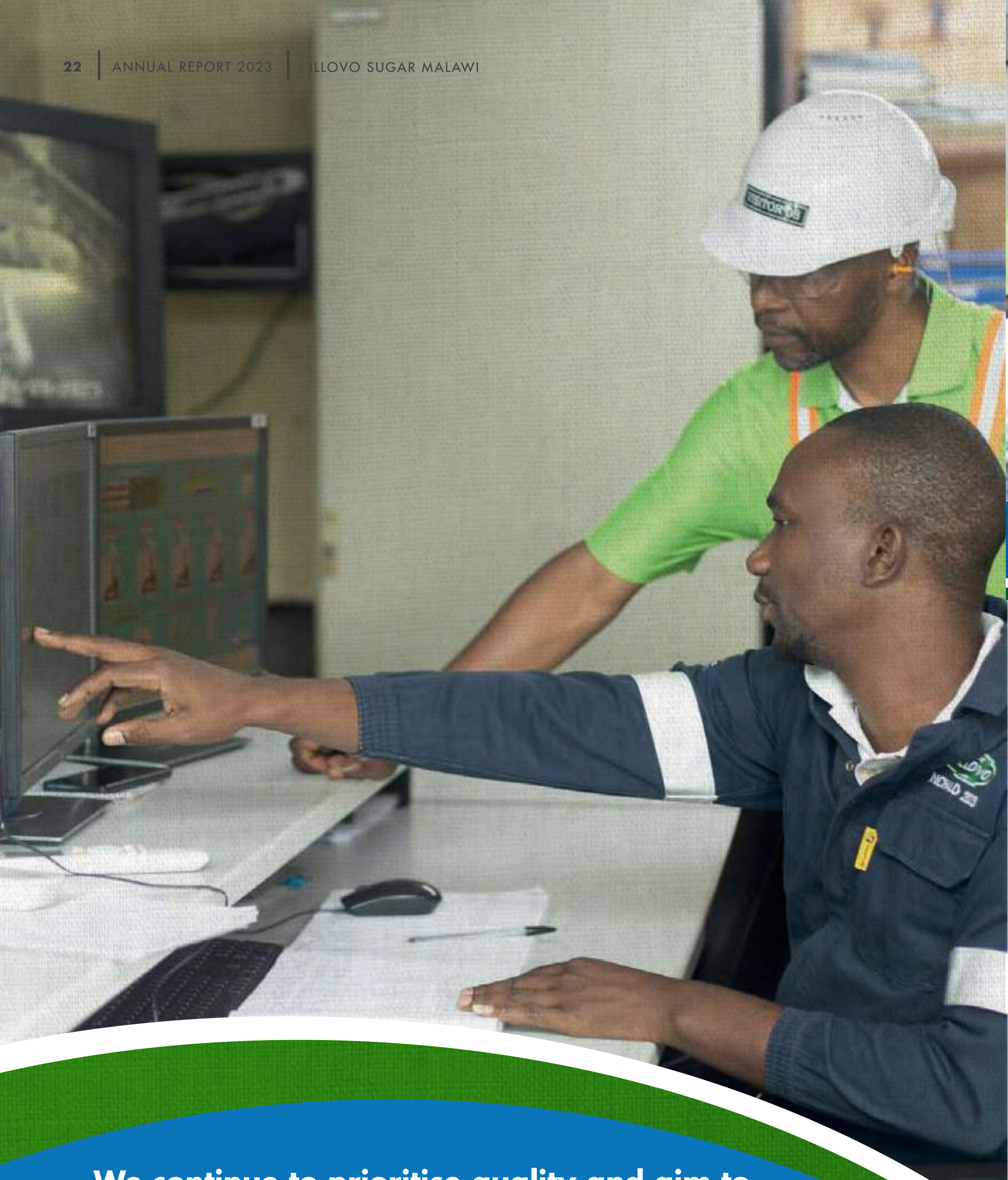


Dividends declared



Interest Cover





**We continue to prioritise quality and aim to encourage innovative commercial community opportunities along our manufacturing value chain to unlock national growth.
Together we can create shared value.
Pamodzi ndizotheka.**

Value and Quality-Driven Industry

Illovo Sugar Malawi is committed to driving value and quality in the industry through our operations. We firmly believe in creating innovative opportunities within our manufacturing value chain to foster a value-driven industry. Our core expertise lies in agri-business, and we actively use these skills to promote national growth in the country in order to unlock its potential.

To achieve our ESG goals, it is crucial that we engage and support our employees, prioritising their safety, health and well-being. We are dedicated to fostering a diverse and inclusive work environment, where everyone can thrive. Furthermore, we are committed to reducing plastic waste and minimising our supply chain's environmental footprint. We make it a priority to address issues such as water usage and CO2 emissions within our operations. Through these efforts, we aim to ensure our operations align with our purpose-driven approach, creating value along our supply chain while also addressing social and environmental impacts.

Our People

We firmly believe that people are the cornerstone of our business success, and their safety, well-being and development remain our utmost priority. As we strive to create long-term value for our investors, it is imperative to recognise that our employees' skills, capabilities and dedication are the foundational elements that drive innovation and foster growth.

Our Approach to Safety

To ensure Illovo Sugar Malawi is a safe place to work and live, we put in place measures such as safety hazards identification, safe work procedures, safety engagements (PTO, coaching, awareness, training). These measures help to ensure that our employees adhere to our safety standards and consistently behave in a safe manner.

Our further aim is to engage and share our safety journey message directly with all our employees so as to ensure that safety becomes everyone's business.

By making safety a priority we strive to achieve:

- Zero fatalities
- Zero overdue safety actions
- Zero non-compliance

Our Safety Performance this Year

We have always been serious about safety and it is imperative that our operations must be a safe place to work and live. Despite our efforts, we sadly still suffer fatalities and Lost Time Injuries. We are deeply saddened that we have lost one employee at our Nchalo estate, who died whilst working for us this year. We keep our lost colleague in our thoughts and extend sympathies to his family.

This year the company's Lost Time Injury (LTI) rate for Dwangwa, Nchalo and Olivewood sites have reduced. Nchalo and Olivewood LTI rate has reduced with 0.04 of the full-time employees experiencing a LTI compared to 0.11 in 2022. Nchalo employees LTIs reduced from 8 to 2. At Dwangwa lost time injury rate reduced from 0.07 to 0.03 this financial year. The number of LTIs reduced from 4 during the 2022 financial year to 2 during this financial year.

To improve on our safety measures, we have enhanced our focus on the importance of safety across all our operational sites. Key actions already taken include the appointment of a local safety champion who is an executive member of the management team. Their role is to ensure the implementation of our enhanced safety strategy. For this to be realised it is important to develop a culture of zero compromise towards safety.

In addition, 67 senior and executive managers underwent a psychological safety linked training and 69 participated in in-person workshops conducted during the company's annual leadership conference. This represented 100% of the senior and executive managements cohort. Furthermore, all employees and contractors are encouraged to speak up when they see something potentially unsafe and challenge anyone regarding a risky decision or process. This is being championed by the Managing Director with support from the rest of the leadership team through routine 'Gemba' walks across all sites, where employees are encouraged to speak up and concerns raised are addressed accordingly.

The business together with the other businesses within the ABF Sugar group has been working collaboratively to improve safety performance and protect all employees from injury. This included a cross-business collaboration to identify 'critical to life risks', with 10 risks prioritised for further action.

Safety Regulatory Involvement

This year the business received a health and safety fine which related to labeling requirements. The business also received two health and safety (product non-compliances) notices from Malawi Bureau of Standards in relation to vitamin A dosing and 50kg industrial sugar bag labeling. All issues were resolved through engagement with the regulator and remedial measures put in place.

Safety Mitigations

All our sites adhere to food safety standards and possess certification accordingly. In addition to these measures our Nchalo Estate has achieved a 4-star rating during a recent NOSA audit, conducted by a South African company specialising in occupational health, safety and environment. This audit, based on the internationally accredited CMB 253 Version 7.1 standard, evaluates various aspects of health and safety practices. Nchalo Estate is the first site within the Illovo Group to undergo a NOSA grading audit in the past 8 years.

In the last financial year, we have spent a total of K 987.1 million on health and safety risk management at all sites.

Employee Well-being

We are invested not only in the physical safety but also well-being of our employees, including their health, financial, mental and overall wellbeing. This is why we have in place various programmes and initiatives focused on specific needs as identified from time to time to ensure appropriate support is available when and where required.

To ensure the health and well-being of our employees, our business provides medical services at the Nchalo and Dwangwa sites. These services are available to both

employees and the community. In Nchalo, there are 5 clinics, while Dwangwa has 2 clinics and 1 hospital. The hospital in Dwangwa is equipped with 36 beds for in-patient use, while there are 36 beds available in Nchalo for short-stay patients.

In addition to general healthcare services, the clinics also offer specific screening tests such as lung functionality, for employees who are exposed to dust and fumes. For those exposed to excessive noise, hearing tests are provided. All the clinics are supervised by qualified medical personnel, including a doctor at each site. In Nchalo, there are 11 nurses, while Dwangwa has 15 nurses.

Supporting the medical staff are 6 clinical technicians/officers (3 at each site) and 8 medical assistants (6 in Nchalo and 2 in Dwangwa). Additionally, there are 60 support staff members who assist with various tasks, including patient attendants, pharmacy services, laboratory work, and other related duties. In Dwangwa, there are 41 support staff members, while Nchalo has 29.

While employees based at our Limbe head office, Olivewood packing station as well as distribution centres in Limbe, Lilongwe and Karonga are all provided with medical aid with 80% of the cost covered by the company for junior to executive management and 100% for non-managerial positions.

In terms of payment the company currently offers a minimum take home pay that is100% above the current country minimum pay, with a minimum gross wage that includes basic pay, food allowance and live-out allowances. In general, the company's remuneration policy subscribes to the following basic principles; affordability, market relevance, equity, alignment of guarantee pays to the market median as well as variable pay schemes such as short-term incentives and performance related bonus.

Engaging, Supporting and Developing Our People

Illovo Sugar Malawi is committed to rewarding and developing our people. In order to position the business for growth we have included building capability across our supply chain as a priority embedded within our business strategy. In order to realise this ambition, we engage our employees to understand their most pressing needs as well as run various training and developmental programs.

Engaging Our Employees

Engaging our employees is not only the right thing to do but also a strategic imperative. It fosters a positive workplace culture, enhances productivity, and ultimately contributes to the long-term success and value creation of our organisation. We have made significant progress in employee engagement.

Our efforts in engagement have shown remarkable results, with a notable increase of 8% in our recent employee engagement survey compared to 2020. This surpasses the engagement levels of the Food and Beverage Manufacturing norm. We have identified three key components of sustainable engagement: Energy, Engagement and Enablement. While Energy has slightly decreased, Engagement and Enablement have seen significant improvements. Energy, which encompasses physical, interpersonal and emotional well-being at work, stands at an impressive 97%. Engagement, reflecting attachment to the company and willingness to give discretionary effort, is at 94%. Enablement, which measures the work environment's support for productivity and performance, has seen the most substantial increase of 28%, reaching 89%.

From our employee survey the segments analysis reveals that 63% of our employees are highly engaged, demonstrating above-average ratings on all three components of sustainable engagement.

This represents a remarkable 22% increase compared to 2020 for the front-line management layer.

Additionally, we have effectively reduced the number of unsupported and disengaged employees, indicating notable progress in overall employee engagement.

To achieve these results, we have implemented several initiatives. Regular quarterly business updates serve as a platform for effective communication, allowing management to provide feedback on business progress and objectives while encouraging insightful input from managers.

This transparency and alignment enable employees to understand their contributions to our organisation's success. We have also prioritised employee input and ideas, actively seeking them to drive innovation and continuous improvement. By tapping into the diverse perspectives and expertise of our employees, we foster a culture of collaboration and creativity. We have also equipped our managers with the skills and knowledge necessary to effectively lead and engage their teams by offering leadership development programs.

By prioritising employee engagement, we are confident in our ability to build long-term value and success. Our commitment to creating a positive workplace culture, encouraging employee input, and nurturing effective leadership is the foundation for driving innovation, enhancing productivity, and ultimately creating value for our organisation.

Developing Our People

During the year we provided technical functional, core business, leadership, Safety, Health, Environment, Risk and Quality (SHERQ) training to 4 132 employees which is 20% above the previous year. The average training days per employee for the period was 3 days. Technical functional trainings accounted for 51% of the trainings conducted, with 32% specifically targeted for Safety, Health, Environment, Risk and Quality (SHERQ), 14% core business trainings and 3% leadership training.

The business also runs a Management in Training program which seeks to develop talent for future leaders. This year a total of 16 management trainees were enrolled into the program and 5 completed the course, with 3 placed into middle management positions and 2 into front-line management positions.

Other opportunities for development are provided through apprenticeships, operational leadership development, continuous professional development and skill upgrading studies. This year this included:

- 31 apprentices for different disciplines including Fitting, Welding and Fabrication, and Electrical Installation. The apprentices are undergoing industrial attachment in Illovo for a period of 12 months (January – December 2023).
- 62 factory front-line managers enrolled on the Operation Leadership Development program and will be finishing before year end.
- 38 employees enrolled on the Continuous Professional Development and are at various stages of their study programs.
- 24 employees undergoing upgrading studies with technical colleges as part of the MOUs with colleges and universities.

Top learning interventions for the sites include quality and food safety, safety training (Illovo Safe, fire fighting, first aid, height rescue), technical operating procedures training, Success Factors training, pan boiling training and modern-day slavery awareness.

Championing Diversity, Equity, Inclusion and Belonging

Our business believes that in order to thrive we must create an environment that ensures Diversity, Equity, Inclusion and Belonging (DEIB). By leveraging on our people, we will be able to ensure continued positive business performance, innovation, as well as attract and retain talent. This year we focused primarily on women and women empowerment. In the 2023 financial year, women represented 19% of the workforce, marking a 7% increase from previous financial year. This includes an increase in the number of women in management positions.

This increase in women in the workforce is a direct result of management's commitment towards women and women empowerment. As further action in supporting the increase in women in the workforce, the company also launched its Illovo Women in Leadership Programme (IWIL), which is spearheaded by a committee of women to tackle issues that are barriers to women inclusion within the business. Furthermore, the company has a deliberate development program for its female senior management leadership.

The leadership is also looking into how to remove barriers to belonging that were identified through a special challenge given to the Illovo Sugar Africa Millennial Board. The Illovo Millennial Board is a six-month programme which was created as a platform for younger generations within the business to come together and leverage their diverse expertise and backgrounds to solve complex business challenges. It is also a development opportunity for high potential and high performing individuals.

This year's board ran from July to December 2022 and consisted of classroom-based skills built sessions, workshops with DEI experts, coaching support, virtual working tools, and board meetings with the Illovo Sugar Africa Executive Committee. Of the nine millennial board members, Illovo Sugar Malawi was represented by two members. One of whom assumed the chairperson position making it the second consecutive time Malawi has chaired this board, both times by female representatives from the business.

Our Operations

Climate change remains a pressing and material issue for Illovo Sugar Malawi, as evidenced by the destructive Cyclone Anna in 2022 and Cyclone Freddy in 2023. These extreme weather events have underscored the urgency to address our carbon footprint and mitigate the impact of climate change.

Recognising the challenges posed by climate change, Illovo Sugar Malawi is actively seeking solutions and opportunities to reduce its carbon emissions. We have dedicated significant efforts to comprehensively understand the challenges and opportunities we face, allowing us to develop robust decarbonisation plans.

As part of our commitment to sustainability, Illovo Sugar Malawi plans to invest a substantial amount into two key projects aimed at addressing our carbon footprint. These projects will focus on implementing innovative technologies and adopting sustainable practices throughout our operations. By doing so, we aim to significantly reduce our greenhouse gas emissions and minimise our ecological impact.

Through these decarbonisation initiatives, Illovo Sugar Malawi aims to not only mitigate the environmental risks associated with climate change, but also contribute to the broader global effort in achieving a low-carbon future. We understand that transitioning to a sustainable business model is crucial for the long-term success of our operations and the well-being of the communities in which we operate.

MAJOR DECARBONISATION PROJECTS

Shire Valley Transformation Project (SVTP)

$50 million will be invested in reconfiguration of ISM water system that irrigates 10 000 hectares of Nchalo Estate, in conjunction with the construction of an irrigation canal system by the Malawian government. The current irrigation system requires water to be pumped from the Shire River to the cane fields, but this will be replaced with a gravity-fed system from a new canal above the estate, giving the business a 17% improvement in water efficiency.

Drip Irrigation

$34 million capital project to transition from traditional irrigation to drip irrigation, a highly efficient and water-conserving system. This will lead to a 40% reduction in energy usage, 25% increase in in-field water application efficiency, and a 35% reduction in the amount of water required to produce each ton of sugar cane. Helping to reduce CO2 emissions through conserving water, saving energy, optimising fertiliser and chemical use, promoting soil health and supporting sustainable farming practices.

Cogeneration Projects

$106 million capital project for the installation of a 17 MW and a 35 MW generator in Dwangwa and Nchalo, respectively, to enhance power generation. Using the existing boilers to improve estate power supply security by replacement of imported power during the crushing season with self-generated power. Currently, both Nchalo and Dwangwa mills generate enough energy for the factory only and import power for irrigation during the milling season. The aim is to optimise energy efficiencies in the sugar factory by utilising steam to generate power for estate usage, and with the possibility of surplus for export to the national grid. The project will lead to significant environmental improvements, with reduction of emissions through reducing diesel usage by the diesel generators. This will also pave the way for future projects that improve power self-sustainability, allow for water usage reduction projects and community electrification.

TACKLING PLASTIC AND PACKAGING

We acknowledge the detrimental impact of plastics on the ecosystem and accordingly, our business remains committed to ensuring that our packaging is recyclable. In the financial year 2022/23, we successfully achieved 100% recyclability of plastic used in our packaging. Moreover, we implemented reusability measures for our 1 ton bags by repurposing them into tarpaulins to be used during sugar distribution.

Furthermore, we took steps towards employing reusable PP bags for 90% of our prepack secondary packaging baler bags, with the remaining 10% being made from recyclable LDPE plastic. Additionally, the Illovo Sugar group has dedicated over 10 workstreams for exploring packaging solutions, experimenting with innovative materials and facilitating customer recycling.

In line with this initiative, Illovo Sugar Malawi has established contracts with manufacturing companies that employ plastic in their production process, enabling the collection, recycling and reutilisation of such plastics in the manufacturing of other products such as roofing sheets.

VALUE CHAIN ECONOMIC IMPACT

Local Procurement Spend

Illovo Sugar Malawi places great importance on sourcing locally and has implemented a proactive policy to support this strategy. The company actively seeks to procure goods and services from local suppliers whenever possible. In 2022/23, a significant amount of K 123 billion was allocated to local suppliers, accounting for 77.7% of the total procurement spend. In addition, the company also spent K 34 billion on cane from growers which is a 62% increase from previous financial year. These payments have contributed to the sustainability of domestic employment and economic activity.

Working with our growers, we create mutually-beneficial and sustainable agricultural community projects, promoting rural economic development and growth by sharing expertise and facilitating access to resources. Together we can cultivate a thriving future.

Sustainable Agriculture

By utilising local agricultural resources, there is an opportunity for various stakeholders to benefit from commercially focused community projects. Illovo Sugar Malawi plays a crucial role in this by sharing knowledge and helping communities gain access to limited resources. As a result, sugarcane, along with other agricultural crops, becomes a significant contributor to rural economic development. Furthermore, there is a commitment by the business to reduce the water and CO2 footprint in line with the ABF Sugar Commitment of 30% by 2030.

Illovo Sugar Malawi recognises the significance of a productive, high-yielding and resilient agricultural supply chain for its success. However, the agriculture industry faces increasing challenges due to the uncertainty brought about by changing weather patterns and environmental factors.

To address these challenges and build a more resilient and sustainable supply chain, Illovo Sugar Malawi is making significant investments in sustainable agriculture approaches. As part of our commitment to sustainability, we are actively engaged in initiatives aimed at driving positive change in the industry.

Illovo Sugar Malawi, through our ABF Sugar membership, is an active member of the Sustainable Agriculture Initiative (SAI), a global food and drink industry platform dedicated to developing sustainable agriculture solutions. Additionally, we are proud to be a founding member of the SAI Regenerative Agriculture Platform, which focuses on promoting regenerative farming practices.

As part of our commitment to continuous improvement in on-farm sustainability, Illovo Sugar Malawi's estates are utilising the SAI Platform Farm Sustainability Assessment (FSA) tool. This tool allows us to assess our operations and benchmark against industry standards, driving ongoing progress in sustainability. Notably, the Phata cane growers' association that supplies the Nchalo estate has achieved the FSA Silver level and was awarded the prestigious FSA Growing a Better Planet Award in 2023.

In collaboration with growers and research institutions like the South African Sugarcane Research Institute (SASRI), Illovo Sugar Africa is actively involved in trailing new cane varieties. This research aims to enhance the resilience and productivity of our crops while reducing overall environmental impact.

Furthermore, Illovo Sugar Malawi is currently conducting an analysis of agricultural emissions data, assessing nature-related dependencies and evaluating impacts in the field and surrounding areas. This analysis is informed by global modelling techniques and supplemented by primary data obtained through in-field data systems. By understanding and addressing these factors, we aim to minimize our environmental footprint and promote sustainable practices throughout our operations and supply chains.

Water Stewardship

Illovo Sugar Malawi recognises the importance of water security in the face of future climate concerns. While most of Malawi's agricultural production relies on rain, all of Illovo Sugar Malawi's cropland is irrigated using various methods. To enhance its water resilience, ABF Sugar has set a goal to reduce its overall water footprint by 30% by 2030, starting from a base year of 2018. As part of this objective, Illovo Sugar Malawi is in the process of converting its existing irrigation systems to more efficient technologies.

The company plans to convert 4 700 hectares of land to drip irrigation over a period of ten years. The first phase, covering 2 200 hectares, began in 2017 and is scheduled to be completed by the seed cane season in 2022. The remaining 2 500 hectares will be converted between 2023 and 2028. This conversion will help improve water usage and contribute to Illovo Sugar Malawi's water resilience goals. To further increase water efficiency in crop irrigation, Illovo Sugar Malawi is delivering a new drip irrigation system. These improvements will lead to a 40% reduction in energy usage, 25% increase in in-field water application efficiency and a 55% reduction in the amount of water required to produce each ton of sugar cane.

Grower Relations

Illovo Sugar Malawi is committed to promoting sustainable practices in collaboration with its growers. In the fiscal year 2022/23, we actively engaged with grower associations that represent 7 938 growers through our grower development programs, which were facilitated by our dedicated support teams at both the Nchalo and

Dwangwa estates. Furthermore, we extend our support to the cooperatives that supply us with cane by providing various forms of assistance.

We conduct training and workshops to enhance growers' knowledge of best agricultural practices and encourage environmentally friendly approaches. In the 2022/23 financial year, we successfully trained 183 growers. Additionally, we strive to ensure access to essential resources for our growers. This includes providing water for irrigation systems and offering lower prices for fertilisers and chemicals.

In line with our commitment to sustainable practices, we have also facilitated connections between our growers and markets that offer Fair Trade premiums for smaller growers. By obtaining Fair Trade certification, our growers can benefit from various forms of support and advantages for their businesses.

Through collaboration and social investment, we can build a thriving, sustainable Malawian community – together, we can achieve it. Pamodzi ndizotheka.

Community Connected

To achieve our goal of creating a thriving and diverse working environment that benefits our community, we believe in collaborating and cooperating with various stakeholders, including the people, civic structures and local governments. This collective effort strengthens the growth and development of Malawi. By aligning our endeavours with Malawi's 2063 agenda, we aim to create opportunities that contribute to the overall progress of our country. As a company, we are committed to investing in our relationships with communities and key stakeholders. Our estates are deeply connected to the communities where we operate, and we actively support our workforce and our communities by providing clinics, schools, and other local services.

It is crucial for Illovo Sugar Malawi to actively participate in the communities surrounding its estates by engaging with stakeholders regularly to comprehend their concerns and challenges. Additionally, the company tackles issues such as human rights, child labor and gender diversity within our own operations and plays an influential role to encourage the same within our value chain.

Human Rights Within Our Operations

Human rights and modern slavery are an area of concern within our operations and supply chain. Globally, human rights and modern slavery risks are prominent in agricultural supply chains because they rely on a significant workforce in low paid, labour intensive and seasonal jobs, such as weeding, planting, cane cutting and harvesting.

The values and standards of our Supplier Code of Conduct guides both our operations and supply chain. The business expects all external partners to follow our Code of Conduct. Based on risk assessments, the most significant risks in the business's footprint are child labour and forced labour. To ensure that this practice is curbed, the business requires all its suppliers and growers to employ staff over the age of 18 as part of the contractual terms.

Alongside the Code of Conduct, Illovo Sugar Malawi uses the ABF Sugar Modern Slavery and Human Trafficking Statement. Additionally, Illovo Sugar Malawi, has its own sexual harassment policy.

Each policy is managed, reviewed and communicated with executive committee approval. Furthermore, Illovo Malawi is working on a living wage diagnostic tool to utilise various global standards and develop a 'fit for purpose' wages model for the business and supply chain.

This year we trained 87 staff members within the Malawi management team with an aim to reach 357 staff members which includes junior and middle management teams.

Supporting Our Communities

Illovo Sugar Malawi provides various benefits, resources and services that not only benefit our employees but also the wider community outside the estates. In addition, the company invests in numerous corporat social responsibility activities. In FY 2022/23 the company invested a total of over K 1 billion in various projects that benefitted the communities.

The Projects Committed to were as follows:

EDUCATION **K 423.1 million**	HEALTH **K 83.9 million**	INFRASTRUCTURE **K 66.7 million**
NATURAL DISASTER **K 122.1 million**	POTABLE WATER **K 299.3 million**	OTHER **K 18.6 million**

TOTAL SPEND **K 1.01 billion**

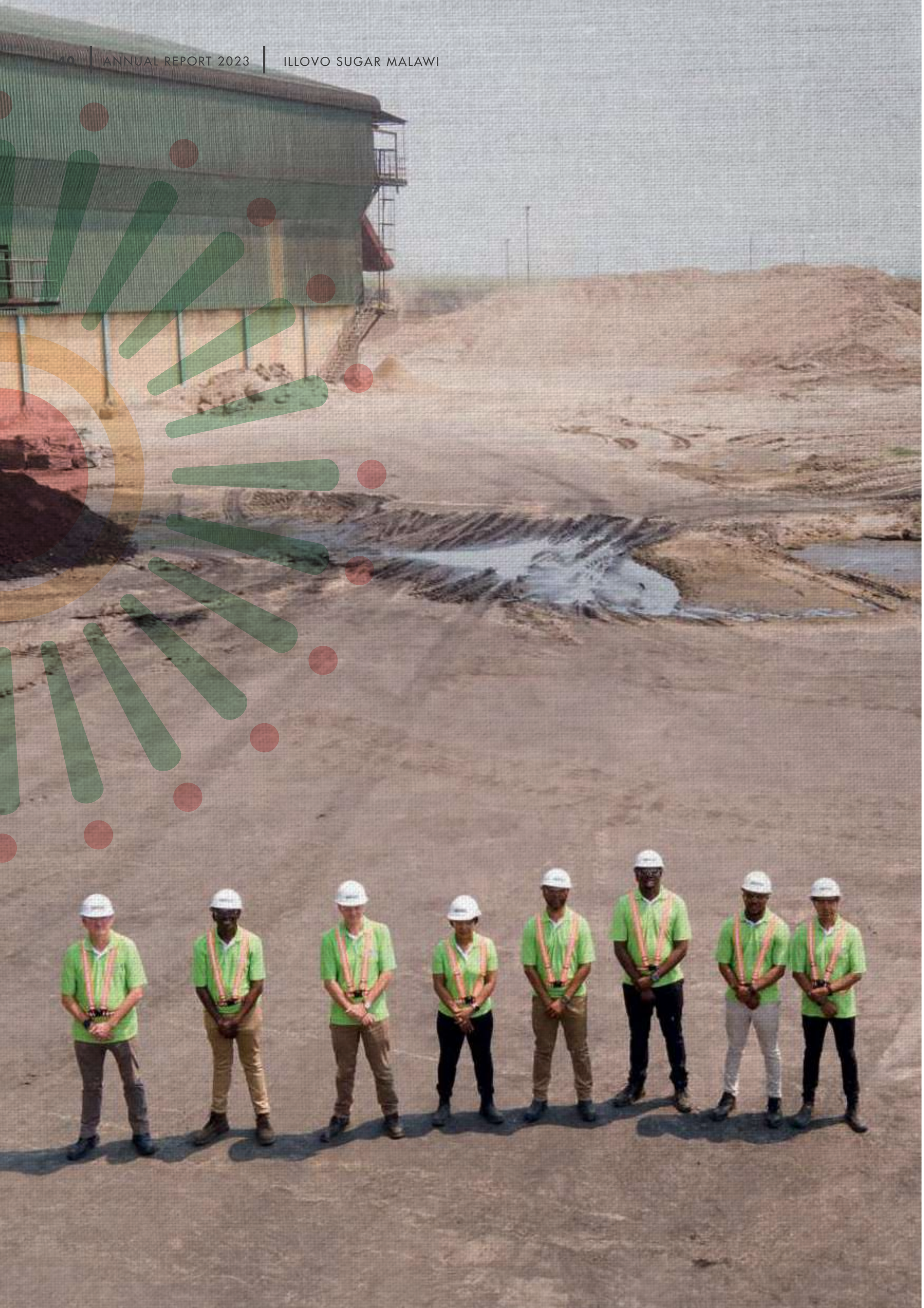
Emergency Relief: Our Response to Cyclone Freddy

Malawi experienced extreme weather events leading to subsequent challenges related to damaged infrastructure and displaced people. The business worked with communities and local partners to provide support in the aftermath of Cyclone Freddy, ensuring that more than 2 000 people displaced by the floods received vital help. Working with the Red Cross Society, a temporary site was set up on Illovo's Nchalo estate to accommodate over 1 200 people displaced by the floods and provide shelter, blankets, clothing, food and chlorinated water. The company spent over K 82 million in support of those affected.

Tackling Malawi's Deadliest Cholera Outbreak

Malawi experienced the deadliest cholera outbreak in the country's history, with close to 60 000 cases and 1 700 deaths reported between March 2022 and September 2023. The government declared the cholera outbreak a public health emergency. Illovo Sugar Malawi prioritised reducing the risk of cholera by ensuring employees and their families in Nchalo and Dwangwa have access to clean water and followed the WASH (Water, Sanitation and Hygiene) prevention steps.

It also helped local communities by administering over 15 000 cholera vaccinations from its medical facilities and distributing critical hygiene kits, disinfectant and soap. It also increased access to treated water in cholera hotspots in communities surrounding its operations by scaling up chlorination at both point-of-source water points and at the household level.



Corporate Information

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Transfer secretaries:	Standard Bank Malawi plc Transfer Secretaries, Transactional Products and Services, Kaomba Centre, corner Sir Glyn Jones Road and Victoria Avenue, Blantyre, Malawi
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E-mail address:	custodymalawi@standardbank.co.mw
Auditors:	Ernst & Young (EY)
Principal attorneys	Ritz Attorneys Banda Banda and Company Mbendera and Nkhono Associates Knight and Knight Attorneys MTM Law Chambers Tembenu, Kilembe and Company John Tennyson Kawelo and Associates Chizumila Msiska and Company
Bankers:	National Bank plc Standard Bank plc First Capital Bank plc NBS Bank plc Ecobank CDH Investment Bank FDH Bank

The Board

J K Lipunga (60)

Chairman | *FCCA , CA, Certified PPP Specialist*

Mr Jimmy Lipunga was appointed as a Director of Illovo Sugar Malawi on 19 August 2021. As a Chartered Accountant, Jimmy joined Deloitte and Touche (previously known as Deloitte Haskins and Sells) in July 1983. He worked in various roles including the final position of Supervising Senior. In March 1993, he joined Ethanol Company Limited as its Finance Manager providing leadership to the entire finance department. In August 1996, he transitioned into the public sector and joined the then Privatisation Commission as a Director of Finance. In this role, Jimmy was responsible for financial analyses and due diligence reviews for state owned enterprises earmarked for privatisation. He was a key player in valuation of shares and assets for such enterprises. Jimmy oversaw the first five IPOs on the Malawi Stock Exchange including Illovo Sugar Malawi as the business is now known. In 2004, he was promoted to Transactions Director, a position he served in for one year before ascending to the position of Chief Executive Officer in 2006. He was the key player in the transition from the privatisation framework to the public private partnership paradigm. He retired in August 2019 after serving as Chief Executive Officer for a period of 14 years.

Jimmy is a past President of the Institute of Chartered Accountants in Malawi (2004 to 2006). He is also a past Chairman of the Malawi Accountants Board. He has served on several high-profile boards including Old Mutual Malawi, Reserve Bank of Malawi, Malawi Revenue Authority, Competition and Fair Trading Commission, Malawi Airlines, Lafarge Malawi Limited, Sunbird Tourism, MPICO Limited and Power Market Limited. He is also the Chairman of National Bank of Malawi, a bank which is registered on the Malawi Stock Exchange.

G B Dalgleish (57)

BScEng(Chem), MScEng(Chem)

Gavin was appointed as a director of Illovo Sugar Malawi in November 2011 and assumed the position of Chairman in August 2013. He holds a master's degree in chemical engineering and first joined the Illovo Sugar Group (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 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 Illovo with effect from 1 September 2013.

L L Katandula (48)

Managing Director | *BAcc, FCCA, CA(Mw), CFA, CISA, MBA*

Lekani joined Illovo Sugar Malawi in August 2015 as Financial Director and served in this capacity until 1 December 2017 when he was appointed Human Resources Director. Effective 1 April 2020, Lekani assumed the role of Managing Director for the Malawi business. Prior to joining the group, Lekani was employed by Deloitte Malawi for 19 years, where he was Audit and Advisory Partner in the final 11 years. He has a wealth of knowledge and experience in financial management, reporting and control, and leadership having operated in senior managerial and partnership levels in a reputable external audit practice. Lekani previously served as a non-Executive Director at First Capital Bank Malawi. He chaired the credit committee and also served as Chairman of the board of Trustees at Phoenix International School until June 2019. Additionally he served as a Chairman of the Public Private Partnership Commission until September 2023. Currently Lekani serves on the Board of Telkom Networks Malawi where he chairs the audit committee. He also serves as President of the Malawi Confederation of Chambers of Commerce and Industry (MCCCI); a member of the Monetary Policy Committee (MPC) of the Reserve Bank of Malawi and also serves as a member of the Presidential Private Sector Council.

K Ntambo-Banda (35)

BSoc, BA(Psych), MA(HRM), CTP, MCIPD

Khumbo joined Illovo Sugar Malawi on 1 August 2018 as Organisation Development Specialist and was later appointed into the role of Organisational Effectiveness Manager as part of the Business Improvement team. Khumbo was appointed Human Resources Director in April 2020.

Prior to joining Illovo, Khumbo was employed by Unilever for a period of 6 years as Human Resources Business Partner for the supply chain function for the South African Business. Prior to this, Khumbo served as a member of the Southern African Leadership team for the Unilever Southern African business covering Malawi, Mozambique, Zimbabwe and Zambia as Human Resources Business Partner for the region. She also worked in several other multinational organisations such as Airtel Malawi and Carlsberg in Malawi prior to joining Unilever in various capacities in the human resources and management field.

Khumbo is a chartered member of the Chartered Institute of People Development (CIPD) and a Certified Talent Practitioner (CTP). She holds a Master's in Global People Management from the University of Liverpool, a Bachelor of Arts, Industrial Psychology Degree from the University of KwaZulu Natal and Bachelor of Social Science Degree from the University of Malawi.

The Board

A R Mpungwe (72)

BA(Hons), PGD International Law and Diplomacy, SMP, LCP

Ami 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 Africa Proprietary Limited and in addition to being appointed as a non-Executive Director of Illovo Sugar 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.

A Lubbe (60)

B.Com (Marketing) Bus Admin (Hons)

Andre was appointed to the board of Illovo Sugar Malawi in February 2020. He holds an Honours Degree from the University of Stellenbosch (SA) in Business Administration and first joined Illovo Sugar Africa in January 2017 as Group Commercial Director, a position he still holds. Prior to joining Illovo Sugar he spent over 25 years with SABMiller in South Africa and Africa holding various senior leadership positions. Before re-joining SABMiller Africa in 2011, he spent 3 years as Divisional Manager at Parmalat (SA). He also had the opportunity to work as Commercial Director for SABMiller in Nigeria for two years before returning to South Africa, where he joined the Africa office in Johannesburg as Head of Distribution and Route to Consumer Development with SABMiller Africa. Andre has extensive commercial & general management experience in FMCG and is passionate about brands and consumers. Andre is a member of the following boards: Illovo Sugar (South Africa) (Pty) Ltd, Kilombero Sugar Company Limited, Illovo Distillers (Tanzania) Limited, Zambia Sugar Plc Illovo Sugar Africa (Pty) Ltd and Czarnikow Limited.

K Msimuko (40)

FCCA, CA(Mw)

Kondwani assumed the role of Finance Head at Illovo Sugar Malawi in September 2021. Before his tenure at Illovo, he held positions at Deloitte Malawi, where he served as an Audit Partner and Professional Practice Director. In his role as an Audit Partner, he had the responsibility of providing audit and assurance services across various sectors of the economy. As a Professional Practice Director, he took charge of promoting high-quality financial reporting and audit standards through various formal initiatives. He also served as a key point of contact for accounting, audit and regulatory consultations within the firm. His tenure with the firm spanned over 11 years.

In 2016, he was seconded to the Accounting and Audit Technical Department of Deloitte Africa, where his responsibilities included advising and training audit teams throughout Africa on matters related to technical and audit quality.

Kondwani is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Practising Resident Member of the Institute of Chartered Accountants in Malawi (ICAM) and the Malawi Accountants Board (MAB). Additionally, he is a Certified Information Systems Auditor (CISA).

R Savjani (34)

BSc(Hons) Economics, ACMA, CGMA

Ravi was appointed as a Director of Illovo Sugar Malawi in May 2018. He holds a BSc First Class Honours Degree in Economics from the University of Warwick. He trained in finance and corporate finance at Deloitte in London where he also commenced his accountancy qualification, which he completed soon thereafter. Ravi subsequently held a number of roles in the private equity and financial services industries, primarily in London. He was formerly acting CEO for LifeCo Holdings Limited until December 2022 and is now pursuing other endeavours in the financial services industry.

V Chanza-Santhe (50)

MPhil Development Finance, FCCA, BAcc

Violette Chanza-Santhe is an experienced Development Finance Consultant, Digital Finance Specialist, Banker and Chartered Accountant. She is a holder of Master of Philosophy in Development Finance with the University of Stellenbosch Business School, RSA / Université Laval, Canada and a Bachelor of Accountancy Degree from the University of Malawi, The Polytechnic. She is a fellow of the ACCA (UK) and is also part of the European Centre of Technology (ECT) Professional Membership Programme having attained the Galileo Master Certification (GMC) in Renewable Energy Management and Finance. She also holds European Energy Centre (EEC) Membership of the Energy CPD Renewable Energy Professional Membership Programme. As a Digital Finance specialist, Violette has attained certification in Blind Spots: Gender in Digital Financial Services, Instant and Inclusive Payments and Digital Money with Digital Frontiers Institute.

Violette has over 25 years of professional experience in both the public and private sectors, particularly the financial industry in the following portfolios: Executive Management, Finance, Credit, Treasury Management and International Banking, Internal Audit, Trade Finance, Stockbroking and Project Management.

Violette has also carried out a number of consultancy assignments in various set ups both in the private and public entities including NGOs. She has previously worked as the Malawi Country Coordinator for The Renewable Energy and Energy Efficiency Partnership (REEEP) in conjunction with Private Finance Advisory Network (PFAN) – (Vienna, Austria) and is currently the Advisor for PFAN and Get.invest (Amsterdam, The Netherlands) on clean energy and climate adaptation projects as well as Bankers Without Boundaries (BwB) Consultant – (United Kingdom). As both financial and transaction advisor she has a track record in project origination, development pipeline, investment facilitation and financial mobilisation in emerging markets, especially the Sub-Saharan Africa. She has broad experience and an extensive network in the development finance institutions, the commercial banking sector, private equity funds and of renewable power and impact investors. Her thematic expertise includes renewable energy, energy efficiency, energy access (off-grid/ mini-grids), climate change mitigation and adaptation, development finance, blended finance, digital finance, sustainable finance, innovative finance and inclusive finance.

Violette has provided strategic leadership as a board director for the following institutions: Sunbird Malawi Ltd, Broll Malawi, Easy Loans Ltd, the SADC Banking Association-RSA and ISO's financial services committee. In addition, she has also sat on a number of different technical committees in the Ministries of Finance, Trade, Agriculture and the Reserve Bank of Malawi. She currently sits on the board of Illovo Sugar Malawi.

The Board

A M Malata (59)

PhD, MSc, BSc, FAAN

Professor Address Mauakowa Malata holds the position of Vice-Chancellor at the Malawi University of Science and Technology, first woman to hold a position of Vice-Chancellor of a Public University in Malawi; NYU Rory Meyers College of Nursing Courtesy Appointment, October 2023. former Vice-President of the International Confederation of Midwives, former President of Africa Honor Society of Nursing of Sigma Theta Tau International, former Principal of Kamuzu College of Nursing and spearheaded it to become a World Health Organisation Collaborating Centre for Inter Professional Education and Leadership in 2016.

She has spearheaded the development and implementation of various undergraduate and postgraduate in the fields of Nursing, Midwifery, Health, Science, Innovation and Technology and has facilitated capacity building for faculty and other staff in various fields. A renowned international speaker, author and editor of various journals in the field of health, nursing, midwifery and health workforce. She serves on various international, regional and national boards. She is an advocate for girls and women empowerment through education. Her research work focuses on maternal and new-born health, quality of care, health workforce and innovation and technology.

She is a Virginia Henderson Fellow of Sigma Theta Tau International (STTI), an Adjunct Professor at Michigan State University, a Fellow of the American Academy of Nursing (FAAN), a Global Health Fellow at University of California San Francisco University, an Adjunct Professor in the Department of Obstetrics and Gynaecology, Baylor College of Medicine. She was awarded a Doctor Honoris Causa by University of Oslo in Norway, 2018 ECU Distinguished Alumni and ECU Honorary Award of Doctor of Nursing honoris causa, 2019 in Australia. She was in 2022 nominated as one of the Champions for Malawi Vision 2063 under Enabler, Human Capital Development. In 2023 she was in receipt of National Outstanding award (Educational Achievements, Women Change Makers Science and Research) under Pan-African Learning and Global Network and Plan Malawi International.

G Kabango (65)

PhD(Econ), MPhil(Development Economics), Post-Graduate Diploma(Development Policy), BSocSc(Econ)

Dr Kabango was appointed as Director of Illovo Sugar Malawi in November 2022. An economist with over 40 years of experience in the Reserve Bank of Malawi, and appointed Deputy Governor for two consecutive 5-year terms: first term, May 2012 to April 2017, as Deputy Governor responsible for Supervision of Financial Institution's, second term, May 2017 to April 2022, as Deputy Governor responsible for Economics and Regulation.

Prior to being appointed as Deputy Governor, he served in various other senior positions in the Reserve Bank of Malawi, including as Senior Economist covering Balance of Payments and External Debt, Divisional Chief responsible for Foreign Exchange Reserves Management and Exchange Control Operations, Director of International Operations, Director of Research and Statistics, Executive Assistant in the Governor's Office and General Manager, Economic Services.

During his career in the Reserve Bank of Malawi, he contributed to the various stages of macroeconomic and development policy formulation and implementation, through research and technical analyses of economic information pertaining to price and financial stability.

He holds a PhD(Econ), an MPhil(Development Economics) and a Post-Graduate Diploma(Development Policy), all from the University of Glasgow in Scotland, United Kingdom, as well as a BSocSc(Econ) degree from Chancellor College, University of Malawi. He is also a recipient of various accolades covering myriad facets of economics and finance from international financial institutions, which include the World Bank, International Monetary Fund, Federal Reserve System, Bank for International Settlement and Citigroup. He has further been involved in research in various fields of economics and has co-authored, presented, and published a number of articles in international academic journals. He retired from the Reserve Bank of Malawi in April, 2022.


TOGETHER
WE CAN
PAMODZI
NDIZOTHEKA

Key Management Personnel

L L Katandula (48)
Managing Director
BAcc, FCCA, CA(Mw), CFA, CISA, MBA

* See full bio in board section

K Ntambo-Banda (35)
Human Resources Director
BSoc, BA(Psych), MA(HRM), CTP, MCIPD

* See full bio in board section

K Msimuko (40)
Finance Director
FCCA, CA(Mw)

* See full bio in board section

S Cuthbert (60)
Business Improvement Head
QFC (Level 7), HNC(Mechanical and Production Engineering)

Steve was appointed as Head of Business Improvement for Illovo Sugar Malawi in November 2019 having joined the Malawi team in 2017 as Organisation Effectiveness Manager.

A senior leader with a broad experience in manufacturing and supply chain management across the food industry, Steve has over 35 years' experience in various technical, management and leadership positions with Associated British Foods including AB Sugar China where he worked as Continuous Improvement Director / Operations Development Director. He was responsible for the delivery of Agricultural and Operational Continuous Improvement across multiple sugar beet and sugar cane sites in both the North and South of China and was accountable for all aspects of Health and Safety, Environment and Quality. Prior to this post in China, he was Head of Operational Capability at British Sugar and Factory Manager for British Sugar (Bury Factory).

Steve holds a CMI Level 7 Certificate in Strategic Management and Leadership (QFC) and a HNC in a Mechanical and Production Engineering from Peterborough Technical College.

M Kachingwe (57)

Company Secretary, Legal Council and Head of Corporate Affairs

LLB(Hons), MBA

Maureen is currently Company Secretary, Legal Counsel and Corporate Affairs Head of Illovo Sugar Malawi since December 2019 having joined Illovo in July 2017 as Company Secretary.

In her current role Maureen heads the legal department, stakeholder engagement and industry affairs and is a member of the executive management team. Maureen previously worked for Sunbird Tourism Limited where she had a successful career for 23 years in the areas of compliance, securities law, corporate law, governance, risk management and company secretarial with responsibilities over human resources and procurement. In 2002 Maureen was part of a team of experts which successfully delivered the listing for Sunbird.

Over the years Maureen has served on the boards of financial institutions, pension trusts, parastatals, insurance company, as well as serving as Secretary for the Malawi Law Society, President for the Women Lawyers Association and Council Member of the Council for Higher Education among other responsibilities.

N Msowoya (53)

Export Manager Refined and Speciality Sugar

BBA, MBA, Dip(Mkt)

Nestor was appointed into his current role as Export Manager Refined and Speciality Sugar in September 2017 having joined Illovo Sugar Malawi in October 2016 as Regional Commercial Manager.

Prior to joining Illovo Sugar Malawi, Nestor worked at Larfargeholcim Malawi as Business Development Manager where he was responsible for strategy development aimed at generating new business and driving the business to uncontested markets which also included capacity extension and investment projects. He was also previously a Commercial Director for Air Malawi Ltd where he was responsible for all commercial activities of the airline which included interlining, ticketing, planning and scheduling, sales and marketing including outstation destination management.

Nestor holds a Master’s Degree in Business Administration obtained from Bradford University School of Management, a Postgraduate Diploma in Marketing with the Chartered Institute of Marketing and a Bachelor of Business Administration.

Key Management Personnel

R Pillay (53)

Supply Chain Head

BCom, NDIPP, CIMMA

Ricky joined Illovo Sugar Malawi in 2016 as Supply Chain Manager and was appointed into his current role as Supply Chain Head in November 2019. He has been with the business for over 30 years holding different positions across the Illovo Sugar Africa Group. He worked as Operations / Supply Chain Manager - Commercial for Illovo Sugar South Africa head office where he was responsible for Sales and Operations Planning activities by developing, leading and executing Illovo's SIOP (Sales, Inventory and Operations Planning) strategy as Master Planner. Prior to this post, he was Production Planner responsible for production and planning of sugar across the Illovo South African mills in Umzimkulu, Sezela, Eston, Noodsberg, Gledhow and Pongola. Ricky was also once the Business Development Planner and Management Accountant, all positions held at Head Office.

Ricky holds a Bachelor's Degree in Commerce obtained from the University of South Africa and an NDipp Information Technology from ML Sultan Technikon.

M Debwe (49)

General Manager Dwangwa Estate

BSc(Chem), BSc(Hon)(Chem), Dip Mgt

McLean was appointed as General Manager for Dwangwa Estate in April 2023 after serving 24 years performing various senior management roles within the Illovo Sugar Africa Group.

A leader with a broad experience in leadership, manufacturing, quality management and business improvement across the sugar industry. McLean has 25 years' experience in various technical, management and leadership positions within the Illovo Group. He joined the Illovo Group as a Management Trainee and has since held various positions in manufacturing as Refinery Manager, Raw House Manager, Production Manager and Factory Manager within the Malawi business. He further worked as Factory Manager for Zambia Sugar. He also served as Continuous Improvement Manager for the Nchalo Estate where he was responsible for delivery of improvement projects in Agricultural, Manufacturing as well as Safety, Health, Quality and Environment. He also led the workforce transition for Dwangwa Estate during the business transformation program.

McLean holds a BSc in Chemistry, BSc (Hons) in Chemistry from the University of Malawi and Diploma in Management Studies from the University of Bolton.

G Trott (55)

General Manager Nchalo Mill
B.Sc. Engineering (Agric)

Geoff was appointed General Manager for Illovo Sugar Malawi Nchalo estate in February 2021 after serving 22 years performing various senior management roles within the Illovo Sugar Africa Group. He has a wealth of expertise in the Sugar & Logistics industry operational and technical environment and also has experience across multiple African countries and companies.

M Njowoka (39)

Commercial Head
BBA

Maurice joined Illovo Sugar Malawi as Commercial Head from 1st March 2020.

Prior to joining Illovo Sugar Malawi, Maurice worked with Illovo Sugar Africa (Pty) Ltd Group office in Durban, South Africa as Group Route-To-Consumer Manager where he championed development of multi country Route-To-Consumer strategies based on data and insights from a range of market potential surveys, thereby supporting top-line revenue growth. He also supported a change process that will bring about major improvements to the way the Company sells, distributes and makes products available to customers and consumers across Zambia, Malawi, Tanzania and South Africa.

Before joining Illovo, Maurice worked with Coca-Cola East & South Africa Business Unit and Serengeti Breweries Ltd (a Diageo Plc and East Africa Breweries Plc affiliate in Tanzania) in areas of Commercial Execution, Sales and Marketing. He has over 13 years of hands on Commercial Execution experience.

Maurice is a holder of Bachelor of Business Administration degree (Economics major), from University of Iringa (Tanzania) and he is currently an MBA candidate at East & Southern African Management Institute (ESAMI). Maurice has attended Leadership Development Programs at both Georgia Institute of Technology (USA) & Gordon Institute of Business Science (GIBS) Business School in South Africa.

Directorate Attendance

Attendance at board and committee meetings during the year ended 31 August 2023

DIRECTOR	Board Meeting		Audit Committee Meeting	
	A	B	A	B
K Ntambo-Banda	4	4	N/A	N/A
G B Dalgleish	4	3	1	1
D N Kasambala	4	3	2	2
L L Katandula	4	4	2	2
A Lubbe	4	4	N/A	N/A
A R Mpungwe	4	4	N/A	N/A
K Msimuko	4	4	2	2
R Savjani	4	4	N/A	N/A
J Lipunga	4	4	N/A	N/A
G P Kabango	4	3	2	2
V Chanza-Santhe	4	3	2	1
A M Malata	4	4	N/A	N/A

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:

- Violette Chanza-Santhe joined the Risk Committee in November 2022 but moved to the Audit Committee in February 2023.
- Douglas Kasambala resigned in July 2023.

Risk Committee Meeting		Remuneration / Nomination Committee Meeting		Annual General Meeting	
A	B	A	B	A	B
N/A	N/A	3	3	1	1
2	1	3	2	1	1
2	2	3	2	1	1
2	2	3	3	1	1
2	2	N/A	N/A	1	1
2	2	3	3	1	1
2	2	N/A	N/A	1	1
2	2	N/A	N/A	1	1
N/A	N/A	3	3	1	1
N/A	N/A	N/A	N/A	1	1
2	1	N/A	N/A	1	0
N/A	N/A	3	3	1	1

“The Illovo way is to innovate and optimise our diverse talent pool and yield extraordinary and sustainable results to positively impact our stakeholders and thriving communities”

Chairman’s Report

Operating Environment

I took over as Chairman of Illovo Sugar Malawi at the last Annual General Meeting in February 2023 to demonstrate the group’s commitment towards diverse and inclusive leadership. On behalf of the ISM board of directors, I am very pleased to proclaim our remarkable performance in the financial year ended August 2023 notwithstanding the volatile macro and geopolitical environment that we faced throughout the review year. The group delivered significant growth and consequently made a positive impact for its stakeholders. In terms of revenue, the group reported a remarkable K 272 billion in the year, setting a new record-high for the group, representing a noteworthy 46% increase over prior year. Operating profit reached K 81.9 billion, representing an impressive 107% growth over the previous year which also indicates that our strategies were well-executed and aligned with our values.

This improved performance was achieved mostly through increased domestic sales volumes, cost management efforts and optimisation of operational efficiencies. The impressive sales were largely supported by the Route to Consumer initiative aimed at delivering sugar to the last-mile customer.

As the factories recovered from the impact of the two cyclones of 2022 and 2023, efforts were made to progressively produce for the export market and contribute to the country’s foreign currency generation. Some export volumes were achieved, albeit below the initial plan. The group intends to build on this trajectory to ensure the availability of the required foreign currency for its operations and the country.

These outstanding results were attained despite the group facing complex operational and environmental challenges, as elaborated below.

Agricultural operations progressed satisfactorily in the later part of the season, towards August 2023, rebounding from the adverse effects of inclement weather patterns between February and April 2023. Cyclone Freddy had a widespread impact on the southern region, particularly hampering field activities in Nchalo, especially cane harvest and haulage. Intermittent power supply and consistent rainfall, in March 2023, affected irrigation and cane quality. The carryover cane in Nchalo negatively impacted on overall recovery and production in the early part of the 2024 season. Factory startup was delayed by a few weeks, until late April 2023, consequently affecting cane harvesting, replanting, weeding and the application of fertiliser and pesticides. The delivery of both own and grower cane had to be temporarily halted until the fields dried out. Throughout this period, the group continued to support and collaborate with growers to mitigate further negative impacts.

Both mills had extended the previous crushing season to December 2022 and had planned extensive plant rehabilitation during the off-crop period. This extended crushing season potentially impacted the subsequent cane growing season especially in terms of cane age, but mitigating plans were put in place. Despite late receipt of some off-crop materials due to foreign currency shortages and a prolonged wet season, production ultimately began in late April 2023. The Nchalo mill in particular, experienced significant plant reliability issues due to late off-crop material deliveries, which affected overall factory throughput. The impact of Chiperoni wet weather on cane supply in the months of June and July 2023 further lowered production. Fortunately, the Dwangwa mill achieved relative stability afterwards, achieving exceptional crush rates as high as 203 tons of cane per hour compared to the average of 190 tons.

Despite these challenges, the business ensured the continuous availability of sugar in the domestic market throughout the year. The group recognised the impact of price arbitrage at the Malawi borders on domestic sugar sales and the importance of engaging with stakeholders. Relevant authorities were engaged in order to share challenges, especially in ensuring the availability of all product pack sizes and formats in the primary domestic market.

Other challenges during the year were: government pressure on sugar pricing, threats and actual issuance of import licenses and a finding of unconscionable conduct by the Competition and Fair Trading Commission (CFTC) which we are challenging in the courts. The decision to introduce price increases responsibly, in the wake of record high input cost inflation and cross border arbitrage proved to be strategically correct. It enabled the company to continue with uninterrupted supply of sugar in the domestic market but also enabled Illovo to protect the overall shape of its performance and continue to invest in the long-term drivers of growth. Protracted negotiations on the Irrigation Water Purchase Agreement (IWPA), though surmountable, could potentially derail the gains built into our plans for converting to gravity fed irrigation water from the Shire Valley Transformation Project (SVTP). On the regulatory front new land laws and regulations were introduced some of which had the potential to negatively impact our operations in terms of land tenure in addition to the potential negative impact on Foreign Direct Investment (FDI) into the country. Fortunately, the process of continuous engagement between the government and the business community led by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) bore some positive results to the extent that the amended versions were much more acceptable to businesses. During the year it was not possible to conclude consultations on the much anticipated Sugar Bill being driven by the Ministry of Lands. Due to its importance in regulating the sugar industry, which remains unregulated contrary to other jurisdictions, we hope that the passing of the bill will be prioritised.

Strategy

Illovo Malawi has a robust strategy guided by its vision to be a sustainable, resilient, consumer and customer-centric performance focused business that delivers outstanding value for all stakeholders. This is coupled with a strong purpose statement to create a thriving Malawian community through the provision of affordable food and energy. Illovo Sugar Malawi, just like the other sister businesses within Illovo Africa, plays a very vital role in the host country. Apart from providing food, specifically sugar which in most countries where we operate is

an important part of the daily diet, the business contributes a significant amount to the fiscus and provides employment and social amenities in the areas where our businesses exist among other contributions. As part of Illovo Sugar Malawi's commitment to government's initiative to address micronutrient malnutrition, particularly in children, Illovo Sugar Malawi fortifies all its domestic consumption sugar with vitamin A.

Illovo's strategic priority is to be "A Safe Place to Work and Live". Other strategic focus areas are: efficiency improvement, domestic market focus, export value realisation, downstream value creation, proactive advocacy and capability through People, Process and Plant. The domestic strategy aims to enhance our Route to Consumer (RtC) while continuing to invest in pre-packs and focusing on quality through the Illovo Quality Way. With the growth in domestic demand our approach to the export market is to focus on enhancing our capability on understanding our cost to serve in order to maximise growth of high margin products / customers. Improving mill performance and agricultural yields remains another top focus area as it will lead to efficiency gains while focusing on 'Tiwale' initiatives for cost management. We have an ambitious diversification project which will be realised through power co-generation and alternative crops. Recognising the importance of staff development, we intend to focus on capability development while embracing technology as a business enablement tool.

Safety

Once again it was not a good year for Illovo Sugar Malawi in terms of safety. In April 2023 a devastating electric shock incident in the agricultural operations resulted in the death of one employee Simion Zakaria, an electric linesman who died in the course of duty from a suspected cardiac arrest after being exposed to an electric shock whilst changing electric poles. Another employee Chisomo Daisi who was working with Simion suffered electrical burns during the same operation. Fortunately, Chisomo subsequently recovered. The Illovo family is profoundly saddened by this fatality and has strengthened its commitment to safety amongst employees, contractors and other visitors to its sites.

On a more positive note, it was gratifying to note that we continued to do well on the quality front with the declining trends on quality complaints continuing throughout the year under review. Illovo Sugar Malawi has internal quality control systems that are designed in line with the Malawi Bureau of Standards (MBS) and relevant international standards requirements to ensure consistent checks and balances. As part of its governance role the board will, among its other oversight roles, specifically exercise an oversight role on health and safety initiatives. The board is committed to support management to achieve good workplace health and safety practices and will ensure that safety remains a top strategic priority and that appropriate systems and processes are in place to support the Illovo Safety Journey .

Stakeholder Engagement and Creating Shared Value

Stakeholder engagement is very important for the business and the challenges that we faced during the year as reported above only go to confirm the increasing need for management to consider stakeholder issues and concerns when making decisions. Experience shows that trust and relationships take time to build but are valuable assets. The board has been pleased with management's proactive engagement with various stakeholders including the government on various issues of mutual interest. To the extent possible, and while allowing management to run the day-to-day affairs of the company unimpeded, the board stands ready and welcomes any opportunity to participate in continuous dialogue with the company's stakeholders to seek their input on, and keep them informed about, the company's activities. The diversity of skills and backgrounds that exist on the board lend themselves very well to adding value to any stakeholder engagements.

Illovo Sugar Malawi has an established protocol of engaging shareholders and financial analysts twice every year to update them on the company's performance as well as strategies. The engagements provide a very good platform for receiving feedback from the shareholders as well.

The group remains committed to investing significant effort and resources in ensuring the continued enjoyment of its quality products by all customers. It also commits to making significant contributions to the Malawi fiscus through the payment of various taxes and regulatory commitments. The group takes its role seriously in helping create a thriving Malawian community by providing employment and making social investments in the communities where its operations are located. In line with this commitment, the business contributed to the recovery efforts following Cyclone Freddy and the cholera outbreak, made donations to affected communities, and supported various educational, health and social initiatives in the country. Total spend on these activities for the year was K 1.01 billion. In addition the group made a deliberate decision to purchase most of its quality inputs from eligible local suppliers.

Share Price

The share price for Illovo Sugar Malawi at the beginning of the financial year was at K500 with a market capitalisation of K 356.72 billion. At the close of the year, the share price had jumped to K 1 121.42 while the market capitalisation had appreciated to K 800.07 billion. This exceptional movement in share price is supported by continuing financial performance improvements in the business. It is our intention to continue creating long term value for our shareholders as we grow together.

Dividends

Considering the excellent business performance for the year ending on 31 August 2023, the directors are pleased to declare a second interim dividend of K 12.60 per share, in addition to the first interim dividend of K 10.80 per share. A final dividend of K 5.80 per share will be presented to the shareholders at the AGM for their approval by directors and will be paid in March 2024. This will bring the total dividend for the year to K 29.20 per share, compared to the previous year's full dividend of K 21.00 per share.

The Board

During the year Douglas Kasambala resigned from the Board. On behalf of the board, I wish to thank Doug for his dedication, leadership and passion during the time he was on the board. Doug was full of wisdom and was always ready with guidance. The Board and management benefitted immensely from Doug's experience and insights and we wish him all the best in his future endeavours. At the time of writing this report the vacancy left by Doug has not yet been filled. During the year Professor Address Malata took over from me as chairperson of the Remuneration and Nomination Committee.

The board believes that diversity is important to the work culture of any organisation. In particular, a diverse board, among others, will enhance the quality of decisions by utilising different skills, qualifications and professional experience for achieving sustainable and balanced development. I am pleased to state that we have a diverse board with three female members and eight males all with a wealth of experience in different fields.

Outlook

The ongoing depreciation of the local currency against major trading currencies, increases in electricity and water tariffs, global supply chain disruptions for essential commodities on account of geo-political tension, adverse economic and climatic factors, regulatory changes, and other external shocks will continue to impact the business's profitability in the foreseeable future. The group will persist in implementing strategies to ensure resilience and growth remain fundamental to its operations, with a particular emphasis on safety as a foundation for achieving these objectives.

Conclusion

I would like to thank you, our shareholders, for placing your faith and confidence in us and for your continued support. We wish to assure you that the board and the executive team will continue to drive our strategy in pursuit of our growth rooted in strong corporate governance principles. Many thanks to our customers, contractors, suppliers and growers for their loyalty and contribution to the group but also to the country. **Together We Can**.

The board acknowledges the valuable contributions of its people and will continue to invest in talent growth and development for the benefit of both the business and the Malawian community.

JIMMY KAJANIKE LIPUNGA
CHAIRMAN

Managing Director's Report

Lekani Katandula

'OUR PEOPLE' ARE OUR MOST VALUABLE ASSET AND ARE THE KEY TO THE COMPANY'S SUCCESS

Group Performance

The financial year ended August 2023 was quite challenging due to a deteriorating economic environment on the back of the negative impact of Cyclone Freddy on our operations. Some of the notable challenges were the lack of availability of forex which impacted the availability of key products and the escalation of prices of commodities from our key suppliers, the devaluation in the domestic currency in May 2022 and high interest rates. The forex scarcity was exacerbated by the maintenance by the Reserve Bank of Malawi of the export proceeds rules. Inflation rates accelerated from 25.4% in December 2022 and reached 28.6% by August 2023. Through our 'Tiwale' project we were able to contain some of the costs in order to remain affordable to our customers

One of the notable challenges to our operations was the investigation commenced by the Competition and Fair Trading Commission (CFTC) relating to our pricing followed by an adverse finding which we are challenging in the High Court. This was being pursued almost in parallel with the issuing of an import license by the Ministry of Trade and Industry.

Agriculture

The 2023 financial year was marred by the effects of significant weather events from both tropical storms Ana and Freddy with the most devastating effects being experienced at Nchalo and surrounding areas. The combination of these flood events affected our farming operations with high direct repair costs plus additional business interruption losses which impacted both cane quality and cane yield. These flood related business interruption losses affected both our own estate and grower farming operations and left the farming operations with cane that could not be crushed in the 2022 season requiring to be carried over for crush in the 2023 season. To the contrary Dwangwa had higher than normal rainfall leading to sustained water availability for irrigation resulting in improvement in cane yields by 30 955 tons compared to last season; however Dwangwa experienced plant reliability gaps which led to carry over cane. Dwangwa grower performance for the year was equally impacted by climatic potential and excessive rain resulting in a reduction in cane harvested by 32 740 tons.

Agriculture operations were further impacted by diesel shortages that delayed and reduced replant and other farming operations and also delayed the completion of infrastructure related repair works resulting from the 2022 tropical storm Ana. The delayed flood recovery was followed in March 2023 by further storm damage to the same infrastructure caused by another tropical storm Freddy.

As a result of the flood damage and delayed farming activities there was a reduction in cane and sucrose volumes especially in the cane from Nchalo in the season under review compared to the prior season. The majority of this impact will be seen in reduced volume of cane and sucrose production in the next reporting period.

Nchalo has continued with the strategic initiative to replace sprinkler irrigation with the more efficient drip irrigation systems targeting yield and input efficiency improvement. At the end of the first quarter of this reporting period, the estate had converted over 2 000 hectares of sprinkler to drip irrigation.

Dwangwa is currently pursuing growth through debottlenecking and alternative revenue streams while ensuring compliance to environmental regulatory requirements in line with the overall Illovo Sugar Malawi business strategy and ESG agenda. To this effect, the key focus areas have been co-generation which is intended to achieve in-season additional power generation to enable export into the grid in the year 2026. This would involve installation of a 17MW back pressure turbine while replacing existing inefficient ones. However, moderate progress has been made on the Independent Power Producers (IPP) process partly due to the impact of the change from Power Market Limited (PML) to ESCOM. Other projects are debottlenecking, and boiler emission abatement to bring flue gas emissions within acceptable air emission levels on particulate matter and carbon monoxide emmission during the transitions period. The Malawi Environmental Protection Authority (MEPA) is constantly being engaged. The debottlenecking project will determine the various pieces of equipment that hold the plant from operating at the boiler installed capacity and come up with sustainable interventions.

Factory

Factory operations were equally impacted especially at Nchalo by the combined effect of Cyclone Ana and Cyclone Freddy in consecutive rainfall seasons. Sugar production in the first half of the reporting period to March 2023 continued to be impacted by unsteady operations due to the impacts of high ash levels in the harvested cane, which resulted in higher-than-normal plant stoppages to replace and repair equipment in high wear zones, as well as ash build up in boilers that impacted steam pressures. This reflected in reduced processing time due to frequent stoppages for maintenance in addition to periodic cane supply shortages. As a result of this, about 100 000 tons of cane was carried over into the second half of the production season at the beginning of 2023. This introduced abnormally low cane quality in terms of sugar content in cane and also made factory sugar recovery more difficult due to higher impurity levels in the sugarcane.

Financial Performance

In the financial year ended 31 August 2023, the group registered significant growth in performance over prior year; the K 272 billion in reported revenues were 46% above prior year. Operating profit of K 81.9 billion represented a 107% growth over prior year. These excellent results were achieved against a backdrop of complex operational and environmental impacts as explained above.

The main driver of this solid performance was the growth in domestic sales which was largely attributable to a stable market environment not pressured by infiltration of illegal sugar inflows supported by derived positive arbitrage when Illovo Sugar Malawi selling prices are compared to the two neighbouring countries of Zambia and Mozambique. In addition, our solid commercial agenda has been driven through our expanded Route to Consumer (RtC), carefully designed sales executions, promotions, trade marketing and brand building. There is a continued drive to accelerate our footprint by adding depth and reach into the rural markets.

As a way of addressing consumer affordability issues aggravated by the challenging economic environment, we introduced a new 200g pack.

On the export front despite all the favourable conditions in the market, Illovo Sugar Malawi continued to experience the effects of cyclone Ana, Gombe and Freddy. The mills struggled to produce sugar as planned. On several occasions, the production plan had to be reduced significantly affecting export volumes in FY23 and FY24. Going forward we intend to focus on generating the best value with the limited available stocks by supplying the most attractive markets and customers in the primary regional market while maintaining sales of the high margin speciality sugar which will position us well to generate the much-needed foreign exchange.

Health, Safety and Quality

There was an improvement in Lost Time Injuries (LTIs) by 75% in the year under review compared to the previous year. Similarly, there was a reduction of 35% in Medical Treatment cases. In terms of First Aid Cases (FAC), there was an increase from 15 to 22 cases. We will spend more effort in trying to get to the root causes of the frequency of FAC's and deploy appropriate interventions to improve the situation.

Sadly, in March 2023 Tropical Storm Freddy set a train of events that resulted in a fatality where an employee, Simion Zakaria, an electrical linesman, aged 24 years lost his life whilst repairing a storm damaged high voltage power line. A second linesman, Chisomo Daisi survived but suffered electrical burns and injuries to his left leg and arm. The safety theme of "We need you, please work safely" was launched at Nchalo on the back of the fatal incident.

The strategic importance of safety has been raised to the number one priority across our Malawi operations. The aim is to elevate the safety priority to ensure we provide a safe place to work and to live for our employees and stakeholders through building a culture of zero compromise towards safety. This has commenced in the form of a safety journey with 5 key areas of action which include vision and organisational design, safe behaviours, and competence through governance, key performance areas, audits and inspections. We are planning to enhance our systems to be more integrated and real time while another action area aims to enhance fatal risk management.

In July 2023, Nchalo was the first site in the Illovo Group in recent years to achieve a 4 Star integrated NOSA safety certification. The NOSA system focuses on providing an integrated systematic and structured set of governance systems for health, safety and environment. The baseline risk assessment was also reviewed with assistance from NOSA in the first quarter of the reporting period to strengthen risk-based thinking amongst employees and contractors.

Management has once again made a strong commitment to focus on safety at work and at home until we inculcate in our employees a culture of zero compromise towards safety. We owe it to our employees and their families to achieve

zero fatalities at Illovo Sugar Malawi. We join Paul Kenward, CEO ABF Sugar, in committing to keep working on our plans to eliminate fatalities and reduce serious harm to our employees and contractors. We will also keep engaging with our communities and stakeholders regarding the dangers in our operations.

Quality

The reduction in food quality complaints is largely attributed to implementation of Illovo Quality Way initiative since October 2021 which seems to be registering pleasing gains. This program continues to focus on building a holistic and sustainable quality and food safety system through employee engagement, training, improved processes, infrastructure re-design and, in general, focus on building a quality culture. The program is still in progress and is considered a strategic journey that will remain a key business driver. The initial five priorities of our quality management system; 5S principles to organise workspaces; align key performance indicators and objectives; cross-functional thinking and; appropriate infrastructure - are still being enhanced, aiming at achieving robust maturity before moving to the second phase of priorities.

Health

During the period under review Malawi registered significant cholera prevalence. The estates managed to put in place measures to mitigate the spread of cholera on the estate but also to the surrounding villages through the provision of safe potable water, chlorine and enhancing sanitation facilities. In addition, the estates were able to contain the spread of cholera due to the vaccination campaign run by the estate clinics with most people willingly taking up the vaccination.

People

Our people are our most valuble asset and are the key to the company's success. Therefore, their performance, well-being, and personal development have a significant impact on us achieving our goal of being a safe place to live and work and the achievement of a sustainable, resilient, consumer and customer centric performance focused business that delivers outstanding value for all our stakeholders. To this end, several initiatives were put in place during the year under review aimed at developing the talent of our people within a diverse and inclusive environment where we can empower them to be their best.

The average headcount for the year ending in 2023 stood at over 10 000, with the highest recorded headcount of 18 363. Within this workforce, male employees comprised 84.8%, while female employees accounted for 15.2%. We remain committed to embracing diversity and promoting gender balance.

Throughout the year under review, we advanced 142 internal promotions, fostering professional growth within our organization. In our dedication to fostering inclusivity, we continue to support employees with disabilities, with one individual benefiting from this initiative. We have established the Women in Leadership Initiative which is an initiative to prioritise the recruitment, development, advancement and retention of women within our organization with the strategic aim of achieving a 30% representation of women in leadership roles by 2026.

Key human resources projects during the year included; Success Factors (SF) a process of transition from transactional HR support to a strategic partnership, Employee Value Proposition (EVP) initiative which seeks to create a meaningful, employee-centered approach aligned with our business strategy founded on the principles of mutual growth and a positive impact on people's lives. We also had the Procurement and Inventory Project which has brought substantial improvements to procurement and inventory management. Enhancements to the Manufacturing Operating Model introduced new roles and adjustments to existing positions. Cognisant of the fact that we have a lot to gain from understanding the well-being of our employees, committees have been established and mental health initiatives have been prioritised. A well-being calendar and a policy have been developed, fostering a supportive and health-conscious work environment.

Significant efforts were invested in addressing identified skills gaps. These initiatives centered on functional and safety training, leadership development, artisan skills enhancement and operator training. Safety received special attention, with all front-line management and higher-ranking employees undergoing retraining and certification through the Illovo Safe Academy. Quality and food safety training remained significant in our development efforts.

We continued with employee engagement through conducting the engagement survey, results of which were disseminated to respective teams, leading to the development of actionable plans to address identified gaps. In addition, our engagement extends to the union which in the year under review culminated into a wage agreement in April 2023. We maintain open communication with the government ministries of Labour, Homeland Security and Immigration further bolstering our relationships.






















Creating Shared Value (CSV) / Corporate Social Responsibility (CSR)

The Thriving Community Foundation (TCF) was established in the year to pioneer a private sector partnership approach to social development in the communities hosting Illovo's operations. The TCF commenced with a pilot phase working with several partners at Nchalo and in this phase has demonstrated the efficacy of the model in securing diverse funding, building essential capabilities and multiplying the impact of social development initiatives. Post the pilot phase, the TCF has formally been registered as a non-profit organisation and established its governance processes, including hosting its first board meeting. Multiple opportunities are being worked on for community and district enhancement in the areas of healthcare, potable water supply, business acceleration, agriculture, housing and related supply chain enhancement, security and governance and stakeholder networks.

Good progress was made especially in developing agricultural climate resilience projects in partnership with USAID. The furrow and drip irrigation schemes at Mwanakakula and Bester respectively have enhanced the livelihoods of 438 households on our boundaries.

Illovo Sugar Malawi has also started investigating the possibility of developing alternative value chains such as cotton and lint in support of the opportunities presented through the Shire Valley Transformation high level canal Project.

During the year there has been exciting foundation work done in collaboration with Catholic Relief Services to develop sustainable and affordable housing and related supply chains for local communities. This project is set to start building pilot houses in the coming year and scaling of affordable homes thereafter.

Looking ahead, the vision for TCF is to continue delivering and expanding initiatives in Nchalo, with the establishment of the Dwangwa chapter on the horizon. In the year under review Dwangwa Kakuyu promoted the Kakuyu Community Farming CSV project where the community was granted a licence to operate on 270 hectares for planting of rice. Land preparation has been sponsored by Illovo in partnership with Unitrans. K 500 million was invested in the education sector and K 126 million in the health sector.

Prospects

We are confident of making progress with the Public Private Partnership (PPPC) and the Ministry of Agriculture which will lead to the conclusion of an Irrigation Water Purchase Agreement (IWPA) and commencement of the construction works for the MC3 intake which will supply water to our Nchalo Estate from the high level canal. This will be a game changer for the business as it will lead to a reduction in the cost of production for Nchalo by reversing the existing irrigation infrastructure from an electricity intensive lift pumping system to a gravity water feed system. The project will also lead to saving of irrigation bulk water consumption due to the change to embedded pipeline from open canals.

Although ESCOM announced in July 2023 that they had suspended the signing of any Power Purchase Agreements (PPAs) affecting progress on our energy projects at both estates we will meanwhile proceed with plans to remain energy efficient by proceeding with a reduced project scope which will focus on addressing current boiler stack emission non-compliance and also safety issues by replacing outdated boiler equipment in order to remain compliant with environmental management requirements.

We are also confident that Malawi will sign the Extended Credit Facility (ECF) soon which will lead to restoring macroeconomic stability, building a foundation for inclusive and sustainable growth among other benefits.

The business will strive to continue supplying its valued customers with quality 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 both domestically and internationally and ensure revenue and profit growth into the foreseeable future.

Noting the weather patterns that have continued to negatively affect our production we will continue to assess and strengthen our flood defences and resilience checks and planning as we gradually become more resilient to better cope with the flood impacts going forward. We will also continue to support the surrounding flood prone communities with climate resilience and programs aimed at reducing the risk of flooding besides providing irrigation support for food sustainability and cash crops.

Availability of foreign currency, inflation, bank interest rates and exchange rates for the Kwacha against major trading currencies will continue to have a notable impact on profitability for the business. The group intends to continue applying significant effort to ensure that cost management and efficient operations continue to be focused on for the benefit of the ultimate consumers.

Safety leadership, capability development and stakeholder engagement remain our key enablers for executing our strategy. We intend to proactively drive these enablers led by the executive team.

Conclusion

I wish to thank the board for their support, guidance and active engagement during the year and I have every confidence that going forward they will continue to offer counsel, direction and support as we deal with a very challenging economic environment but also to engage our diverse stakeholders. The strong performance which we have achieved despite the challenging economic environment is a great testament to the robustness and agility of our strategies coupled with the solid guidance we continue to get from the board.

Let me also take this opportunity to sincerely thank members of staff for their dedication to duty, hard work as well as professional conduct. Despite the many challenges our industry continues to face, I have never doubted your commitment and desire to see us succeed together with the sense of grace and grit that defines Illovo Sugar Malawi. As our tagline goes **Together We Can**.

LEKANI KATANDULA
Managing Director

TOGETHER WECAN
PAMODZI NDIZOTHEKA

Corporate Governance

At the Illovo Sugar Group we do business the right way. Good governance and ethical behaviour are at the heart of our agenda. The company endeavours to protect the interests of all its stakeholders by implementing and complying with best corporate governance practices as enshrined in the Companies Act 2013 (The 2013 Act) and regulations made thereunder, good corporate governance principles along the lines of the Code of Best Practice for Corporate Governance in Malawi – The Malawi Code and the Malawi Stock Exchange Listing Requirements (MSELR), which have recently been revised. The directors have implemented all the statutory codes and policies by the board to ensure better corporate governance in all the spheres of the organisation, and as far as it concerns the business of the group, the directors have adhered to The 2013 Act, The Malawi Code and The MSELR in all material respects for the year ended 31 August 2023.

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 situation 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 directs the affairs of the company and is committed to sound principles of corporate governance.

In doing so, the board always acts in the best interests of shareholders. The board provides effective leadership and exercises enterprise integrity and judgment in directing the company so as to achieve its strategic intent, goals and objectives in a manner based on accountability and responsibility and an ethical foundation.

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. The full board has three executive directors and nine non-executive directors, six of whom are independent.

The board recognises that boards that are diverse in experience, skills, gender, age, and qualifications, have a positive effect on the quality of governance and such boards often present a good indication of a well-run company. The board is well balanced in terms of diversity. Nonetheless the Board continues to engage itself in conversations on diversity and inclusion issues, mainly focusing on gender, with the aim of achieving gender diversity in its Board composition. Competency of the board of directors is provided in this report.

The list of key skills, expertise and core competencies of the board of directors, is provided in the report on the composition of the board forming part of this report. The shareholding status of directors in the company are furnished in the financial statements report.

Executive Management

Following the retirement of Jeremiah Ndlovu in March 2023 McLean Debwe was appointed Dwangwa Estate general manager in April 2023.

The executive management meets regularly to discuss issues material to the operations of the group. The group's strategy and business model are developed by the Managing Director and the executive team and approved by the board. The management team, led by the Managing Director, is also responsible for implementing the strategy and managing the business at an operational level.

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 four directors, all of whom are non-executive, and is chaired by Dr Grant Kabango. 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 Kondwani Msimuko has the relevant experience and expertise in this role.

Risk Management Committee

The risk management committee is chaired by Andre Lubbe 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.

The role of the committee is to assist the board to ensure that the company has implemented an effective policy and plan for risk management that will enhance the company's ability to achieve its strategic objectives and also that the disclosures made by management with regard to the company's risk management processes are comprehensive, timely and relevant. 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.

Remuneration / Nomination Committee

The remuneration and nomination committee comprises of four non-executive directors and is chaired by Professor Address Malata. The committee is responsible for reviewing compensation of the executive directors and executive management of the group, and recommending the appointment / reappointment of directors.

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

Speak-Up is the group's programme aimed at providing a mechanism for employees to report if they become aware of any inappropriate, improper, dishonest, illegal or dangerous behaviour. In addition to reporting to a line manager or other alternative contacts, the group has an established and well-publicised phoneline and webservice that they can use.

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.

Performance Evaluation of the Board

In order to ensure that the board and board committees are functioning effectively and to comply with the statutory requirements, the annual performance evaluation of the board, board committees and individual directors are conducted during the year. The evaluations are carried out based on the criterion and framework approved by the Remuneration / Nomination Committee.

Financial Statements

Despite many challenges, Illovo Sugar Malawi registered significant year on year growth primarily as a result of strong domestic market sales.

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.

	2023 K million	2022 K million
Wealth created		
Revenue	272 457	186 642
Income from investments	75	60
Paid to growers for cane purchases	(33 623)	(20 816)
Cane growing and manufacturing costs	(111 374)	(80 329)
	127 535	85 557
Wealth distributed		
To employees as salaries, wages and other benefits	42 209	32 949
To lenders of capital as interest	221	1 087
To shareholders as dividends	18 721	13 955
To the government as taxation	15 429	12 567
	76 580	60 558
Wealth reinvested		
Retained profits in holding and subsidiary company	38 037	12 675
Depreciation	6 588	6 819
Deferred taxation	6 330	5 505
	50 955	24 999
	127 535	85 557
Analysis of taxes paid to and collected on behalf of the government		
Central and local government		
Current taxation	8 670	8 325
Customs duties, import surcharges and other taxes	6 759	4 242
Total contribution to central and local government	15 429	12 567
The above amount contributed excludes the following:		
- employees taxation deducted from remuneration	6 368	4 529
- net VAT amount collected on behalf of the government	18 093	8 541
- withholding taxes	6 838	2 571
	31 299	15 641
Total contributed to government	46 728	28 208

Review of Five Periods

K million
Statements of profit or loss and other comprehensive income
Revenue
Operating profit
Dividend income
Net finance costs
Profit before taxation
Net profit for the period
Headline earnings
Dividends paid
Reconciliation of headline earnings
Net profit for the period
Headline earnings
Statements of financial position
Shareholders' equity
Deferred tax
Malawi government vitamin A grant
Interest-bearing debt
Total funding
Property, plant and equipment
Right of use assets
Investments
Current assets - cash
Current assets - other
Total assets
Other current liabilities
Net assets

Year ended 31-Aug -23	Year ended 31-Aug-22	Year ended 31-Aug-21	Year ended 31-Aug-20	Year ended 31-Aug-19
272 457	186 642	163 259	146 953	129 676
81 923	39 505	31 941	8 137	20 047
75	60	71	28	2
(221)	(1 087)	(2 674)	(3 880)	(5 367)
81 777	38 478	29 338	4 285	14 682
56 758	26 630	20 469	2 739	10 083
56 758	26 630	20 469	2 739	10 083
(18 721)	(13 955)	(4 281)	(357)	-
56 758	26 630	20 469	2 739	10 083
56 758	26 630	20 469	2 739	10 083
139 091	100 935	88 171	71 874	71 298
33 144	26 792	21 273	19 059	21 420
191	198	205	212	220
8 151	9 849	13 890	20 313	30 389
180 577	137 774	123 539	111 458	123 327
87 136	67 989	58 190	55 498	56 144
7 597	8 991	9 458	2 558	-
876	739	604	494	463
77 217	15 160	3 922	318	722
124 839	104 511	92 351	87 505	103 343
297 665	197 390	164 525	146 373	160 672
(117 088)	(59 616)	(40 986)	(34 915)	(37 345)
180 577	137 774	123 539	111 458	123 327

Review of Five Periods
(continued)

Earnings and dividends	Note	
Basic and diluted earnings per share	1	tambala
Headline earnings per share	2	tambala
Dividends declared and paid per share		tambala
Dividend cover on headline earnings	3	times
Financial statistics		
Return on average shareholders' equity	4	%
Return on net assets	5	%
Debt to equity	6	%
Gearing	7	%
Interest cover	8	times
Net asset value per share	9	tambala

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.

Year ended 31-Aug -23	Year ended 31-Aug-22	Year ended 31-Aug-21	Year ended 31-Aug-20	Year ended 31-Aug-19
7 955	3 733	2 869	384	1 413
7 955	3 733	2 869	384	1 413
2 624	1956	600	50	-
3	2	478	767,2	-
47.3	28.2	25.6	3.8	15.2
51.5	30.2	27.2	7.0	17.8
(49.7)	(5.3)	11.3	25.2	41.6
(98.6)	(5.6)	10.2	21.8	29.4
370.7	36.3	11.9	2.1	3.7
19 496	14 148	12 358	10 074	9 994

5 **Return on net assets**

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

6 **Debt to equity**

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

7 **Gearing**

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

8 **Interest cover**

Operating profit divided by net financing costs.

9 **Net asset value per share**

Shareholders' equity divided by the number of shares in issue at the end of the year.

Review of Five Periods
(continued)

Operational statistics
Cane harvested (hectares)
Nchalo
Dwangwa
Tons cane per hectare (weighted average)
Nchalo
Dwangwa
Cane crushed (tons)
Nchalo
Dwangwa
Growers
Sucrose percent (weighted average)
Nchalo
Dwangwa
Growers
Sugar produced (tons)
Nchalo
Dwangwa
Analysis of sugar sales by destination (tons)
Domestic market
Export market

Year ended 31-Aug -23	Year ended 31-Aug-22	Year ended 31-Aug-21	Year ended 31-Aug-20	Year ended 31-Aug-19
19 359	15 358	19 089	17 579	18 656
12 475	9 289	13 178	11 087	12 399
6 884	6 069	5 911	6 492	6 257
94	98	98	100	94
88	92	94	93	85
106	110	107	115	114
2 316 783	1 970 279	2 410 529	2 205 560	2 165 085
1 095 650	850 273	1 242 324	1 027 073	1 051 506
723 319	659 619	624 303	737 370	707 213
497 814	460 387	543 902	441 117	406 366
14,12	14,25	14,10	14,29	14,14
13,54	13,74	13,76	14,01	13,85
15,04	14,91	14,69	14,71	14,52
14,09	14,24	14,19	14,25	14,26
264 119	229 658	279 278	263 634	252 375
143 868	115 354	167 713	139 914	135 950
120 251	114 304	111 565	123 720	116 425
254 881	279 282	297 010	272 788	215 141
225 432	213 550	172 578	147 242	137 716
29 449	65 732	124 432	125 546	77 425

ILLOVO SUGAR (MALAWI) PLC

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2023

Statutory Information

1. Nature of Business

The principal activities of the group are the growing of sugar cane and the manufacture of sugar. This is more fully described under the group profile appearing on page 7.

2. Review of Operations

Detailed commentary is given in the directors' report on pages 62 to 72.

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 pages 128 to 131 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 185.

The register of members reflects 2 beneficial shareholdings equal to or greater than 1% of the issued ordinary share capital. Details are given on page 185.

6. Dividends

The Directors are pleased to declare a second interim dividend of K12.60 per share, in addition to the first interim dividend of K10.80 per share. A final dividend of K5.80 per share will be presented to the Shareholders at the AGM for their approval by Directors and will be paid in March 2024. This will bring the total dividend for the year to K29.20 per share, compared to the previous year's full dividend of K21.00 per share.

The directors of the wholly owned and only subsidiary of the company, Dwangwa Sugar Corporation Limited, paid dividends amounting to K30 billion during the year (2022: K nil) to the company.

7. Subsidiary Company

Information concerning the subsidiary of the company is set out in note 7 to the financial statements.

8. 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 41 and pages 42 to 46 respectively.

Douglas Ndawambi Kasambala resigned as a director on 2nd June 2023 and has not been replaced.

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, Ravi Savjani, Violette Santhe and Andre Lubbe will retire and being eligible, and after consideration and recommendation by the Nomination/Remuneration Committee, they offer themselves for re-election.

In terms of Section 169 (4) of the Companies Act 2013 the office of a director of a public company or a subsidiary of a public company shall become vacant at the conclusion of the annual meeting commencing next after the director attains age of seventy years.

However by Section 169 (6) the director shall by ordinary resolution be reappointed to hold office until the next annual meeting of the company. Director Ami Mpungwe attained the age of seventy-one years during the year. At the forthcoming annual general meeting the directors will seek the approval of the shareholders that Ami Mpungwe should be re-appointed for another year.

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

	2023		2022	
	Direct	Indirect	Direct	Indirect
L L Katandula	400 000	-	320 000	-
K Ntambo - Banda	30 000	-	-	-
K Msimuko	-	13 000	-	-
M Kachingwe	816	-	-	-

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

Statutory information (continued)

9. Directors' Fees

At the forthcoming annual general meeting it will be proposed that director's fees payable to each non-executive independent director be increased from K6 900 000 to K15 000 000 per annum for the Chairman and K12 000 000 per annum from K6 900 000 per annum for other Directors and that sitting allowances be increased from K 300 000 to K550 000 per meeting for the Chairman and K450 000 from K300 000 per meeting for the directors.

10. 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 Africa Holdings 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).

11. Auditor

Ernst & Young will continue in office in accordance with the provisions of the Companies Act, 2013.

12. Special Resolutions

During the financial year there were no special resolutions adopted.

13. Post Balance Sheet / Year End Events

Refer to Note 28.

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, Ernest & Young (EY), audited the financial statements and the auditor's report is represented on pages 92 to 97.

The annual financial statements of the group and the company which appear on pages 98 to 184 were approved by the board of directors on 29 November 2023 and are signed on its behalf by:

J K Lipunga
Chairman
29 November 2023

L L Katandula
Managing Director

Building a better working world

Chartered Accountants (Malawi)
Apex House
Kidney Crescent
PO Box 530
Blantyre, Malawi

Independent auditor's report to the shareholders of Illovo Sugar (Malawi) Plc

Report on the audit of the consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Illovo Sugar (Malawi) plc (the Group) set out on pages 98 to 184 which comprise the consolidated and separate statements of financial position as at 31 August 2023 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 August 2023, 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 (IFRS) and the requirements of the Companies Act 2013.

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 and separate Financial Statements* section of the report. We are independent of the Group and Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other 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. The matter noted below was 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 the matter. For the key audit matter noted below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report, including in relation to the key audit matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements.

The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key Audit Matter

Group and Company: Growing cane valuation

The Consolidated and Separate Statements of Financial Position carry growing cane of K50.9 billion and K33.6 billion respectively.

This represents 17.11% of total assets and 25.21% of current assets for the consolidated statement of financial position and 8.9% of total assets and 10.83% of current assets for the separate statement of financial position.

As described in Note 1.11 of the financial statements, the value of growing cane is based on the estimated sucrose content from the expected yield valued at the estimated sucrose price less estimated relevant costs.

The valuation process is complex and requires management to exercise significant judgement regarding certain assumptions and inputs in the valuation. These assumptions are disclosed in note 9 to the financial statements.

The key assumptions and inputs in determining the growing cane valuation were:

- expected cane yield taking into account the average maturity of cane
- estimated sucrose content
- estimated sucrose price
- estimated relevant costs

Estimation of sucrose price is based on forecasted revenue, and forecasted marketing costs taking into account distribution and packaging costs. On the other hand, the estimated sucrose content takes into account estimated recoverable sugar, estimated cane to be crushed, estimated production and estimated opening and closing inventory for the following period.

Independent auditor's report to the shareholders of Illovo Sugar (Malawi) Plc (continued)

Given the level of judgement involved in estimating the growing cane valuation and the significance of the growing cane balance to the financial statements as a whole, we considered the valuation of growing cane to be a key audit matter.

How the Matter was Addressed in the Audit

Our procedures for the valuation of growing cane, amongst others, included:

- Holding discussions with management, to obtain an understanding of the methods used to determine the valuation of growing cane and compared this to prior year's methods applied.
- evaluating the objectivity, competence and capabilities of management by reference to their qualifications and professional experience in the relevant industry, and the scope of work as agreed with management.
- evaluating the assumptions used by management, which included cane crushed and sucrose content;
  - For cane crushed, we compared the sugar production tonnage to the cane yield best practice agricultural data available.
  - For sucrose content, we compared prior period estimates to actual output
  - For the cane fields destroyed by cyclones, we evaluated the impact on the yield.
- Further evaluated the assumptions applied by management concerning the estimates of growing cane yield and average maturity of cane by comparing the estimates to historical standing input data on the model.
- Evaluated the sucrose price by performing the following procedures, amongst others:
  - Compared the historic estimates of sales quantities to actuals. We further agreed the sugar and molasses revenue and related costs for the previous season to actual sales and costs.
  - Ensured that the cost estimates reflected the current economic variables influencing input costs.
- Assessed whether the disclosures of growing cane included in the financial statements comply with the requirements of the International Financial Reporting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the key indicators, Group structure and shareholding, corporate information, Chairman's report, Managing director's report, corporate governance, value added statement, review of five periods, statutory information, and approval of annual financial statements included in the annual report of Illovo Sugar (Malawi) plc for the year ended 31 August 2023. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate 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 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 and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2013; 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 Company's and 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 and Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the shareholders of Illovo Sugar (Malawi) Plc (continued)

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 the 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 skepticism 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 and Company'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 and Company'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 and/or the Company 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 within the Group and its business activities to express an opinion on the consolidated and separate 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

Ernst & Young

Chartered Accountants (Malawi)
Chiwemi Chihana
Registered Practicing Accountant
29th November 2023

Accounting Policies

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

These consolidated and separate financial statements have been prepared on the historical cost basis except where specifically stated.

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.

These consolidated and separate financial statements are presented in Malawi Kwacha (K) and rounded to the nearest one million.

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) and in compliance with the Companies Act 2013, of Malawi.

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 of the Accounting Policies.

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 leasing transactions that are within the scope of International Financial Reporting Standard (IFRS) 16 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.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 (i.e., as prices) or indirectly (i.e., derived from prices).

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Accounting Policies

1.5 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 group's functional currency and the presentation currency.

In preparing the financial statements, 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 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

1.6 Basis of consolidation

The separate financial statements reflect the investment in subsidiary controlled by the company at cost less accumulated 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 (i.e., 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.

Accounting Policies

1.7 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.

Statements of financial position

1.8 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 in the course of construction are carried at cost, and any accumulated 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, borrowing costs capitalised in accordance with the group's accounting policy.

Cane roots meet the definition of a bearer plant and are accounted for as property, plant and equipment using the cost model.

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, equipment and furniture	3 – 60 years
Vehicles and aircraft	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 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.

Accounting Policies

1.9 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.

Factory overhaul costs

The factory overhaul costs/off-season costs are costs incurred to prepare the production facilities and equipment for the upcoming milling season. The off-season costs are therefore indispensable for normal production activities in the subsequent seasons. The Illovo policy is to present factory overhaul costs under inventory as the factory overhaul costs are assets in the form of materials or supplies to be consumed in the production process.

Factory overhaul costs incurred are written off in the following production season, as sugar production progresses.

1.10 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 (i.e., the investment property is recorded at cost less any accumulated depreciation and impairment losses).

1.11 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, less any farm management costs from year end to 31 March.

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 (i.e. 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 (e.g. 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.

The valuation as at August is derived from the March valuation by deducting the costs, necessarily incurred to farm sugar cane until the commencement of the following season and the expected profit margin on the cane growing activity.

1.12 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.

1.13 Post-retirement obligations

The group provides retirement benefits for its employees through a defined contribution plan., the SUCOMA Group Pension Scheme. 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.

1.14 Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its tangible, intangible and right of use 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.

Accounting Policies

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.

1.15 Deferred taxation

Deferred tax 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 tax asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses. Deferred tax 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 tax 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 tax liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities are recognised for all taxable temporary differences, unless specifically exempt.

Deferred tax 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.

1.16 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

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.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Accounting Policies

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit and loss with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the group. The group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The group's financial assets at amortised cost are trade receivables, amounts due from related parties and bank balances.

Financial assets at fair value through OCI (debt instruments)

The group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The group did not have any financial assets at fair value through OCI as at 31 August 2023.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The group elected to classify irrevocably its non-listed equity investment in Ethanol Company Limited under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The group did not have any debt instruments classified as financial assets at fair value through OCI as at 31 August 2023.

Accounting Policies

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets)

is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired.

Or

- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 27.5.2.

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the group applies a simplified approach in calculating ECLs.

Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The group has not designated any financial liability as at fair value through profit or loss.

Accounting Policies

Loans and borrowings

This is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments

The group enters into derivative financial instruments, largely foreign exchange forward contracts, to manage its exposure to foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.
- At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

- The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Cash flow hedges

The group designates forward contracts in cash flow hedges of forecast sales in Euro as hedging instruments. The fair value changes in the forward contracts are recognised in OCI and accumulated in a separate component of equity under hedging reserve. The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

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.

Accounting Policies

1.17 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset, by equal annual instalments.

1.18 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods. The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Sale of sugar

Revenue from sale of sugar is recognised at the point in time when control of the sugar is transferred to the customer, generally upon collection of sugar by the customer from the group's warehouse. The normal credit terms vary between 14 to 90 days upon collection from the warehouse.

The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., provision of warehouse services, arrangement of freight and insurance). In determining the transaction price for the sale of sugar, the group considers the effects of variable consideration, the existence of significant financing components, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Some contracts provide customers with retrospective volume rebates to certain customers once the quantity of sugar purchased during the period exceeds a threshold specified in the contract. The volume rebates give rise to variable consideration.

To estimate the variable consideration for the expected volume rebates, the group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(ii) Cost to obtain a contract

The group pays sales commission to IGMS for each contract that they obtain for export sales of sugar. The group has elected to apply the optional practical expedient for costs to obtain a contract which allows the group to immediately expense sales commissions because the amortisation period of the asset that the group otherwise would have used is one year or less.

(iii) Principal vs agent considerations

The group has certain contracts with customers to sell sugar at Cost, Insurance, Freight (CIF) incoterms. The group has assessed that there are three performance obligations in the contracts; sale of sugar, arrangement of freight, and arrangement of insurance. The group has concluded that it acts in the capacity of principal when selling the sugar and as an agent in arranging insurance and arranging freight on behalf of the customer. However, even though there are three performance obligations, for two of the performance obligations (i.e. arranging insurance and arranging freight), no commission/profit is earned on these obligations as the amount included in the pricing is merely passed on to the customer through CIF pricing.

Costs of insurance and freight are therefore reimbursed expenses and are deducted from revenue as they reduce the amount of consideration Illovo expects to receive.

Sale of molasses

Molasses are a by-product of the sugar production process. These are sold for the production of ethanol mostly to two major customers located near the two mills under the group.

Revenue from sale of molasses is recognised at the point in time when control of the molasses is transferred to the customer, generally upon collection of molasses by the customer from the group's premises. The normal credit terms are 30 days upon collection from the group's premises.

Accounting Policies

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

If the group performs by transferring goods or services to a customer before the customer pays consideration

or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables are non-interest bearing and are generally on terms of 14 to 90 days

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the group transfers goods to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the group performs under the contract.

Performance obligations

The group's performance obligations are summarized below:

The performance obligation for domestic revenue is satisfied upon dispatch of sugar from the warehouses. Performance obligations for export revenue are satisfied when legal title or risk and rewards of ownership have been transferred to the customer through reference to the incoterms.

The group also has bill and hold arrangement and performance obligations are satisfied when the following conditions are met;

- The customer requests for the goods to be warehoused and stored at a warehouse at the port of shipment while the customer arranges for a logistics service provider to transport the sugar
- The sugar is stored separately in the warehouse, in a separate demarcated area so the sugar can be identified as the customer's inventory at any point in time
- The sugar is packaged and ready for physical transfer to the customer
- When the sugar is at the warehouse, the group does not have the ability to use the product or direct the goods in any way

1.19 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.

1.20 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.

1.21 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.

1.22 Leases

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Accounting Policies

(i) Right-of-use assets

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 7 years
- Buildings 2 to 10 years
- Land up to 99 years

If ownership of the leased asset transfers to the group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

1.23 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

1.24 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 that are declared after the reporting date but before the financial statements are authorised for issue by the company's board of directors, are not recognised as a liability at the end of the reporting date.

This is because no obligation exists at that reporting date. Such dividends are however, disclosed in a note to the financial Statements. 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.

Accounting Policies

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

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

Accounting Policies

2.2 New and amended standards and Interpretations and standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date Effective for annual period beginning or after	Standard, Amendment or Interpretation
1 January 2024	**Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*** In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must apply retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's financial statements

Effective date Effective for annual period beginning or after	Standard, Amendment or Interpretation
1 January 2024	**Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*** In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Accounting Policies

Effective date Effective for annual period beginning or after	Standard, Amendment or Interpretation
1 January 2024	**Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7** In May 2023, the IASB issued amendments to *IAS 7 Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Group's financial statements.

The directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the consolidated and separate financial statements of the Group.

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 August 2023

		GROUP		COMPANY	
	Notes	2023 K million	2022 K million	2023 K million	2022 K million
Revenue from contracts with customers	2	**272 457**	186 642	**148 544**	102 480
Operating profit	3	**81 923**	39 505	**28 541**	16 496
Dividend income		**75**	60	**30 000**	-
Finance costs	4a	**(2 849)**	(1 396)	**(1 718)**	(601)
Interest income	4b	**2 628**	309	**2 628**	309
Profit before taxation		**81 777**	38 478	**59 451**	16 204
Income tax expense	5	**(25 019)**	(11 848)	**(9 203)**	(5 079)
Net profit for the year		**56 758**	26 630	**50 248**	11 125
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges		**5**	(33)	**5**	(33)
Tax effect of the cash flow hedges	13	**(1)**	10	**(1)**	10
Other comprehensive income/(loss) relating to cash flow hedges	17	**4**	(23)	**4**	(23)
Items that will not be reclassified to profit or loss in subsequent periods:					
Net gain on equity instruments designated at fair value through other comprehensive income	7	**136**	136	**-**	-
Tax effect on valuation of unlisted investment	13	**(21)**	(24)	**-**	-
Other comprehensive income relating to valuation of unlisted investments	7	**115**	112	**-**	-
Total other comprehensive income/(loss)		**119**	89	**4**	(23)
Total comprehensive income for the year		**56 877**	26 719	**50 252**	11 102
Basic and diluted earnings per share (tambala)	22	**7 955**	3 733		

Consolidated and Separate Statements of Financial Position

as at 31 August 2023

	Notes	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
ASSETS					
Non-current assets					
Property, plant and equipment	6	**87 136**	67 989	**61 197**	47 054
Right of use Assets	20	**7 597**	8 991	**4 377**	4 292
Investments	7	**876**	740	**324**	324
		95 609	77 720	**65 898**	51 670
Current assets					
Inventories	8	**50 254**	39 134	**29 274**	25 394
Growing cane	9	**50 942**	37 163	**33 602**	24 985
Trade and other receivables	10	**22 227**	28 192	**20 695**	26 317
Amount due from related parties	15.7.1	**1 411**	21	**149 464**	88 609
Derivative financial assets	17	**5**	-	**5**	-
Cash and cash equivalents	11	**77 217**	15 160	**77 216**	15 159
		202 056	119 670	**310 256**	180 464
Total assets		**297 665**	197 390	**376 154**	232 134
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and premium		**782**	782	**782**	782
Fair value reserve		**558**	443	**-**	-
Hedging reserve		**4**	-	**4**	-
Retained earnings		**137 747**	99 710	**49 740**	18 213
		139 091	100 935	**50 526**	18 995

		GROUP		COMPANY	
	Notes	2023 K million	2022 K million	2023 K million	2022 K million
Non current liabilities					
Malawi Government Vitamin A Grant	12	**191**	198	**163**	169
Lease liabilities	20	**4 445**	6 896	**1 574**	3 132
Deferred tax	13	**33 144**	26 792	**21 906**	18 484
		37 780	33 886	**23 643**	21 785
Current liabilities					
Trade and other payables	14	**48 968**	32 861	**45 114**	25 792
Contract liabilities	14.1	**3 903**	2 290	**3 903**	2 290
Lease liabilities	20	**3 706**	2 953	**2 989**	1 759
Amount due to related parties	15.7.2	**49 497**	17 052	**245 355**	157 619
Income tax liability		**14 720**	4 701	**4 624**	1 182
Dividend Payable	23	**-**	2 712	**-**	2 712
		120 794	62 569	**301 985**	191 354
Total equity and liabilities		**297 665**	197 390	**376 154**	232 134

The responsibilities of the group's directors with regard to the preparation of the financial statements are set out on page 91. The financial statements on pages 98 to 184 were approved and authorised for issue by the board of directors on 29 November 2023 and were signed on its behalf by:

J K Lipunga (Chairman)

L L Katandula (Managing Director)

Consolidated and Separate Statements of Changes In Equity

for the year ended 31 August 2023

GROUP

Balance at 1 September 2021

Total comprehensive income for the year

- profit for the year
- cashflow hedges
- fair value gain on investment

Dividends declared

Balance at 31 August 2022

Balance as at 1 September 2022

Total comprehensive income for the year

- profit for the year
- cash flow hedges
- fair value gain on revaluation of investment

Dividends declared

Balance at 31 August 2023

Share Capital K million	Share Premium K million	Fair Value Reserve K million	Hedging Reserves K million	Retained Earnings K million	Total K million
14	768	331	23	87 035	88 171
		112	(23)	12 675	12 764
-	-	-	-	26 630	26 630
-	-	-	(23)	-	(23)
-	-	112	-	-	112
-	-	-	-	(13 955)	(13 955)
14	768	443	-	99 710	100 935
14	**768**	**443**	**-**	**99 710**	**100 935**
-	-	115	4	38 037	38 156
-	-	-	-	56 758	56 758
-	-	-	4	-	4
-	-	115	-	-	115
-	-	-	-	(18 721)	(18 721)
14	**768**	**558**	**4**	**137 747**	**139 091**

Consolidated and Separate Statements of Changes In Equity

for the year ended 31 August 2023 (continued)

COMPANY

Balance at 1 September 2021

Total comprehensive loss for the year

- profit for the year
- cash flow hedges

Dividends declared and paid

Balance at 31 August 2022

Balance as at 1 September 2022

Total comprehensive income for the year

- profit for the year
- cash flow hedges

Dividends declared

Balance at 31 August 2023

ANALYSIS OF SHARE CAPITAL AND PREMIUM

Authorised share capital

1 000 000 000 (August 2022: 1 000 000 000) ordinary shares of 2 tambala each

Issued share capital

713 444 391 (August 2022: 713 444 391) ordinary shares of 2 tambala each

Share premium

The hedging reserve arises in respect of foreign currency forward sales contracts in place at 31 August 2023 which mature in the new financial year.
The fair value reserve relates to fair valuation as at 31 August 2023 in respect of the investment in Ethanol Company Limited.

Share Capital K million	Share Premium K million	Fair Value Reserve K million	Hedging Reserves K million	Retained Earnings K million	Total K million
14	768	-	23	21 043	21 848
-	-	-	(23)	(2 830)	(2 853)
-	-	-	-	11 125	11 125
-	-	-	(23)	-	(23)
-	-	-	-	(13 955)	(13 955)
14	768	-	-	18 213	18 995
14	768	-	-	18 213	18 995
-	-	-	4	31 527	31 531
-	-	-	-	50 248	50 248
-	-	-	4	-	4
-	-	-	-	(18 721)	(18 721)
14	768	-	-	49 740	50 526

GROUP AND COMPANY	
2023 K million	2022 K million
20	20
14	14
768	768
782	782

Consolidated and Separate Statements of Cash Flows

for the year ended 31 August 2023

	Notes	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
Cash flows from operating activities					
Cash operating profit	a	78 491	40 707	27 286	18 835
Working capital requirements	b	43 620	14 006	49 558	25 728
Cash generated from operations		122 111	54 713	76 844	44 563
Finance costs paid	c	(2 817)	(1 245)	(1 686)	(450)
Interest income received	4	2 628	309	2 628	309
Income tax paid	d	(8 670)	(8 325)	(2 341)	(4 588)
Net cash inflows from operating activities		113 252	45 452	75 445	39 834
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(25 735)	(16 618)	(19 001)	(11 754)
Proceeds on disposal of plant and equipment		305	79	269	-
Dividend received		75	60	30 000	-
Net cash (outflows)/inflows from investing activities		(25 355)	(16 479)	11 268	(11 754)
Net cash inflows before financing activities		87 897	28 973	86 713	28 080
Cash flows from financing activities					
Dividends paid	23	(21 569)	(11 243)	(21 569)	(11 243)
Lease liabilities paid	20	(4 271)	(2 992)	(3 087)	(2 100)
Net cash outflows from financing activities		(25 840)	(14 235)	(24 656)	(13 343)
Net increase in cash and cash equivalents		62 057	14 738	62 057	14 737
Cash and cash equivalents at beginning of year		15 160	422	15 159	422
Cash and cash equivalents at end of year	11	77 217	15 160	77 216	15 159
Comprising of:					
Bank balances and cash	11	77 217	15 160	77 216	15 159
		77 217	15 160	77 216	15 159

Notes to the Consolidated and Separate Statements of Cash Flow

for the year ended 31 August 2023

		Notes	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
a Cash operating profit is calculated as follows:						
Profit before tax			**81 777**	38 478	**59 451**	16 204
Add/ (subtract):	Finance costs		**2 849**	1 396	**1 718**	601
	Finance income		**(2 628)**	(309)	**(2 628)**	(309)
	Dividends received		**(75)**	(60)	**(30 000)**	-
Operating profit			**81 923**	39 505	**28 541**	16 496
Add back :	Depreciation of property, plant and equipment	6	**6 588**	6 819	**4 858**	5 293
	Depreciation of right of use assets	20	**3 939**	2 767	**2 646**	1 728
	Profit on disposal of property, plant and equipment	3	**(173)**	(79)	**(136)**	-
	Change in fair value of growing cane	9	**(13 779)**	(8 298)	**(8 617)**	(4 676)
	Grant amortisation	12	**(7)**	(7)	**(6)**	(6)
Cash operating profit			**78 491**	40 707	**27 286**	18 835
b Working capital requirements comprise the following:						
(Increase)/decrease in inventories			**(11 120)**	5 114	**(3 880)**	3 044
Decrease/(Increase) in trade receivable			**5 965**	(9 511)	**5 622**	(8 815)
Net increase in amounts due to related parties			**31 055**	13 318	**26 881**	28 143
Increase in trade and other payables			**16 107**	5 447	**19 322**	3 718
Increase/(decrease) in contract liabilities			**1 613**	(362)	**1 613**	(362)
Working capital requirements			**43 620**	14 006	**49 558**	25 728

Notes to the Consolidated and Separate Statements of Cash Flow

for the year ended 31 August 2023

	Notes	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
c Finance costs paid					
Interest paid on:					
Bank short-term facilities	4	**(322)**	(451)	**(169)**	(144)
Other - Illovo Sugar Africa Proprietary Limited : Procurement	15.10.3	**(1 509)**	(162)	**(985)**	(112)
Interest on lease liabilities		**(1 142)**	(1 098)	**(688)**	(660)
Foreign exchange gains		**156**	466	**156**	466
Finance costs paid on interest-bearing debt		**(2 817)**	(1 245)	**(1 686)**	(450)
d Income tax paid is reconciled to the amounts disclosed in the statements of profit or loss as follows:					
Amounts payable at beginning of year		**(4 701)**	(6 683)	**(1 182)**	(4 176)
Current year charge		**(18 411)**	(6 343)	**(5 783)**	(1 594)
Amounts payable at end of year		**14 720**	4 701	**4 624**	1 182
Prior year overprovision		**(278)**	-	**-**	-
Taxation (paid)		**(8 670)**	(8 325)	**(2 341)**	(4 588)

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

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 judgements below, 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 6 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 value of growing cane is further adjusted for the cane maturity as at the balance sheet date, the costs necessarily incurred to farm the sugar cane until maturity and the expected

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

profit margin on the cane growing activity. 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 cane maturity as at the balance sheet date is based on an internationally validated model of sugar cane growth using historical climatic inputs from the sugar estates. In addition, management prepares detailed costs forecasts to determine the costs to farm the sugar cane to maturity as well as the expected profit margin. The carrying value of growing cane is disclosed in Note 9 to the financial statements.

Expected Credit Losses

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for Groupings of various customer segments with similar loss patterns (i.e product type, customer type and rating, and coverage by letters of guarantee or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Note 27 includes additional information on judgements involved in determining the expected credit losses.

Estimating the incremental borrowing rate (IAS1.125(b))

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the group's functional currency). The group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
2. Revenue from contracts with customers				
Revenue represents the proceeds receivable from the sale of:				
Sugar	264 423	180 929	143 384	99 391
Molasses and other products	8 034	5 713	5 160	3 089
	272 457	186 642	148 544	102 480
Analysed by market segment:				
Domestic market	251 418	156 712	137 075	86 047
European Union preferential quotas	1 204	8 932	656	4 904
USA quota	12 096	3 216	6 594	1 765
Regional market	7 739	17 782	4 219	9 764
	272 457	186 642	148 544	102 480

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
3. Operating profit				
Revenue	272 457	186 642	148 544	102 480
Change in fair value of growing cane	13 779	8 298	8 617	4 676
Cost of sales	(145 553)	(115 290)	(96 356)	(69 473)
Distribution expenses	(16 437)	(14 334)	(8 902)	(7 137)
Administrative expenses	(42 323)	(25 811)	(23 362)	(14 050)
Operating profit after changes in fair value of biological assets	81 923	39 505	28 541	16 496
Less fair value adjustments:				
- growing cane (see note 9)	(13 779)	(8 298)	(8 617)	(4 676)
Operating profit before changes in fair value of biological assets	68 144	31 207	19 924	11 820

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3. Operating profit (continued)

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
Administrative expenses comprise:				
Operating costs	**(21 818)**	(10 202)	**(11 969)**	(5 162)
IT Costs	**(1 432)**	(1 179)	**(859)**	(707)
Human Resources costs	**(6 362)**	(6 151)	**(3 657)**	(3 872)
Security costs	**(3 943)**	(1 806)	**(2 242)**	(894)
Healthcare costs	**(1 692)**	(1 114)	**(839)**	(554)
Risk and loss control costs	**(1 989)**	(1 890)	**(1 139)**	(1 038)
Civils costs	**(4 313)**	(2 922)	**(1 957)**	(1 378)
Other overheads	**(621)**	(415)	**(588)**	(358)
Depreciation	**(153)**	(132)	**(112)**	(87)
	(42 323)	(25 811)	**(23 362)**	(14 050)
Operating costs comprise:				
Salaries	**(5 326)**	(4 450)	**(3 196)**	(2 670)
Operational support service fees analysed as:				
Technical support	**(641)**	(739)	**(384)**	(443)
Business support	**(1 628)**	(1 280)	**(977)**	(768)
Procurement services	**(782)**	(714)	**(469)**	(429)
Other operational costs	**(13 441)**	(3 019)	**(6 943)**	(852)
	(21 818)	(10 202)	**(11 969)**	(5 162)

3. Operating profit (continued)

Operating profit has been determined after taking into account the following items:

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
Depreciation of Property, Plant and Equipment (see note 6)	(6 588)	(6 819)	(4 858)	(5 293)
Depreciation of Right of Use assets (see note 20a)	(3 939)	(2 767)	(2 646)	(1 728)
Profit on disposal of plant and equipment	173	79	136	-
Amortisation of factory overhaul costs	(7 288)	(4 425)	(4 328)	(2 588)
Directors' fees	(54)	(35)	(54)	(35)
Auditor's remuneration:				
- statutory audit fees	(198)	(167)	(129)	(108)
- expenses	(6)	(3)	(4)	-
Operational support service fees (see note 15.8.1)	(3 051)	(2 733)	(1 830)	(1 640)
Expense relating to short-term leases & leases of low value assets	(59)	(15)	(8)	(2)
Expected credit loss	(1 573)	(1 005)	(1 573)	(1 005)
Contribution to retirement benefit funds	(1 397)	(1 123)	(969)	(783)
Foreign exchange differences on Cash, Cash Equivalents, Overdrafts and Intercompany Call Accounts	123	465	123	465

The group incurred foreign exchange losses amounting to K6.234 million (2022: K272 million) and the company incurred K7,055 million (2022:K315 million) on purchases and activities related to production and sales. These have accordingly been recognised in cost of sales.

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	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
4.a Finance costs				
Interest charged on:				
Bank short-term facilities	(322)	(451)	(169)	(144)
Other - Illovo Sugar Africa Proprietary Limited :Procurement	(1 509)	(162)	(985)	(112)
Lease liabilities	(1 142)	(1 094)	(688)	(656)
Foreign exchange gains recognised in finance costs	123	311	123	311
Interest expense on bank borrowings and short-term debt	(2 849)	(1 396)	(1 718)	(601)
4.b Interest income				
Interest income - interest income on short-term bank deposits	2 628	309	2 628	309

		GROUP		COMPANY	
	Note	2023 K million	2022 K million	2023 K million	2022 K million
5. Income tax expense					
Current tax		**18 411**	6 343	**5 783**	1 594
Prior year over-provision		**278**	-	**-**	-
Deferred tax	13	**6 330**	5 505	**3 420**	3 485
Total income tax recognised in the year		**25 019**	11 848	**9 203**	5 079
		%	%		
Reconciliation of rate of taxation:					
Malawi corporate rate of taxation		**30.0**	30.0		
Increase in charge for year due to:					
Disallowable expenditure		**0.6**	0.8		
Effective rate of taxation		**30.6**	30.8		

For income tax purposes the Malawi Revenue Authority treats the group as one tax paying entity, therefore all tax balances and charge relating to the subsidiary have been transferred to the group in the year under review.

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

6. Property, plant and equipment

GROUP

Cost

Opening balance at 1 September 2021
Additions
Transfers
Disposals
Closing balance at 31 August 2022

Opening balance at 1 September 2022
Additions
Transfers
Disposals
Closing balance at 31 August 2023

Depreciation

Opening balance at 1 September 2021
Charge for the year
Disposals
Closing balance at 31 August 2022

Opening balance at 1 September 2022
Charge for the year
Disposals
Closing balance at 31 August 2023

Net book value

Closing balance at 31 August 2022
Closing balance at 31 August 2023

Expenditure on assets under construction is initially 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:

Commencement:
1 January 1965
1 March 1966
1 October 1974
1 March 1977
1 July 1992

Land and buildings K million	Vehicles and aircraft K million	Plant, equipment and furniture K million	Capital work in progress K million	Cane roots K million	Total K million
6 316	6 827	38 182	6 703	34 638	92 666
779	541	5 694	5 241	4 363	16 618
284		3 909	(4 193)		-
-	(86)	(41)			(127)
7 379	7 282	47 744	7 751	39 001	109 157
7 379	7 282	47 744	7 751	39 001	109 157
503	183	6 626	9 285	9 138	25 735
729		3 584	(4 313)	-	-
-	(296)	(10)	-	-	(306)
8 611	7 169	57 944	12 723	48 139	134 586
927	5 327	8 897	-	19 325	34 476
107	187	1 915	-	4 610	6 819
-	(86)	(41)	-	-	(127)
1 034	- 5 428	- 10 771	- -	23 935	- 41 168
1 034	5 428	10 771	-	23 935	41 168
122	185	1 974	-	4 307	6 588
-	(296)	(10)	-		(306)
1 156	5 317	12 735	-	28 242	47 450
6 345	1 854	36 973	7 751	15 066	67 989
7 455	1 852	45 209	12 723	19 897	87 136

2023 Hectares	2022 Hectares
4 763	4 763
4	4
12 391	12 391
13 300	13 300
3 767	3 767

Notes to the Consolidated and Separate Financial Statements

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6. Property, plant and equipment (continued)

COMPANY

Cost

Opening balance at 1 September 2021
Additions
Transfers
Closing balance at 31 August 2022

Opening balance at 1 September 2022
Additions
Transfers
Disposals
Closing balance at 31 August 2023

Depreciation

Opening balance at 1 September 2021
Charge for the year
Closing balance at 31 August 2022

Opening balance at 1 September 2022
Charge for the year
Disposals
Closing balance at 31 August 2023

Net book value

Closing balance at 31 August 2022
Closing balance at 31 August 2023

Expenditure on assets under construction is initially 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:

Commencement:
1 January 1965
1 March 1966
1 October 1974
1 March 1977
1 July 1992

Land and buildings K million	Vehicles and aircraft K million	Plant, equipment and furniture K million	Capital work in progress K million	Cane roots K million	Total K million
4 244	4 649	26 770	3 364	26 106	65 133
33	421	4 434	3 894	2 972	11 754
-	-	3 537	(3 537)	-	-
4 277	5 070	34 741	3 721	29 078	76 887
4 277	5 070	34 741	3 721	29 078	76 887
112	83	4 090	7 953	6 763	19 001
-	-	2 916	(2 916)	-	-
-	(278)	-	-	-	(278)
4 389	4 875	41 747	8 758	35 841	95 610
596	4 391	4 610	-	14 943	24 540
55	53	1 412	-	3 773	5 293
651	4 444	6 022	-	18 716	29 833
651	4 444	6 022	-	18 716	29 833
53	51	1 365	-	3 389	4 858
-	(278)	-	-	-	(278)
704	4 217	7 387	-	22 105	34 413
3 626	626	28 719	3 721	10 362	47 054
3 685	658	34 360	8 758	13 736	61 197

2023 Hectares	2022 Hectares
4 763	4 763
4	4
12 391	12 391
13 300	13 300
3 767	3 767

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million

7. 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:

	Group 2023	Group 2022	Company 2023	Company 2022
Issued capital			42	42
Effective percentage holding			100%	100%
Shares at cost			324	324

Other investments

Ethanol Company Limited

210 000 Ordinary shares of K 1 each, representing 7.64% of issued share capital.

	Group 2023	Group 2022	Company 2023	Company 2022
Fair valuation at the beginning of the year	740	604		
Fair value gain	136	136		
Fair valuation at the end of the year	876	740		

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 falls into the level 3 fair value category. If profit after tax was 5% higher/lower and all other variables held constant, the group's investment in Ethanol Company Limited would move by K6.8 million for the year ended 31 August 2023 (August 2022: K6.4 million).

The fair values shown in the statement of financial position are disclosed as follows:

Unlisted investment at fair value	Group 2023	Group 2022	Company 2023	Company 2022
Fair value gain/(loss)	136	136		
Deferred tax on fair value gain of unlisted investment (see note 13)	(21)	(24)		
Fair value gain/(loss) of unlisted investment net of deferred tax	115	112		

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
8. Inventories				
Consumables	12 388	13 303	6 773	7 996
Sugar	34 646	22 998	20 679	15 631
Factory overhaul costs	3 220	2 833	1 822	1 767
	50 254	39 134	29 274	25 394

The group deducted inventory provisions of K304 million (August 2022: K228 million) to arrive at these numbers.

The company deducted inventory provisions of K185 million (August 2022: K139 million) to arrive at these numbers.

	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
Movement in inventory provisions				
Opening balance	(228)	(161)	(139)	(88)
Provision	(200)	(232)	(101)	(139)
Provision utilised	124	165	55	88
Closing balance	(304)	(228)	(185)	(139)

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
9. Growing cane				
The carrying value of growing cane is reconciled as follows:				
Carrying value at beginning of year	37 163	28 865	24 985	20 309
Change in fair value	13 779	8 298	8 617	4 676
Carrying value at end of year	50 942	37 163	33 602	24 985

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

	GROUP		COMPANY	
	2023	2022	2023	2022
The following are the key assumptions in the valuation of growing cane:				
Expected area to harvest the following season (ha)	18 597	19 257	12 029	12 624
Estimated yield (tons cane/ha)	97	102	91.38	99
Average maturity of cane at 31 March	67%	67%	71.1%	71%

A 1% change in the sucrose content and sucrose price could increase or decrease the fair value of the growing cane to the following values:

	GROUP		COMPANY	
	2023 K million + 1%	2023 K million -1%	2023 K million + 1%	2023 K million -1%
Estimated sucrose content	51 190	50 693	33 741	33 465
Estimated sucrose price	51 366	50 517	33 865	33 340

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
10. Trade and other receivables				
Trade receivables	9 945	11 162	9 945	11 162
Other receivables and prepayments	12 282	17 030	10 750	15 155
Balance at end of year	22 227	28 192	20 695	26 317

Other receivables and prepayments is net of K14,434 million (2022: nil) which relates to dividend paid to transfer secretaries, Standard Bank Malawi for remittance to SUCOMA Holdings Limited. The amount relates to both group and company.Remittance of the dividend has significantly delayed due to the shortage of foreign currency in the country. This amount (refer Note 14) had been initially posted to other receivables for tracking purposes with the contra entry being made to other liabilities and set off has been done in line with accounting guidelines. The details are below:

	GROUP				
	Financial instruments (gross)	Amounts set off in statement of financial position	Financial instruments in statement of financial position (net)	Assets with right of set off (net)	Net
2023					
Trade receivables	9 945	-	9 945	-	9 945
Other sundry financial assets	26 716	(14 434)	10 750	-	10 750
Total	36 661	(14 434)	20 695	-	20 695
2022					
Trade receivables	11 162	-	11 162	-	11 162
Other sundry financial assets	17 030	-	17 030	-	17 030
Total	28 192	-	28 192	-	28 192

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10. Trade and other receivables (continued)

	COMPANY				
	Financial instruments (gross)	Amounts set off in statement of financial position	Financial instruments in statement of financial position (net)	Assets with right of set off (net)	Net
2023					
Trade receivables	9 945	-	9 945	-	9 945
Other sundry financial assets	25 181	(14 434)	10 750	-	10 750
Total	35 126	(14 434)	20 695	-	20 695
2022					
Trade receivables	11 162	-	11 162	-	11 162
Other sundry financial assets	15 155	-	15 155	-	15 155
Total	26 317	-	26 317	-	26 317

10. Trade and other receivables (continued)

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade and other receivables include trade receivables denominated in foreign currencies amounting to K1,374 million (August 2022: K810 million). Set out below is the movement in the allowance for expected credit losses of trade receivables.

	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
As at 1 September 2022	(1 005)	(1 005)	(1 005)	(1 005)
Provision for expected credit losses	(568)	(0)	(568)	(0)
As at 31 August 2023	(1 573)	(1 005)	(1 573)	(1 005)
The foreign debtors are denominated in the following currencies:				
European Euro	383	373	383	373
South African Rand	-	584	-	584
United States Dollar	991	1 614	991	1 614
	1 374	2 571	1 374	2 571

		Trade receivables days past due			
	Current	>30 days	>60 days	>90 days	Total
	K million	K million	K million	K million	K million
31 August 2023					
Expected credit loss rate	1.98%	0.00%	0.00%	100.00%	
Estimated total gross carrying amount at default	10 146	-	-	1 372	11 517
Expected credit loss	(201)	-	-	(1 372)	(1 573)
Net Carrying amount	9 945	-	-		9 945
31 August 2022					
Expected credit loss rate	0.67%	1.34%	3.98%	97.92%	
Estimated total gross carrying amount at default	9 632	221	356	953	11 162
Expected credit loss	(55.01)	(2.97)	(14.16)	(933)	(1 005)
Net Carrying amount	9 632	221	356	953	11 163

The movement in the expected credit loss is due to export debtors which are still being pursued through legal and other means. The change in the percentages for the expected credit loss in all the ageing brackets from prior year represents the recoverability of these balances when all factors are considered. Trade receivables are either secured over real property or bank performance guarantees or unsecured depending on the specific customer credit risk assessment by the group's credit committee. They have fixed repayment terms ranging from 14 to 90 days and do not bear interest. The balances will be settled by cash payments.

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11. 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 18% and 25% (August 2022: 11% and 15%)

	GROUP		COMPANY	
	2023 K million	2022 K million	**2023 K million**	2022 K million
Bank balances and cash are made up of the following currencies:				
European Euro	**355**	51	**355**	51
Malawi Kwacha	**69 167**	14 598	**69 166**	14 597
South African Rand	**2 828**	29	**2 828**	29
United States Dollar	**4 867**	482	**4 867**	482
	77 217	15 160	**77 216**	15 159
Bank overdraft balances are made up of the following currencies:				
Malawi Kwacha	**-**	-	**-**	-
Total cash and cash equivalents	**77 217**	15 160	**77 216**	15 159
Amount used	**-**	-	**-**	-
Amount unused	**26 900**	26 900	**26 900**	26 900
Total bank overdraft facilities	**26 900**	26 900	**26 900**	26 900

The overdraft facilities are unsecured. The related finance costs are outlined in note 4.

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
12. Malawi government vitamin A grant				
At beginning of year	198	205	169	175
Amortised during the year	(7)	(7)	(6)	(6)
At end of year	191	198	163	169

This balance relates to 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.

	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
13. Deferred tax				
The movement in the year is analysed below:				
Balance as at 1 September	26 792	21 273	18 484	15 008
Current year other comprehensive income charge - cash flow hedges	1	(10)	1	(10)
Current year other comprehensive income charge - change in fair value of unlisted investment	21	24	-	-
Current year charge to profit or loss	6 330	5 505	3 421	3 486
Balance at end of year	33 144	26 792	21 906	18 484
Analysis of deferred tax liability:				
Excess capital allowances over depreciation	14 167	11 782	9 724	7 991
Growing cane	15 283	15 668	10 081	10 604
Other	3 524	(807)	2 101	(111)
Fair valuation of unlisted investment	170	149	-	-
Balance at end of year	33 144	26 792	21 906	18 484

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	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
14. Trade and other payables				
Trade payables	15 847	7 698	11 979	5 349
Other payables and accruals	33 121	25 163	33 135	20 443
	48 968	32 861	45 114	25 792
Other payables and accruals comprise:				
Accrued expenses	24 359	17 720	25 415	13 986
VAT payable	5 773	4 439	5 541	4 266
Payroll creditors	1 901	1 890	1 361	1 439
Leave pay accruals	601	521	488	400
Sundry accruals	487	593	330	352
	33 121	25 163	33 135	20 443

Trade and other payables include payables denominated in foreign currencies amounting to K3.075 million (August 2022: K1.585 million).

The foreign creditors are denominated in the following currencies:

	Group 2023	Group 2022	Company 2023	Company 2022
European Euro	-	15	-	15
South African Rand	136	1 468	136	1 236
United States Dollar	108	1 496	108	1 496
British Pound	8	-	8	
	252	2 979	252	2 747

The average credit period for purchases of goods and services included under payables is 30 days. No interest is charged on overdue amounts.

Other payables are non-interest bearing and have an average term of two months. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

For explanations on the group's liquidity risk management processes, refer to Note 27.

14. Trade and other payables (continued)

Dividend amounting to K14,434 million (2022: nil) for both group and company which was already paid to transfer secretatries, Standard Bank Malawi Plc, for onward remittance to SUCOMA Holdings Ltd has been netted off with the corresponding receivable and therefore excluded here. The amount is yet to be remitted by the transfer secretaries due to the shortage of foreign currency in the country. The details are below:

	GROUP				
	Financial instruments (gross)	Amounts set off in statement of financial position	Financial instruments in statement of financial position (net)	Assets with right of set off (net)	Net
2023					
Trade payables	15 847	-	15 847	-	15 847
Other sundry financial liabilities	33 121	-	33 121	-	33 121
Contract liabilities	3 903	-	3 903	-	3 903
Dividend payable	14 434	(14 434)	-	-	-
Total	67 305	(14 434)	52 871	-	52 871
2022					
Trade payables	7 698	-	7 698	-	7 698
Other sundry financial liabilities	25 163	-	25 163	-	25 163
Contract liabilities	2 290	-	2 290	-	2 290
Dividend payable	2 712	-	2 712	-	2 712
Total	37 863	-	37 863	-	37 863

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14. Trade and other payables (continued)

	COMPANY				
	Financial instruments (gross)	Amounts set off in statement of financial position	Financial instruments in statement of financial position (net)	Assets with right of set off (net)	Net
2023					
Trade payables	11 979	-	11 979	-	11 979
Other sundry financial liabilities	33 135	-	33 135	-	33 135
Contract liabilities	3 903	-	3 903	-	3 903
Dividend payable	14 434	(14 434)	-	-	-
Total	63 451	(14 434)	49 017	-	49 017
2022					
Trade payables	5 349	-	5 349	-	5 349
Other sundry financial liabilities	20 443	-	20 443	-	20 443
Contract liabilities	2 290	-	2 290	-	2 290
Dividend payable	2 712	-	2 712	-	2 712
Total	30 794	-	30 794	-	30 794

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
14.1 Contract liabilities				
Advance receipts from customers	3 903	2 290	3 903	2 290
Revenue recognised during the period that was included in the contract liability balance as at the beginning of the year	2 290	2 652	2 290	2652

15 Related parties

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

15.1 Holding companies

The group is controlled by the following entities:

Names	Type	Effective ownership interest 2023	Effective ownership interest 2022
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 Africa Holdings Limited, incorporated in United Kingdom	Illovo Group holding company	75.98%	75.98%
Associated British Foods Plc, incorporated in United Kingdom	Ultimate holding company	75.98%	75.98%

15.2 Ultimate holding company

Associated British Foods Plc holds 100% (August 2022: 100%) of the issued share capital of Illovo Sugar Africa Proprietary Limited (formerly Illovo Sugar Proprietary Limited) and therefore has an effective ownership interest of 75.98% (August 2022: 75.98%) in the Group.

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15.3 Illovo Group Holding company

Illovo Sugar Africa Holdings Limited holds 100% of the issued share capital of Illovo Group Holdings Limited which in turn 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.

15.3.1 Transactions and balances with Illovo Sugar Africa Proprietary Limited 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 Illovo Sugar Africa Proprietary Limited 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 procurement services, together with any transport costs, is recovered from the group and is disclosed in note 15.8.1 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 trading balance owing in respect of procurement expenditure on goods and services (as disclosed in note 15.7.2 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 15.7.2 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.

15.3.2 Other transactions and balances with Illovo Sugar Africa Proprietary Limited:

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 15.8.1 below. Operational support service fees are charged on cost-plus basis, allowing a margin of 8% for technical and business support services and 15% for procurement services.

15.3.2 Other transactions and balances with Illovo Sugar Africa Proprietary Limited: (continued)

Various third party costs incurred by the Group are paid for on its behalf by Illovo Sugar Africa Proprietary Limited for which it is reimbursed with no mark-up charged. The recovered costs are disclosed in note 15.8.1 below.

The trading balance owing by the group as disclosed in note 15.7.2 below 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 debt and no allowance for doubtful debts has been recognised. The balances will be settled by cash payments.

With effect from 1 September 2017 Illovo Sugar Proprietary Limited became 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 1% commission which is disclosed in note 15.8.1 below.

15.4 Immediate holding company

Transactions between the Group and SUCOMA Holdings Limited relate to the payment of dividends. Dividends paid to SHL the current period have been disclosed on Note 15.8.1. There are no outstanding balances owing to or by SUCOMA Holdings Limited.

15.5 Transactions and balances with fellow subsidiaries

Illovo Group Marketing Services Limited

Illovo Group Marketing Services Limited ("IGMS") 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 15.8.1 below.

Third party export logistics costs incurred by the group are paid for on its behalf by Illovo Group Marketing Services Limited for which it is reimbursed with no mark-up charged (as disclosed in note 15.8.1 below).

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15.5 Transactions and balances with fellow subsidiaries (continued)

East African Supply Proprietary Limited

East African Supply Proprietary Limited is a fellow subsidiary company recovers the cost of air services provided to the group necessary to facilitate the provision of operational support and director services by Illovo Sugar Africa Proprietary Limited (refer to note 15.8.1).

The trading balances owing by the group as disclosed in note 15.7.2 and 15.8.1 below 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

Operating costs incurred by the group are paid for on its behalf by fellow subsidiary companies such as Kilombero Sugar Company Limited, Ubombo Sugar Limited and Zambia Sugar Plc for which these fellow subsidiaries are reimbursed with no mark-up charged. In addition, the group recovers any operating costs paid on behalf of fellow subsidiaries. The recovered costs are disclosed in note 15.7 below.

The outstanding balances between the group and fellow subsidiary companies such as Kilombero Sugar Company Limited and Zambia Sugar Plc arising from cost recoveries are disclosed in notes 15.7.1 and 15.7.2 below. 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 15.8.2 were sold to AB Azucarera Iberia S.L., Silverspoon, Kilombero Sugar Company Limited and Illovo Group Marketing Services Rwanda on the same commercial terms and conditions that would be available to third party customers.

The outstanding trading balances between the group and fellow subsidiary companies arising from sugar sales are disclosed in note 15.7.1 below. The trading balances are unsecured, but have repayment terms in line with those applicable to third party customers. 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.

15.6 Subsidiary companies

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

The outstanding trading balances between the company and Dwangwa Sugar Corporation Limited are disclosed in note 15.7.2 below. 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. The balances will be settled by cash payments.

		GROUP		COMPANY	
		2023 K million	2022 K million	**2023 K million**	2022 K million
15.7 Amounts due from/(to) related parties					
15.7.1 Amount due from related parties:					
Illovo Sugar Africa Proprietary Ltd	2	1 402	-	1 402	-
Maragra Acucar	2	-	-	-	9
Kilombero Sugar Company Ltd	2	8	8	-	8
Ubombo Ltd	2	1	4	-	4
Dwangwa Sugar Corporation Limited	2	-	-	148 062	88 588
		1 411	21	149 464	88 609
Amounts due from related parties are denominated in the following currencies:					
United States Dollar		9	21	-	21
Malawi Kwacha		-	-	148 062	88 588
South African Rand		1 402	-	1 402	-
		1 411	21	149 464	88 609

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		GROUP		COMPANY	
		2023 K million	2022 K million	2023 K million	2022 K million
15.7.2 Amounts due to related parties:					
Dwangwa Sugar Corporation Limited	3	-	-	205 889	144 765
Holding company and fellow subsidiaries		49 497	17 052	39 466	12 854
		49 497	17 052	245 355	157 619
Holding company and fellow subsidiaries comprise:					
East African Supply Proprietary Limited	2	148	124	148	124
Illovo Group Marketing Services Limited	2	5 129	2 917	5 129	2 917
The Silver Spoon Company, a trading division of British Sugar Plc	2	1	1	1	1
Illovo Sugar Africa Proprietary Limited - Corporate Division	1	6 470	2 694	5 481	2 207
Illovo Sugar Africa Proprietary Limited - Procurement Division	1	37 591	11 181	28 549	7 539
Kilombero Sugar Company Limited	2	11	-	11	-
AB Azucarera Iberia S.L.	2	32	28	32	28
British Sugar Plc	2	114	37	114	37
Ubombo Sugar Limited	2	1	1	1	1
Zambia Sugar Plc	2	-	69	-	-
		49 497	17 052	39 466	12 854

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

15.7.2 Amounts due to related parties: (continued)

	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
Amounts due to holding company and fellow subsidiaries are denominated in the following currencies:				
Great British Pound	114	37	114	37
European Euro	32	28	32	28
South African Rand	44 210	14 000	34 179	9 871
United States Dollar	5 141	2 987	5 141	2 918
	49 497	17 052	39 466	12 854

Notes

1 - Holding companies (refer to note 15.1 - 15.3)

2 - Fellow subsidiaries of holding companies (refer to note 15.4 - 15.6)

3 - Subsidiary of Illovo Sugar (Malawi) Plc (refer to note 15.7)

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15.8 Related party transactions

15.8.1 The annual payment transactions with related parties are as follows:

East African Supply Proprietary Limited

Illovo Sugar Africa Proprietary Limited

Illovo Sugar Africa Proprietary Limited (Rwanda rebate)

Illovo Group Marketing Services Limited

Illovo Sugar Africa Proprietary Limited - Corporate Division

Illovo Sugar Africa Proprietary Limited - Corporate Division

Illovo Sugar Africa Proprietary Limited - Procurement Division

Kilombero Sugar Company Limited

SUCOMA Holdings Limited

Zambia Sugar Plc

15.8.2 The annual sugar sales transactions with related parties are as follows:

AB Azucarera Iberia S.L

Illovo Group Marketing Services Limited Rwanda

15.8.3 The annual interest payable with related parties is as follows:

Illovo Sugar Africa Proprietary Limited - Procurement Division

Notes

1 - Holding companies (refer to note 15.1 - 15.3)

2 - Fellow subsidiaries of Illovo Sugar Africa Proprietary Limited (refer to note 15.4 - 15.6)

3 - Fellow subsidiaries of Associated British Foods Plc (refer to note 15.6)

4 - Associate of Associated British Foods Plc (refer to note 15.6)

5 - The compensation of key management personnel is disclosed in Note 24.

		GROUP		COMPANY	
		2023 K million	2022 K million	2023 K million	2022 K million
Note	Transaction				
2	Flight charges recoveries	132	155	132	155
2	Export agency commission	208	297	113	162
2	Export agency commission	109	512	109	512
2	Logistics cost recoveries	2 224	3 620	2 224	3 620
1	Operational support service fees	3 051	2 733	1 830	1 640
1	Cost recoveries	1 295	1 941	920	1 315
1	Procurement of goods and services	37 778	16 329	22 667	9 797
2	Cost recoveries	38	31	38	31
1	Dividend	14 224	10 603	14 224	10 603
2	Cost recoveries	-	75	-	75
		59 059	36 296	42 257	27 910
3		-	1 073	-	1 073
2		4 791	11 495	4 791	11 495
		4 791	12 568	4 791	12 568
	Effective interest rate (%)				
1	9% on overdue balances	1 509	162	985	112
		1 509	162	985	112

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	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million

16. Nico Asset Managers Limited and Old Mutual Investment Group Loans

The Group started and closed the year to August 2023 with no new short-term money market facilities.

17. Derivative financial instruments

	GROUP 2023 K million	GROUP 2022 K million	COMPANY 2023 K million	COMPANY 2022 K million
Forward exchange contracts - designated as cash flow hedges	5	-	5	-
Comprising:				
Assets	8	-	8	-
Liabilities	(3)	-	(3)	-
At end of the year	5	-	5	-

The derivative assets/(liabilities) relate to foreign exchange contracts (FECs) designated as hedging instruments in cash flow hedges of forecast purchases in Euros, Rands and Dollars. These forecast transactions are highly probable. The foreign exchange forward contracts are measured at fair value through OCI.

The fair value of FECs as calculated by the banks is measured using a forward pricing model. The significant inputs into the Level 2 fair value of FECs are yield curves, market interest rates and market foreign exchange rates. The estimated fair values of recognised financial instruments approximate their carrying amounts. Additional disclosures concerning the derivative financial instruments used to manage currency risk have been provided in Note 27.4.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign forward contracts match the terms of the expected highly probable forecast purchases transactions (i.e., notional amount and expected payment date). The group has established a hedge ratio of 0.8 :1 for the hedging relationships. To test the hedge effectiveness, the group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indices (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

	GROUP		COMPANY	
	2023 K million	2022 K million	**2023 K million**	2022 K million

17. Derivative financial instruments (continued)

The cash flow hedges of the expected future purchases in 2023 were assessed to be highly effective and a net unrealised gain of K4.7 million, with a deferred tax asset of K1.4 million relating to the hedging instruments, is included in OCI. Comparatively, As at 31 August 2022, there were no cash flow hedges of the expected future sales after the group fulfilled all forward exchange contracts and did not enter into new contracts.

The amounts retained in OCI at 31 August 2023 are expected to mature and affect the statement of profit or loss in 2024. The disaggregation of changes of OCI by the hedging reserve in equity is shown below:

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Currency forward contracts	(3)	0	(3)	0
Reclassified to statement of profit or loss	-	-	-	(23)
Total	(3)	-	(3)	(23)

The group is holding the following foreign exchange contracts (highly probable forecast purchases) with the following maturity dates:

	Maturity					
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As at 31 August 2023						
Notional amount (€000)	-	110	-	-	-	110
Notional amount ($000)	-	123	-	-	-	123
Notional amount (R000)	-	241	-	-	-	241
Average forward rate (EUR/USD)	-	1071.70	-	-	-	-
Average forward rate (MWK/USD)	-	1319.51	-	-	-	-
Average forward rate (MWK/ZAR)	-	65.52	-	-	-	-
As at 31 August 2022						
Notional amount (€000)	-	-	-	-	-	-
Average forward rate (EUR/USD)	0.0000	0.0000	0.0000	-	-	-

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	GROUP		COMPANY	
	2023 K million	2022 K million	2023 K million	2022 K million
18. Capital commitments				
Contracted	4 266	2 498	2 390	2 217
Approved but not contracted	63 229	5 161	60 180	2 642
	67 495	7 659	62 570	4 859

Capital expenditure commitments are to be financed from internal resources and existing facilities. These capital commitments relate to items of property, plant and equipment.

19. Contingent liabilities

Various claims of an industrial relations nature totalling K502 million (August 2022: K655.09 million) have been made against the group in the ordinary course of business, the outcome of which is uncertain.

20. Leases

The group's accounting policy for leases has been discussed under Note 1.22.

The group has lease contracts for various items of plant and machinery used in its operations as well as lease contracts for land and buildings. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the group is restricted from assigning and subleasing the leased assets.

The group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

20. Leases (continued)

a Right of Use Assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings K million	Plant, equipment and furniture K million	Total K million
Group			
As at 1 September 2021	684	8774	9 458
Additions	938	1 362	2 300
Depreciation charge	(274)	(2 493)	(2 767)
As at 31 August 2022	1348	7 643	8 991
As at 1 September 2022	1 348	7 643	8 991
Additions	673	1 872	2 545
Depreciation charge	(542)	(3 397)	(3 939)
As at 31 August 2023	1 479	6 118	7 597
Company			
As at 1 September 2021	593	4 455	5 048
Additions	938	34	972
Depreciation charge	(272)	(1 456)	(1 728)
As at 31 August 2022	1 259	3 033	4 292
As at 1 September 2022	1 259	3 033	4 292
Additions	673	2 058	2 731
Depreciation charge	(540)	(2 106)	(2 646)
As at 31 August 2023	1 392	2 985	4 377

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20. Leases (continued)

b Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023 Group	2023 Company
Lease Liability		
As at 1 September 2021	10 390	5 869
Additions	2 300	971
Accretion of interest	1 094	656
Foreign currency exchange loss	155	155
Payment of principal portion	(2 992)	(2 100)
Payment of interest	(1 098)	(660)
As at 31 August 2022	9 849	4 891
As at 1 September 2022	9 849	4 891
Additions	2 545	2 731
Accretion of interest	1 137	683
Foreign currency exchange loss	33	33
Payment of principal portion	(4 271)	(3 087)
Payment of interest	(1 142)	(688)
As at 31 August 2023	8 151	4 563
Split into:		
Current	3 706	2 989
Non-current	4 445	1 574
	8 151	4 563

The group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As at 31st August 2023, the group had short term leases amounting to K nil million (2022: Knil million) and low value leases amounting to K59 million (2022: K15 million). The company had short term leases amounting to Knil million (2022: Knil million). The company had low value leases amounting to K8 million (2022: K2 million).

	GROUP & COMPANY	
	2023	2022
	K million	K million

21. Exchange rates and inflation

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

Kwacha/European Euro	**1 196**	1 071
Kwacha/South African Rand	**60**	63
Kwacha/United States Dollar	**1 095**	1 036
Overall Consumer Price Inflation	**28.6%**	25.5%

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

Kwacha/European Euro	**1 115**	1 111
Kwacha/South African Rand	**60**	62
Kwacha/United States Dollar	**1 046**	877
Overall Consumer Price Inflation - average	**27.14%**	14.9%

	K million	K million

22. 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:

Earnings		
Earnings for the purposes of basic and diluted earnings per share	**56 758**	26 630
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)	**7 955**	3 733
Reconciliation of headline earnings:		
Net profit for the year	**56 758**	26 630
Headline earnings	**56 758**	26 630
Headline earnings per share (tambala)	**7 955**	3 733

Headline earnings are defined as profit after tax.

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23. 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.

	GROUP & COMPANY 2023 K million	GROUP & COMPANY 2022 K million
First interim dividend paid (for current year)	7 705	3 967
Second interim dividend paid (for previous year)	7 135	7 134
Final dividend paid (for previous year)	3 881	2 854
	18 721	13 955
Balance of dividend declared but not paid		2 712
Number of shares in issue ('000)	713 444	713 444
Weighted average number of shares on which dividend per share is based ('000)	713 444	713 444
Dividend paid per share (tambala)	2 624	1 956

The directors recommended a second interim dividend of K8.9 billion as dividend for the year ended 31 August 2023 (Aug 2022: K7.1 billion).

24. Compensation of key management personnel

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

	2023 K million	2022 K million
Short-term benefits	4 598	3 595
Post-retirement benefits	305	237
Other long-term benefits	1 933	1 795
	6 836	5 627

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

25. Retirement benefit plans

The group operates one defined contribution plan effective January 2020. This is the SUCOMA Group Pension Scheme which is managed internally by trustees. It is a defined contribution scheme and the contributions by employees and the group are 7.5% (August 2022: 7.5%) and 12.4% (August 2022: 12.4%) of the fund member's basic pensionable salaries, respectively. Before January 2020, the company had the SUCOMA Group Pension Scheme as above and the Illovo Sugar Malawi (Plc) Pension Fund, which were both managed internally by trustees, and were also defined contribution schemes. The contributions by employees and the group were 5.0% (August 2022: 5.0%) and 12.5% (August 2022: 12.5%) of the fund member's basic pensionable salaries, respectively. The trustees for the current scheme are employees of the group. The administration of the pension fund has been subcontracted to Nico Pension Services Company Limited. Nico Asset Managers Limited is the investment manager for the merged fund.

The total expense recognised in profit or loss of K1,397 million (August 2022: K1,122 million) represents contributions payable to the plan by the group.

26. Segmental analysis

Segment reporting is presented in respect of the group's operating 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 year to acquire segment assets that are expected to be used for more than one year.

Management has determined the operating 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.

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26. Segmental analysis (continued)

GROUP year to 31 August 2023	Sugar production K million	Cane growing K million	TOTAL K million
Revenue	133 240	139 217	272 457
Operating profit	42 305	39 618	81 923
Dividend income	75	-	75
Finance costs	(1 653)	(1 197)	(2 849)
Interest income	1 525	1 104	2 628
Taxation	(14 511)	(10 508)	(25 019)
Statements of financial position			
Non-current assets	36 597	50 539	87 136
Property, plant and equipment	36 597	50 539	87 136
Current assets	134 225	67 831	202 056
Inventories	34 706	15 548	50 254
Growing cane	-	50 942	50 942
Trade and other receivables	20 886	1 341	22 227
Amount due from related parties	1 411	-	1 411
Financial instrument - assets	5	-	5
Bank balances and cash	77 217	-	77 217
Current liabilities	98 828	14 356	113 185
Trade and other payables	40 942	8 026	48 968
Amount due to related parties	49 497	-	49 497
Taxation payable	8 390	6 330	14 720
Non-current liabilities	19 387	14 111	33 498
Malawi government vitamin A grant	163	191	354
Deferred taxation	19 224	13 920	33 144
Shareholders equity	52 607	89 904	142 509
Property, plant and equipment transactions are categorised as follows:			
Purchases during the year	16 597	9 138	25 735
Depreciation	1 978	4 610	6 588

Revenue from key customers from the sugar production segment amounted to K148.4 billion (August 2022: K109.4 billion).

The geographical breakdown of revenue has been disclosed on note 2.

26. Segmental analysis (continued)

GROUP year to 31 August 2022	Sugar production K million	Cane growing K million	TOTAL K million
Revenue	109 089	77 553	186 642
Operating profit	29 434	9 963	39 397
Dividend income	60	-	60
Finance costs	(810)	(586)	(1 396)
Interest income	179	130	309
Taxation	(6 872)	(4 976)	(11 848)
Statements of financial position			
Non-current assets	28 555	39 434	67 989
Property, plant and equipment	28 555	39 434	67 989
Current assets	65 684	53 986	119 670
Inventories	22 998	16 136	39 134
Growing cane	-	37 163	37 163
Trade and other receivables	27 505	687	28 192
Amount due from related parties	21	-	21
Bank balances and cash	15 160	-	15 160
Current liabilities	48 384	6 229	54 614
Trade and other payables	28 653	4 208	32 861
Amount due to related parties	17 052	-	17 052
Taxation payable	2 680	2 021	4 701
Non-current liabilities	15 708	11 450	27 158
Malawi government vitamin A grant	169	198	367
Deferred Taxation	15 539	11 252	26 791
Shareholders equity	30 147	75 740	105 887
Property, plant and equipment transactions are categorised as follows:			
Purchases during the year	12 255	4 363	16 618
Depreciation	2 209	4 010	6 819

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.

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27. 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 10,11, 14,15 and 16 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.

27.1 Categories of financial instruments

	GROUP		COMPANY	
	2023 K million	2022 K million	**2023 K million**	2022 K million
Financial assets				
Financial assets carried at armotised cost	**100 855**	43 373	**247 375**	130 085
Unlisted equity investment at FVTOCI	**876**	740	**-**	-
Derivative financial assets/(liabilities) at FVTPL	**5**	-	**5**	-
	101 736	44 113	**247 380**	130 085
The details of financial assets at armotised cost are as follows:				
Trade and other receivables	**22 227**	28 192	**20 695**	26 317
Bank balances and cash	**77 217**	15 160	**77 216**	15 159
Amount due from related parties	**1 411**	21	**149 464**	88 609
	100 855	43 373	**247 375**	130 085
Financial liabilities				
Financial liabilities measured at amortised cost	**106 616**	59 762	**295 032**	188 302
The details of financial liabilities at amortised costs are as follows:				
Trade and other payables	**48 968**	32 861	**45 114**	25 792
Amount due to related parties	**49 497**	17 052	**245 355**	157 619
Lease liabilities	**8 151**	9 849	**4 563**	4 891
	106 616	59 762	**295 032**	188 302

27.1 Categories of financial instruments (continued)

The following table illustrates the fair value measurement hierarchy for assets and liabilities as at 31 August 2023:	Total K million	Quoted prices in active markets (Level 1) K million	Significant observable inputs (Level 2) K million	Significant unobservable inputs (Level 3) K million
Assets /(liabilities) measured at fair value				
Growing cane (note 9)	50 942	-	-	50 942
Foreign exchange forward contracts (note 17)	5	-	5	-
Unlisted investment (note 7)	876	-	-	876

For trade receivables, trade payables, short term borrowings and amounts due from related parties, the carrying amounts as at 31st August 2023 approximate their fair values.

27.2 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 bank overdraft facilities net of cash balances) and equity.

27.3 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.

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

27.4 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 obligations.

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		COMPANY	
	2023 K million	2022 K million	**2023 K million**	2022 K million
Assets				
European Euro	**738**	424	**738**	424
South African Rand	**2 828**	614	**2 828**	614
United States Dollar	**5 859**	2 096	**5 859**	2 096
	9 425	3 134	**9 425**	3 134
Liabilities				
Great Britain Pound	**114**	37	**114**	37
European Euro	**32**	43	**32**	43
South African Rand	**44 346**	15 468	**34 315**	11 107
United States Dollar	**5 249**	4 483	**5 249**	4 414
	49 741	20 031	**39 710**	15 601

27.4.1 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 a increase/(decrease) in profit before tax where the Kwacha weakens/strengthens against the relevant currency. The impact on the Group's pre-tax equity due to changes in the fair value of forward exchange contracts designated as cash flow hedges is not material.

27.4.1 Foreign currency sensitivity analysis (continued)

	European Euro impact		South African Rand impact		United States Dollar impact	
	2023 K million	2022 K million	**2023 K million**	2022 K million	**2023 K million**	2022 K million
Profit or loss	**71**	38	**(4 152)**	(1 485)	**61**	(239)

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 season. Purchases from foreign suppliers are seasonal with higher purchases towards the last quarter of the year in order to meet demand.

27.5 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.

27.5.1 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 August 2023 would move by K135 million (August 2022: K23 million). The effect on profit or loss and equity is the same.

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

27.5.2 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. The group 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. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by credit insurance obtained from financial institutions.

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e.geographical region, product type, customer type and rating, and coverage by bank guarantees or security over real property). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the group's historical observed default rates. The group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and foreign exchange rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

27.5.2 Credit risk management (continued)

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.The highest credit exposure outside the bank balances without collateral was K11,517 million (August 2022: K9,877 million) in relation to trade receivables. The bank guarantees and security over real property are considered integral part of trade receivables and considered in the calculation of impairment. The groups expected credit losses are disclosed on Note 10.

There are no off-statement financial position credit exposures.

27.6 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 11 is a listing of additional undrawn facilities that the Group has access to if the need arises.

	GROUP		COMPANY	
	2023 K million	2022 K million	**2023 K million**	2022 K million
Lease liabilities	**8 151**	9 849	**4 563**	4 891
Trade and other payables	**48 968**	32 861	**45 114**	25 792
Amount due to related parties	**49 497**	17 052	**39 466**	12 854
Bank balances and cash	**(77 217)**	(15 160)	**(77 216)**	(15 159)
	29 399	44 602	**11 927**	28 378

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

27.6.1 Liquidity 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
31 August 2023				
Trade and other payables	14	48 968	-	48 968
Contract liabilities	14.1	3 903	-	3 903
Amount due to related parties	15.8.2	49 497	-	49 497
Lease liabilities	14.5	3 706	4 445	8 151
		106 074	4 445	110 519
31 August 2022				
Trade and other payables	14.0	32 861	-	32 861
Contract liabilities	14.1	2 290	-	2 290
Amount due to related parties	15.8.2	17 052	-	17 052
Lease liabilities	14.5	2 953	6 896	9 849
		55 156	6 896	62 052

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

27.6.1 Liquidity risk tables (continued)

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 August 2023					
Trade and other receivables	22 227	-	-	-	22 227
Amount due from related parties	1 411	-	-	-	1 411
Derivative financial assets	5	-	-	-	5
Bank balances and cash	77 217	-	-	-	77 217
	100 860	-	-	-	100 860
31 August 2022					
Trade and other receivables	28 192	-	-	-	28 192
Amount due from related parties	21	-	-	-	21
Bank balances and cash	15 160	-	-	-	15 160
	43 373	-	-	-	43 373

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 year.

The group has access to other unutilised financing facilities as described in note 11. The group expects to meet its obligations arising from operating cash flows and proceeds of maturing financial assets.

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 August 2023

27.7 Equity price risk

The group's non-listed equity investment in Ethanol Company Limited is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk by placing limits on individual and total equity instruments. The group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to non-listed equity investments at fair value was K876 million. Sensitivity analysis of this investment has been provided in Note 7.

28 Events after the reporting period

The Malawi Kwacha was devalued by 44% in November 2023 after a 4.9% devaluation in October 2023. The policy rate was increased from 22% to 24% in September 2023. These events will impact results for the year ending 31 August 2024.

On 29th November, 2023, the board approved a second interim dividend of K8.99 billion (K12.60 per share) in relation to the financial year ended 31 August 2023 to be paid in December 2023. This dividend will be accounted for in the financial statements for the year ending 31 August 2024.

Analysis of shareholders

31 August 2023

Category			Shareholders Number	Shareholders %	Ordinary Shares Number held	Ordinary Shares % of shares issued
Individuals						
1	–	5 000	1 724	76.32	2 256 127	0.32
5 001	–	10 000	249	11.02	2 028 975	0.28
10 001	–	50 000	206	9.12	4 030 211	0.56
50 001	–	100 000	16	0.71	1 211 017	0.17
100 001	–	200 000	19	0.84	1 211 017	0.39
200 001	–	500 000	19	0.84	5 897 451	0.83
500 001	–	and over	26	1.15	5 897 451	97.45
			2 259	100.00	713 444 391	100.00
Banks and nominees			27	1.20	10 295 046	1.44
Holding company and non-residents			61	2.70	544 286 755	76.29
Individuals			1 950	86.32	23 348 636	3.27
Insurance, investment and trust companies			168	7.44	88 602 417	12.42
Other corporate bodies			22	0.97	2 324 295	0.33
Pension and provident funds			31	1.37	44 587 242	6.25
			2 259	100.00	713 444 391	100.00

Shareholders holding 1% or more of the equity

SUCOMA Holdings Limited	542 084 186	75.98
Old Mutual Life Assurance Company (Malawi) Limited	77 542 602	10.87

Shareholders' Diary

Financial / Statutory

Financial year-end	August
Annual general meeting	February

Reports and profit statements

Profit announcement for the year	November
Annual report and financial statements	February
Interim report	May

Notice of Meeting

Notice is hereby given that the 59th Annual General Meeting of members of Illovo Sugar (Malawi) plc (the Company) will be held at Ryalls Hotel, Blantyre on Thursday, 29th February 2024 at 14:00 hours to transact the following business.

Business to be transacted at the meeting

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

1. Minutes

To approve the minutes of the 58th Annual General Meeting held on 22nd February 2023.

2. Financial statements

To receive and if deemed appropriate to adopt the annual financial statements for the year ended 31st August 2023 along with the Auditor's report.

3. Dividend

To declare a final dividend of K8.95 billion representing K12.60 per share in respect of the year ending 31st August 2023 as recommended by the Board of Directors. A first interim dividend of K7.7 billion representing K10.80 per share was paid in June 2023 while a second interim dividend of K4.2 billion representing K5.80 per share will be paid in March 2024. This will bring the total dividend for the year to K20.85 billion representing K29.20 per share against the prior year full dividend of K14.9 billion representing K21 per share.

4. Re – appointment of auditors

To approve the re-appointment of Ernst & Young (EY) as auditors for the year ending August 2024 and to authorize the Directors to determine their remuneration.

5. Appointment and re-election of directors

5.1 There were no directors appointed during the year.

5.2 To re-elect Ravi Savjani, Violette Chanza – Santhe and Andre Lubbe who retire by rotation in terms of Article 74 (1) of the Company's Articles of Association but being eligible have offered themselves for re-election. The Board recommends their re-election.

5.4 To re-appoint Ami R. Mpungwe (72) who has exceeded the age limit of seventy (70) years in terms of Section 164 (2) (b) of the Companies Act 2013, that he holds office until the next Annual General Meeting in line with Section 169 (6) (a) of the Companies Act, 2013. The Board recommends that he be re-appointed.

5.5 To note that during the year Douglas Ndawambi Kasambala stepped down from the board.

6. Non – executive directors' remuneration

To approve the fees and sitting allowances for the non-executive directors for the year ending 31st August 2024.

6.1 Annual fees

Chairman – K12 000 000 (2023: K6 900 000) per annum.

Directors – K10 500 000 (2023: K6 900 000) per annum.

6.2 Sitting allowances

Chairman – K550 000 (2023: K354 000) for each committee and / or board meeting attended.

Directors – K450 000 (2023: K345 000) for each committee and / or board meeting attended.

6.3 Remuneration of the executive directors

To authorise the non-executive directors to determine the remuneration of the executive directors for the year ending 31st August 2024.

Notice of Meeting

7. Approvals required for resolutions

All resolutions require the approval by a simple majority of votes cast by shareholders of the company as are entitled to vote, voting in person or by proxy at a general meeting.

7.1 Proof of Identification Required

Any shareholder or proxy who intends to attend or participate at the annual general meeting must, when requested, be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A national identity card issued by the government state, valid driver's license or passport will be accepted at the annual general meeting as sufficient identification.

8. 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 at Standard Bank of Malawi, Kaomba Centre, Corner Victoria Avenue & Sir Glyn Jones Road, Blantyre, not later than 16h00 on Wednesday, 21 February 2024.

Dated the xxxxx
By order of the Board

Maureen kachingwe
Company Secretary

Registered Office:
Churchill Road, Limbe, Malawi

ILLOVO SUGAR MALAWI

FORM OF PROXY FOR THE 59TH ANNUAL GENERAL MEETING

I/We ____

(Name/s in block letters)

of

____

(Address)

being the shareholder/member
of the above named 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 Ryalls Hotel, Blantyre, Malawi on Thursday, 29th February 2024 at 14h00 and at any adjournment thereof as follows:

FORM OF PROXY FOR THE 59TH ANNUAL GENERAL MEETING (continued)

Agenda Item		Mark with X where applicable		
		In favour	Against	Abstain
1	Approval of minutes			
2	Adoption of 2023 annual financial statements			
3	Dividend			
4	Re-appointment of Ernst & Young as auditors			
5	Election of directors			
	5.1 N/A			
	Re-election of directors			
	5.2 Ravi Savjani			
	5.3 Violette Chanza-Santhe			
	5.4 Andre Lubbe			
6	Determination of directors' remuneration			
	6.1 Fixing directors' annual fees			
	6.2 Fixing directors' sitting allowance			
	6.3 Executive directors' remuneration			

Signed at ____________________ on this __________________ day of ____________________ 2024

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 on Wednesday, 28 February 2024.
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.

SUGAR ILLOVO MALAWI

AN **ILLOVO SUGAR AFRICA** COMPANY

TOGETHER **WECAN**

PAMODZI **NDIZOTHEKA**

CONTRIBUTE TO ECONOMIC GROWTH

SUGAR ILLOVO MALAWI

AN **ILLOVO SUGAR AFRICA** COMPANY

ISM AGM APP

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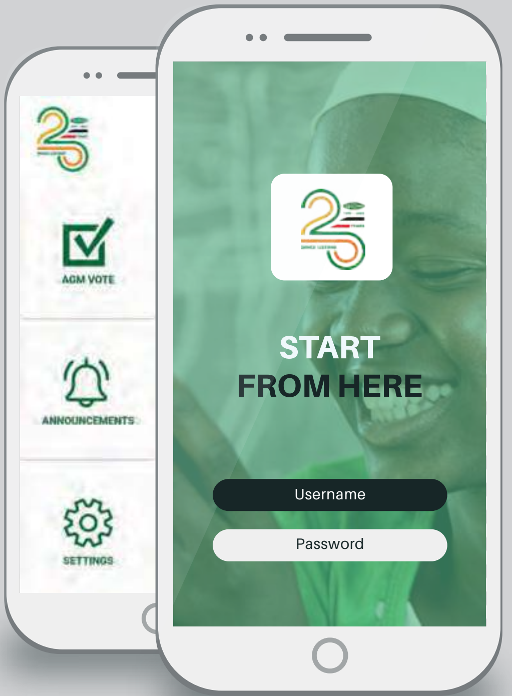
HERE IS AN EASY STEP BY STEP GUIDE ON THE VOTING PROCESS TO THE 2023 ISM AGM.

While we will do a short demonstration of the voting during the AGM, it is advisable that you should **download the App before the meeting**. Please note that you will need **a smart phone in order to vote**.



HOW TO INSTALL THE APP

1 Open **Google Play Store** or **Apple Store** on your phone and search for " ISM AGM App"

2

3

INSTALL

Install **Mobile App** to device

HOW TO LOGIN

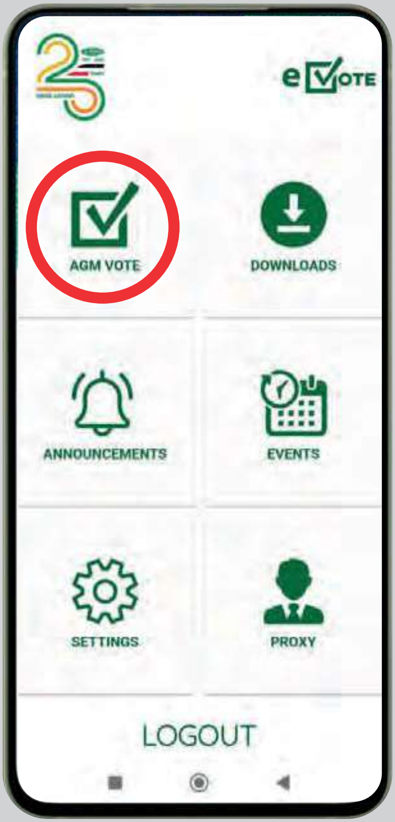
2 Once you open the app you will be prompted to select your role **Proxy or Shareholder**

2 To access the app you will need the following:

1. **Shareholder certificate number**
2. Default Password. **"12345"**

Once you login for the first time using the default password, you will be requested to change it before you proceed

HOW TO VOTE DURING THE AGM



1. To vote for the AGM resolutions select **"AGM VOTE"** icon then proceed to select the active AGM on the list.

2.

3.

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AN ILLOVO SUGAR AFRICA COMPANY